

Comprehensive Annual Financial Report

For the fiscal year ended
August 31, 2018



Rendering of North Middle School Modernization

PO Box 2098
Everett, WA 98213
www.everettsd.org



Comprehensive Annual Financial Report

For the fiscal year ended
August 31, 2018

Prepared by the Finance and
Business Services Department

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PO Box 2098
Everett, WA 98213
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**Certificate of Achievement for
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EVERETT PUBLIC SCHOOLS
MEMBERS OF THE BOARD OF EDUCATION
AND
ADMINISTRATION STAFF
FOR THE YEAR ENDED AUGUST 31, 2018

SCHOOL BOARD

TERM EXPIRES

Caroline Mason, President.....	2021
Carol Andrews, Vice President	2019
Traci Mitchell, Legislative Representative.....	2021
Pam LeSesne.....	2023
Ted Wenta	Resigned 6/9/2018

ADMINISTRATIVE STAFF

Dr. Gary Cohn, Superintendent
 Dr. Peter Scott, Associate Superintendent - Curriculum Assessment & Special Programs
 Dr. Joyce Stewart, Deputy Superintendent - North Region
 Dr. Sally Lancaster, Assistant Superintendent - Central Region
 Larry Fleckenstein, Assistant Superintendent - South Region
 Jeffrey Moore, Executive Director of Finance & Business Services
 Mike Gunn, Executive Director of Facilities & Operations
 Debbie Kovacs, Assistant Superintendent of Human Resources, Equity and Access
 Becky Clifford, Executive Director of Special Services

PRINCIPALS

ELEMENTARY SCHOOLS

Bruce Rhodes.....	Cedar Wood
Dawn Weddle	Emerson
Darren Larama	Forest View
Monique Beane.....	Garfield
Celia O'Connor-Weaver	Hawthorne
Falicia Green.....	Jackson
Heather Paddock	James Monroe
Elizabeth Kelley	Jefferson
Cindy Foster.....	Lowell
Amanda Overly	Madison
Brenda Fuglevand	Mill Creek
Maggie Heater	Penny Creek
Kim Brenner	Silver Firs
Dr. Donna Morris	Silver Lake
Tina Farias	View Ridge
Tony Wentworth.....	Whittier
Dr. Betty Cobbs.....	Woodside

MIDDLE SCHOOLS

Kevin Allen.....	Eisenhower
Michele Waddel.....	Evergreen
Linda Butler	Gateway
Laura Phillips.....	Heatherwood
Mitch Entler.....	North

SENIOR HIGH SCHOOLS

Cathy Woods.....	Cascade
Lance Balla.....	Everett
Dave Peters	Henry M. Jackson
Kelly Shepherd	Sequoia



3900 Broadway, Everett, WA 98201
www.everettsd.org

Board of Directors

Caroline Mason
President

Carol Andrews
Vice President

Traci Mitchell
Legislative Representative

Pam LeSesne

Jamyang Dorjee Nhangkar

Administration

Dr. Gary Cohn
Superintendent

Dr. Joyce Stewart
Deputy Superintendent

Dr. Peter Scott
Associate Superintendent

Dr. Sally Lancaster
Assistant Superintendent

Larry Fleckenstein
Assistant Superintendent

Debbie Kovacs
Assistant Superintendent

February 28, 2019

To the Board Members and Citizens of Everett Public Schools:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of Everett Public Schools for the fiscal year ended August 31, 2018.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the district's administration. We believe that the data presented herein is accurate in all material aspects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the district. All pertinent information necessary to enable the reader to gain the maximum understanding of the district's financial affairs has been included.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This introductory letter to the board is designed to complement the MD&A and should be read in conjunction with it. The district's MD&A can be found immediately following the report of the independent auditors.

The Comprehensive Annual Financial Report is presented in three sections as described below:

The **introductory section** includes this transmittal letter, an organization chart, and copies of certificates of excellence and achievement on prior year reports. This section is intended to provide a summary of financial transactions, an overview of the school district, and a summary of other significant facts for trends related to the school district.

The **financial section** includes the MD&A, government-wide and fund financial statements, fiduciary fund financial statements, notes to the financial statements, required supplemental information (RSI), supplemental information other than MD&A, as well as the independent auditor's report on the financial statements.

The **statistical section** includes selected financial and demographic information, presented on a multi-year basis, where possible. This section is intended to provide additional financial and non-financial information relevant to the school district. This section is unaudited.

Considerable effort has been made over the years to ensure that proper accounting procedures have been developed to allow for the preparation of a comprehensive annual financial report in accordance with generally accepted accounting principles.

District management is responsible for establishing, evaluating, and maintaining an internal control structure designed to ensure that district assets are adequately protected and to provide a reasonable basis for asserting that the financial statements are fairly presented in conformity with generally accepted accounting principles. Internal controls are designed on a cost-benefit basis to provide reasonable assurance that these objectives are met. The concept of reasonable assurance and cost benefit recognizes the cost of a control should not exceed the benefits derived and the evaluation of controls requires estimates and judgments by management. We believe the district's internal controls provide reasonable assurance of accurate recording of financial transactions.

Washington State law requires an annual audit of the financial records and transactions of Everett Public Schools be performed by the Washington State Office of the State Auditor. The scope of the audit concentrates on four areas: (1) internal controls; (2) financial statements; (3) federal program compliance (as a recipient of federal and state financial assistance, the district is required to undergo a single audit in conformity with the Single Audit Act Amendment of 1996 and US Office of Management and Budget A-133, Audits of State, Local Governments, and Non-Profit Organizations, and with Title 2 US Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)), and; (4) compliance with applicable state and local regulations. The district's internal controls are reviewed and tested to determine the adequacy of the internal control structure, including the portion related to federal financial assistance programs. The audit for the fiscal year ended August 31, 2018, is complete and the *Independent Auditor's Report* is included in the Financial Section of this report. Audit results indicate an unmodified opinion.

The level of detail and reporting illustrated in the Comprehensive Annual Financial Report promotes an understanding of the scope and character of the financial needs and accomplishments of the district to the board, our taxpayers, and interested citizens.

SCHOOL DISTRICT PROFILE AND SERVICES

This report includes all funds of the district. It includes all activities considered by the State of Washington to be part of the public-school system. Everett Public Schools is an independent school district, incorporated as a municipal corporation under Washington State law. The elected five-member (six-year terms) school board is the official policy-making body that gives general policy guidance to the appointed administrative staff. The administrative staff is responsible for the daily operation of the district.

The district operates seventeen elementary schools (grades K-5), five middle schools (grades 6-8), four high schools (grades 9-12), and several special programs at multiple sites. The district provides a full range of school programs and services for our 19,887 full time equivalency (FTE) students. This includes basic education, vocational education, pupil transportation, food services, special education for students with special needs, and numerous programs for remedial and enriched education.

ECONOMIC CONDITION AND OUTLOOK

Everett Public Schools is located in Snohomish County in northwest Washington State. The school district boundaries encompass 39 square miles and include most of the cities of Everett and Mill Creek, as well as portions of unincorporated Snohomish County with an estimated population of more than 145,000 individuals residing within its boundaries. The district is the second largest school district in Snohomish County and the fourteenth largest district in the state. Everett is the largest city in the county and serves as its economic and cultural center, as well as the home of the county seat.

The Everett/Mill Creek/Snohomish County economy continues to diversify with major industries including aircraft production, high-tech electronic and electrical equipment manufacturing, pharmaceutical, health care, transportation, and a variety of other industrial and commercial businesses. The expanding economic base also includes increased commercial port activity and the U.S. Navy's homeport in Everett. The total population of Snohomish County was estimated to be 801,663 in 2017, and is forecasted to increase to approximately 900,000 residents by 2025. With this projected growth supporting increased student enrollment numbers, test scores that consistently out-perform state averages, and excellent community support, the district continues to have a strong tax base and remains an attractive choice for families.

The Puget Sound area and Snohomish County led the nation out of the global economic recession as demonstrated by numerous economic indicators. The county unemployment rates peaked at over 10.5 percent in early 2011 and has since steadily declined to 3.6 percent in December of 2018. We continue to see increases in housing starts and commercial construction, an area that significantly contributed to job loss in past years.

Growth in Snohomish County's manufacturing sector has been fueled to a great extent by hiring in the aerospace industry's product and parts manufacturing subsector. Boeing currently assembles the vast majority of its "wide-bodied" jet airplanes (747, 767, KC-46A, 777, and the 787) at its Everett plant, which is the largest building in the world by volume (472 million cubic feet). The success of the revolutionary 787 jet airplane has significantly contributed to increased overall production.

The local economic benefit was enhanced further by the company's decision to build the carbon-fiber, composite wings for the new 777X airplane at a new building at its Paine Field facility. The company has completed the new 1.3 million square foot, composite-wing line, a LEED Silver facility, and is hard at work on the 777X. The company rolled out the first full-size 777X test airplane in September and will begin flight testing this year.

The Boeing Future of Flight Aviation Center and tour complex now hosts over 110,000 visitors annually. In addition, they have completed the construction of a new state-of-the-art delivery center. The 180,000 square-foot facility was built to help Boeing keep pace with jet deliveries over the coming years as the company increases airplane production. The new center and its 600 workers can deliver three aircraft simultaneously and has jet bridges like those at commercial airports. The sculpted, silvery-gray exterior also includes 27,098 square feet of glass.

Federal regulators on February 21, 2019, approved the start of commercial air service at Paine Field giving a green light to long-sought passenger flights from a new two-gate terminal on the east side of the airport. The construction of the next generation 27,000 square-foot terminal boasts an amazing 10-minute time from the parking lot to the airplane.

The decision means Alaska Airlines and United Airlines can begin operations at the Snohomish County-owned airport as planned. The two carriers are offering a combined 24 daily departures from Everett beginning in March.

Naval Station Everett is the homeport for over 6,100 military and civilian personnel. In addition to the current fleet, the Navy has sited the USS Ralph Johnson, one of its newest destroyers, in Everett.

The City of Everett continues to make progress with the private development of 225 acres of property along the Snohomish River. Polygon Northwest has completed nearly half of the residential units, including single-family housing units to the south and town houses along the river at the north end of the property.

In August 2019, Shelter Holdings is set to begin development of a 70-acre commercial district located between the two residential projects. It features a movie theater and specialty grocery store anchoring a pedestrian-friendly plaza with brick walkways and room for street fairs and farmers markets. The area would also include 230,000 square feet of retail space and 120,000 square feet of office space.

The international toy maker, Funko, has relocated its corporate headquarters in downtown Everett drawing fans from all over the world. The company is a powerhouse in the collectibles industry, distributing millions of bobbleheads, action figures, and vinyl figurines. Funko celebrated the first anniversary of their downtown headquarters in August, and they've already expanded to several more buildings nearby adding more than 175 new employees over the past two years.

Seattle Children's Hospital opened its North Clinic in Everett near its partner Providence Regional Medical Center. The 37,000 square-foot clinic offers ten (10) medical services new to the region. The \$28 million regional clinic is intended to serve patients from the Canadian border to Shoreline. Children's North anticipates more than 26,000 patient visits over the next 12 months.

The Port of Everett is a major deep-water port on Puget Sound. Its operations include nine deep-water piers, two shipping terminals, dry storage, and the largest pleasure boat marina on the west coast with over 2,550 moorage slips.

The Port of Everett has reached a major milestone on its modernization project to strengthen its south terminal. The strengthened dock is designed to support the next generation of over-dimensional cargo, including aerospace parts for the new 777X by December 2019. In total, 343 piles were set since the \$36 million project kicked-off in summer 2018. Upland structural and utility work will continue throughout the year.

The Port is also making significant progress on the Waterfront Place development. The project includes five (5) districts: Fisherman's Harbor, the Millwright District, the Esplanade District, Wharf's Edge and the Craftsman District. The development plan calls for up to 155,000 square feet of Marine

sales and services, 512,800 square feet of retail/commercial, six restaurants, two hotels and 660 residential units. The shoreline is entirely accessible to the public with parks and trails in what is termed “The Esplanade.” The entire project will support more than 2,000 jobs and \$8.6 million in new tax revenue to state and local governments.

The Craftsman District was completed as part of the Port’s development of a boatyard in 2009, and Fisherman’s Harbor is the first phase of the mixed-use project to proceed. The 98,000 square-foot Hotel Indigo, a business and lifestyle hotel, is set to open in June 2019. The \$36,000,000 project offers 142 rooms, more than 7,000 square feet of event space and the full services of a restaurant, bar, and indoor pool surrounded by beautiful outdoor plazas.

Port’s Riverside Business Park is also under construction, bringing up to 800 new jobs to Everett. The site is already home to Northwest Aerospace Technologies and a new FedEx Freight facility, and Panattoni Development Company is also developing 9.7 acres to construct additional commercial and industrial space.

The City of Mill Creek, including its adjacent areas, is primarily a residential community and is one of the fastest growing areas of the district. Incorporated in 1983, Mill Creek has had several annexations adding numerous residential subdivisions to the original development.

Mill Creek Town Center is a multi-level, mixed-use center on a 23-acre site adjacent to the existing business district. The Town Center incorporates retail stores and boutiques, restaurants, and offices as well as residential and entertainment amenities. The outdoor mall has a park like setting among nature trails and creeks in the surrounding golf course community.

A second mixed-use urban village has been completed in the eastern portion of Mill Creek. The 52-acre East Gateway Urban Village includes 889,000 square feet of retail, office, and multi-family dwelling units.

These successful economic development efforts have created a diversification of business and industry. Diversification, combined with the noted major municipal projects, has made the area less susceptible to the ups and downs of the aerospace industry. Snohomish County should continue to be an attractive center for business growth in the years ahead due to the availability of land, office and manufacturing space, access to various modes of transportation, strong education systems, recreational opportunities, and the physical beauty of the Pacific Northwest.

In addition to the Boeing Company, other major private employers in the area include:

- | | |
|-------------------------------------|-----------|
| • Providence Everett Medical Center | 4,906 FTE |
| • The Everett Clinic | 2,871 FTE |
| • Premera Blue Cross | 2,200 FTE |
| • Alberstons/Safeway | 2,177 FTE |

We believe the local economy will continue to reap steady financial trends. Our history of strong fiscal management, strong local support, as well as the implications inherent in the enforcement of the McCleary case on the state’s

funding of school districts, demonstrates the stability of the district as we navigate economic times ahead.

MAJOR INITIATIVES

Strategic Plan -- At Everett Public Schools, the board of directors has a long-standing tradition towards strategic planning, with the deepest commitment of providing leadership to guide the district's goals and the accomplishment of its initiatives. A new strategic plan has been completed following a two-year process. Community members, staff, parents, and students came together and a broad-based, community-supported, multifaceted vision for the future of Everett Public Schools was developed.

21st Century Skills -- Our mission is to prepare each student for success in 21st century life, college, and work. This requires us to go beyond the minimum expectations established by our current systems of accountability. This means continuing to value a rigorous academic curriculum as has been our history, but it also means, as a necessary set of competencies for 21st century students, prioritizing the following:

- Collaboration
- Communication
- Creativity
- Critical Thinking
- Growth Mindset

Science, Technology, Engineering and Math (STEM) -- For upwards of a decade, Everett Public Schools implemented a commitment to STEM education, providing each student, in every school with high quality, challenging science, technology, engineering and mathematics instruction from pre-kindergarten to graduation. The STEM program is comprised of mathematics education aligned to the Common Core state standards and practices, science and engineering education aligned to the Next Generation Science Standards, and Career and Technology Education (CTE). Classroom based learning is complemented with extended learning, which extend students' learning experiences beyond the school day through club-type experiences such as robotics, as well as work place learning, which provide students with career connected learning experiences through programs such as the district's annual Innovation Expo and high school internships.

In recent years, the district continues to develop high school career pathways in the areas of aerospace and advanced manufacturing, medical and health, information communication technology, education careers, business and professional services, and energy and sustainability. The Cascade High School auto shop has been converted into an aerospace and advanced manufacturing lab, and the vocational building at Everett High School has been modernized to house the medical and health pathway. The district received \$2 million from the 2018 State Legislature appropriation and was just awarded an additional \$1.9 million grant from the Office of Superintendent of Public Instruction (OSPI), setting them at nearly one-third of the way to the total modernization of the medical and health pathway facility.

Just recently the district has partnered with the City of Everett on a new "Everett Career Link" program to create summer business internships providing real-world experiences for high school students. The program

serves to link local businesses with emerging local talent for a 90-hour summer internship while the students earn high school credits.

On-time Graduation Learning Community (OTG) -- The district's OTG team, comprised of high school principals, success coordinators, and central office staff, continues to meet regularly to drive content, process, resource, and align goals in order to improve graduation outcomes for students in Everett Public Schools and, ultimately, reach a 100 percent graduation rate. This student-by-student support system has driven the four-year graduation rate to 95.7 percent for the class of 2018, and the five-year graduation rate to 94.6 percent for the class of 2017.

Early Learning – A significant body of research from three different fields strongly supports the importance of early learning. Everett Public Schools is fully engaged in expanding and strengthening the quality of children's early learning opportunities. This includes the development of leadership capacity, building early learning partnerships, ensuring aligned and effective instruction from preschool through third grade, and including parents as partners.

The State of Washington has completely phased in funding for full-day kindergarten (FDK) programs, including all 17 of the district's elementary schools. The state is also expanding the state-funded preschool program for low-income families, Early Childhood Education and Assistance Program (ECEAP). Currently, Everett Public Schools offers ECEAP at Hawthorne, Garfield, Madison, Silver Lake, and Lowell elementary schools.

Foundation Support -- The Everett Public Schools Foundation, established in 1985, provided over \$400,000 of financial support to the district during the 2017-18 school year. This tremendous support from our community included investments in teacher and classroom grants, combined tuition assistance for summer school and college in the high school tuition, higher education scholarships, school supplies from their "stuff the bus" event, and funding for other district events and programs such as High School and Beyond events.

Local Levy Support -- In an election held February 2018, the voters of the district again showed their support by approving a four-year Educational Programs and Operations Levy. The replacement levy will continue to support district programs through the 2022 calendar year and constitutes approximately 23 percent of General Fund revenue.

Capital Bond and Levy -- In the April 2016 special election the voters supported both a capital bond for \$149.7 million and a six-year, \$89.6 million replacement capital levy. The focus of these funds are for instructional technology, building safety, maintenance, and portables for student growth. The bond funds will be used to modernize North Middle School, Woodside Elementary School, construct new elementary school no. 18, and purchase property for new elementary school no. 19.

BUDGETARY CONTROL

The board of directors adopts annual budgets for all governmental funds, establishing the level of budgetary control at the fund level. The district maintains an encumbrance accounting system. Open encumbrances are liquidated and reestablished at the beginning of the next fiscal year. The

district actively engages the community and staff under several forums, including the strategic planning process and the Fiscal Advisory Council. Additional information on accounting systems and budgetary controls are included in the Notes to the Financial Statements (Notes 1-8).

LONG-TERM FINANCIAL PLANNING

The district conducts long-term financial planning in both the General and Capital Projects Funds. The General Fund planning model is projected out for a period of four years and is updated twice annually, including the fall update based upon actual enrollment and staffing, as well as a spring update based upon legislative outcomes. Enrollment is perhaps the single most important factor directly affecting levels of funding the district receives at the state and federal level. Enrollment projections are carefully prepared and continue to show an increasing trend.

Historical and projected head-count enrollments for the district are shown below:

<u>Historical</u>		<u>Projected</u>	
2013	18,820	2019	20,262
2014	19,221	2020	20,548
2015	19,496	2021	20,804
2016	19,731	2022	20,946
2017	19,887	2023	21,178
2018	20,079	2024	21,315

The district has a strategic plan that is paramount to the district's long-term planning. Its coordinated vision encompasses many areas across the district's instructional programs and operations. The plan drives its goals and identifies actions to achieve prioritized objectives. The district's long-standing commitment to reviewing and updating the strategic plan is evidenced in how it plans for and aligns its financial resources.

The district evaluates the conditions of its facilities and uses enrollment projections and demographic studies to help make decisions related to school properties. Every six years, the district prepares a State Study and Survey document which includes data about the district's educational facilities, building conditions, safety evaluations, and information about current and long-range needs. An asset preservation program is maintained for any new facility or replacement facility constructed after 1993 that received state financing assistance for its original construction. There are currently seven schools under this requirement, HM Jackson High School, Evergreen and Gateway Middle schools, Hawthorne, Jefferson, Monroe, and View Ridge Elementary schools. A database is used to maintain information pertaining to the asset preservation program in order to remain eligible for future construction assistance financing from the state.

In addition, the Capital Projects Fund maintains a long-term projection of facility needs based upon a 48-year building modernization cycle divided into twelve phases. Under this model of planning and management of funding mechanisms, the majority of all the district's properties will undergo a major modernization within an average of 45 to 48 years of its original construction, or last major modernization. The most recently completed phase included modernizations to Garfield, Jefferson, Monroe, Silver Lake, View Ridge, and Whittier Elementary schools, as well as the Everett High School gymnasium and Little Theater, and Lively Environmental Center. Included in the

approved capital bond last April 2016, are modernizations at North Middle School and Woodside Elementary. Based on the next phase of the updated 48-year modernization cycle, potential buildings to be modernized are Cascade High School gymnasium, science building, automotive shop and trades building, Everett High School vocational building, civic auditorium and cafeteria and the Athletics building located at Memorial Stadium. The district evaluates future capital funding sources including future bonds and capital levies to allow for the renovations at those sites that most need it, as well as other potential capital projects such as HVAC upgrades, technology infrastructure upgrades, safety and security upgrades and purchases of new portable classrooms.

CERTIFICATES OF EXCELLENCE AND ACHIEVEMENT

The Association of School Business Officials (ASBO) awarded the district its Certificate of Excellence in Financial Reporting (CAFR) for the year ended August 31, 2017. The district has received the award each year since 1987.

The Government Finance Officers Association (GFOA) awarded the district its Certificate of Achievement for Excellence in Financial Reporting for the year ended August 31, 2017. The district was graded proficient in all areas of the CAFR. This certificate of achievement is the highest form of recognition in governmental accounting and financial reporting. This is the twelfth consecutive year the district has received this award from GFOA.

We believe our 2018 report conforms to the principles and standards of the Certificate of Excellence and Certificate of Achievement program requirements. The report will be submitted to both ASBO and GFOA for their review.

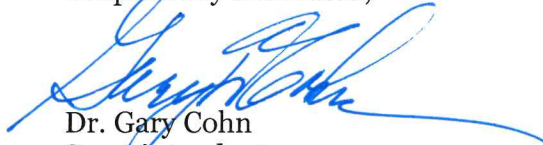
ACKNOWLEDGMENTS

The publishing of this annual financial report is made possible through the continued interest and support of the board of directors. We respectfully acknowledge the sincere and responsible financial stewardship evidenced by the board.

The dedicated expertise of the Finance and Business Services department's accounting and finance staff in preparation of this report is commendable. We recognize the additional knowledge and effort necessary to publish a comprehensive annual financial report.

In closing, we wish to thank the Washington State Auditor's Office for the timely and professional completion of their independent financial audit.

Respectfully submitted,



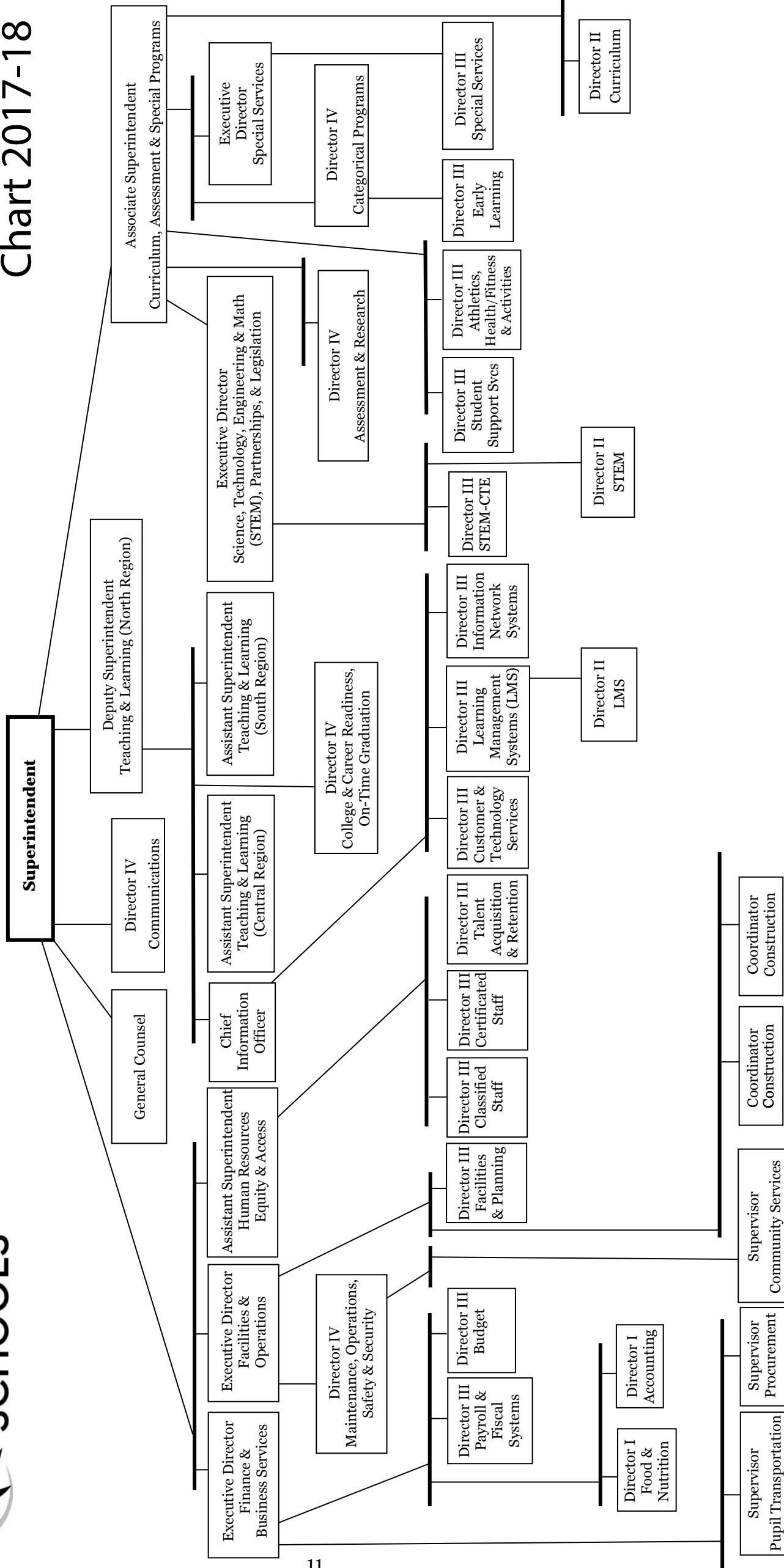
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Jeffrey Moore
Executive Director
Finance & Business Services
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Central Services Organization Chart 2017-18





ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

Everett Public Schools

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended August 31, 2017.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



A handwritten signature in black ink, reading 'Charles E. Peterson, Jr.'.

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

A handwritten signature in black ink, reading 'John D. Musso'.

John D. Musso, CAE
Executive Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Everett Public Schools
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2017

Christopher P. Morrell

Executive Director/CEO



SECTION II FINANCIAL

Independent Auditor's Report

Management Discussion and Analysis

Government-Wide Financial Statements

Governmental Fund Financial Statements

Fiduciary Fund Financial Statements

Notes to the Financial Statements

Required Supplementary Information

Supplementary Information





Office of the Washington State Auditor Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

February 28, 2019

Superintendent and Board of Directors
Everett School District No. 2
Everett, 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 Everett School District No. 2, 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 in the table of contents.

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 Everett School District No. 2, 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 1 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 in the table of contents 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 combining financial statements and schedules are presented for purposes of additional analysis and 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. This information has been subjected to 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.

Our audit was conducted for the sole purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The Introduction and Statistical Sections are presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated February 26, 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. That report will be issued under separate cover in the District's Single Audit Report. 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.

Sincerely,

A handwritten signature in black ink, appearing to read "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy

State Auditor

Olympia, WA



**EVERETT PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018**

The discussion and analysis of the Everett Public Schools' (Everett School District No. 2) financial performance provides an overview of the district's financial activities for the fiscal year ended August 31, 2018. The intent of this discussion and analysis is to look at the district's financial performance as a whole. Readers should also consider the transmittal letter, financial statements and notes to the basic financial statements to enhance their understanding of the district's financial performance.

FINANCIAL HIGHLIGHTS

- ❑ As of August 31, 2018, district net position from governmental activities was \$187.7 million.
- ❑ During the year, the district had revenues for all governmental activities that were \$27.0 million higher than the \$303.0 million in expenses.
- ❑ The district's governmental funds reported combined ending fund balances of \$85.0 million for the fiscal year.
- ❑ The General Fund's revenues and other financing sources exceeded expenditures by \$0.6 million for the fiscal year.
- ❑ The General Fund's ending fund balance of \$25.5 million was above the board policy target of a minimum five percent of annual expenditures for total general fund balance.
- ❑ The district's total long-term debt outstanding was \$171.4 million as of August 31, 2018.
- ❑ The average student enrollment increased by approximately 146 full time equivalent (FTE) students compared to the previous year.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Everett Public Schools as a financial whole, while also providing an increasingly detailed look at specific financial activities.

The "Statement of Net Position" and the "Statement of Activities" provide information about the activities of the district as a whole and present a longer-term view of the district's finances. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statement section shows the district's operations in more detail than the "government-wide" statements by providing information about the district's most significant funds, including its governmental funds, and fiduciary funds.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The analysis of the district as a whole in the *government-wide financial statement* section identifies how the district did financially as well as whether the financial position has improved or diminished. The "Statement of Net Position" and the "Statement of Activities" include all assets, deferred outflows/inflows of resources, liabilities, revenues and expenses of the district's governmental funds, using the accrual basis of accounting similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash was received or paid.

These two statements report the district's net position as well as any associated change in net position. One measure of the district's financial health is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which defines the net position. In addition, there are other measures which include non-financial factors such as changes in the district's student enrollment, property tax base, and condition of our facilities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Governmental Funds -- The district's activities and services are reported in governmental funds. These statements provide a detailed short-term view of the most significant funds and not the district as a whole. They focus on the flow of money into and out of those funds and the balance available at the end of the year for future spending periods. The accounting method utilized is "modified accrual" which measures cash and all other financial assets that can easily be converted to cash. The governmental fund information presented allows the reader to determine whether there are more or fewer financial resources that can be utilized in the near future to finance district programs. The relationship (or differences) between governmental activities (Schedule 1 - Statement of Net Position and Schedule 2 - Statement of Activities) and governmental funds are shown in a reconciliation on Schedule 3A and Schedule 4A of the fund financial statements. Descriptions of the data listed in the columns of Schedule 3A and Schedule 4A are listed in the Notes to the Financial Statements, Note 2.

Fiduciary Funds -- These funds consist of private purpose trust funds which the district must use for the benefit of individuals, private organizations, scholarships and other specific private purposes. The district is responsible for ensuring the assets reported in these funds are used for their intended purpose. Fiduciary fund activities are excluded from the district's financial statements as a whole, because the district is not able to use these assets to finance its operations.

THE DISTRICT AS A WHOLE

This analysis focuses on the net position per Table 1 and the changes in net position per Table 2 from the district's governmental activities. The narrative will show that the district's financial position diminished over the period, primarily due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. Factors that still illustrate a positive financial position include, despite of newly presented Other Post-Employment Benefits (OPEB) liabilities and its deferred inflows, include an increase in assets, decrease in the pension liability, and increase in net investment in capital assets (as shown in Table 1). Furthermore, revenues outpacing expenses (as shown in Table 2) contribute to a stronger financial position.

The district's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$187.7 million as of the end of the 2017-18 fiscal year. The ratio of liabilities and deferred inflows of resources to assets and deferred outflows of resources is 68 percent.

The value of the district's net investment in capital assets (i.e. land, buildings, and equipment) was \$263.7 million. The net investment in capital assets is the historical cost of capital assets, net of accumulated depreciation, plus capital-related deferred outflows of resources, less capital-related borrowing (bonded debt incurred to acquire the capital assets) and deferred inflows of resources related to capital assets. This value represents the largest portion of net position. The substantial investment in capital assets represents the district's track record of building and modernizing its schools in accordance with its long-term mission of providing quality education in state-of-the-art and up-to-date facilities. These assets are not available for future spending and the debt associated with these assets will be paid from levied property taxes (authorized by the voters in the 2006 and 2016 capital bonds).

Total liabilities of \$374,363,065 have increased as compared to the prior year by approximately \$9.6 million. The increase in liabilities is due to an increase in the recognition of the Other Post-Employment Benefits (OPEB) liability required by the new GASB Statement 75, offset by a decrease in pension liabilities and bonds outstanding.

Restricted net position total of \$63.7 million are resources subject to external restrictions on how they may be used. They consist of funds that have constraints imposed by law through enabling legislation (Capital, Transportation Vehicle, and ASB Funds), externally imposed debt covenants (Debt Service Fund), externally imposed regulations of contributors, and external contractual impositions of grantors and regulations of other governments upon state and federal grant funds (Carryover Restricted Revenues for Education and Operations).

The unrestricted portion of net position is any portion not already classified as either net investment in capital assets or restricted. The unrestricted portion represents resources that may be considered available to finance normal district government activities without external constraints imposed by law through constitutional provisions or enabling legislation, laws and regulations of other governments; or constraints established by debt covenants. It is possible for a negative unrestricted net position to exist where liabilities, deferred inflows of resources, net investment in capital assets, and other restricted portions exceed assets and deferred inflows of resources.

Table 1 - Net Position

	2017-2018	2016-2017
Current and Other Assets	\$ 155,305,443	\$ 163,521,720
Capital Assets	417,130,336	397,334,645
Total Assets	572,435,779	560,856,365
Deferred Outflow - Pensions	10,758,903	10,117,257
Deferred Outflow - OPEB	1,709,770	-
Deferred Loss on Refunding	6,065,289	8,052,035
Total Deferred Outflows of Resources	18,533,962	18,169,292
Long-Term Liabilities	354,553,169	353,446,681
Other Liabilities	19,809,896	11,355,971
Total Liabilities	374,363,065	364,802,652
Deferred Inflow - Pensions	19,369,430	13,560,340
Deferred Inflow - OPEB	9,572,828	-
Total Deferred Inflows of Resources	\$ 28,942,258	\$ 13,560,340
NET POSITION		
Net Investment in Capital Assets	\$ 263,670,354	\$ 245,424,439
Restricted	63,653,063	60,196,040
Unrestricted	(139,658,999)	(104,957,814)
TOTAL NET POSITION	\$ 187,664,418	\$ 200,662,665

Governmental Activities

As Table 2 shows, revenues exceeded expenses for the 2017-18 year resulting in a \$27.0 million increase in net position. Total revenues increased by \$26.3 million, while overall expenses increased by \$26.8 million. The most significant revenue increases were evident in the program revenues, operating grants and contributions (increase of \$7.8 million), general revenues, including property taxes (increase of \$4.0 million) and unallocated revenue (increase of \$13.0 million). Increases in operating grants and contributions are due to increased state special education apportionment, increased state funding for transportation operations and other state and federal operating grants for special, compensatory, and other instructional programs where funding is driven by increased student enrollment. Unallocated revenue increase is from basic state apportionment funds as a result of increased annual average enrollment and increased state legislative investments toward fully funding basic education (per the McCleary decision).

The overall increase in program expenses is most evident in regular instruction (increase of \$15.3 million), special education (\$4.1 million increase), support services (\$3.4 million increase), compensatory education (\$2.0 million increase), and vocational education (\$1.3 million increase).

Table 2 - Changes in Net Position

	Governmental Activities	
	2017-2018	2016-2017
Program Revenues		
Charges for Services	\$7,617,748	\$7,056,108
Operating Grants and Contributions	66,263,336	58,481,564
Capital Grants and Contributions	446,083	367,778
General Revenues		
Property Taxes	105,425,567	101,448,812
Unallocated Revenue	148,752,291	135,730,435
Interest and Investments	1,521,146	688,255
TOTAL REVENUES	\$330,026,171	\$303,772,952
Program Expenses		
Regular Instruction	\$176,036,922	\$160,689,790
Special Education	37,497,974	33,402,323
Vocational Education	9,949,166	8,630,445
Compensatory Education	14,819,528	12,862,755
Other Instructional Programs	3,641,062	3,233,359
Community Services	865,830	586,788
Support Services	51,219,301	47,789,705
Extracurricular Activities	2,291,006	2,118,288
Interest Payment on Long Term Debt	6,702,578	6,869,622
TOTAL EXPENSES	\$303,023,367	\$276,183,075
INCREASE (DECREASE) IN NET POSITION	\$27,002,804	\$27,589,877
NET POSITION BEGINNING (9/1)	200,662,665	173,072,788
Cumulative Effect - Change in Accounting Principle	(40,001,051)	
ADJUSTED NET POSITION BEGINNING	160,661,614	
NET POSITION ENDING (8/31)	\$187,664,418	\$200,662,665

The district's largest programs include regular instruction, special education, vocational education, compensatory education, other instructional programs, community services, support services, extracurricular activities and interest payments. Table 3 represents the total costs of these areas as well as associated financial impacts demonstrated by their net cost. A positive net cost of services indicates the district must fund these costs with unallocated revenues such as property taxes, state apportionment, or investment earnings, or by use of fund balance from dollars received in a prior year. A negative net cost of services indicates that revenues shown in that program exceed the direct expenses of the program for the period. The net cost of services shown below does not take into consideration indirect costs (such as maintenance, insurance, and support services). These indirect costs are not allocated or offset against the net costs of services provided.

Table 3 - Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2017-18	2016-17	2017-18	2016-17
Regular Instruction	\$176,036,922	\$160,689,790	\$174,665,758	\$159,146,022
Special Education	37,497,974	33,402,323	7,176,938	6,487,759
Vocational Education	9,949,166	8,630,445	9,786,726	8,468,832
Compensatory Education	14,819,528	12,862,755	(1,509,353)	(212,997)
Other Instructional Programs	3,641,062	3,233,359	25,639	77,646
Community Services	865,830	586,788	70,878	(121,327)
Support Services	51,219,301	47,789,705	31,655,297	29,304,221
Extracurricular Activities	2,291,006	2,118,288	121,739	257,847
Interest Payment on Long-Term Debt	6,702,578	6,869,622	6,702,578	6,869,622
TOTALS	\$303,023,367	\$276,183,075	\$228,696,200	\$210,277,625

THE DISTRICT'S FUNDS

Information about the district's major funds begins with Financial Statements Schedule 3 and Schedule 4, which are prepared using the modified accrual basis of accounting. All governmental funds had total revenues of \$327,486,369 while expenditures totaled \$346,706,684. Expenditures were \$19,220,315 in excess of revenues for the year.

The General Fund shows an increase in fund balance of \$572,024. The district ended the year with a total fund balance of \$25,476,670, which is 9.3 percent of total expenditures and above the board policy target of 5 percent. The unassigned fund balance was \$18.4 million, or 6.7 percent of total expenditures. Total expenditures increased and were approximately \$1.7 million greater than revenues. The increased fund balance level is partially due to higher than expected revenues and partially due to expenditure savings during the year. State revenues were higher than expected due to increased special education enrollment and transportation funding, which were partially offset by increased expenditures. Conservative budgeting during the 2016-2017 and the 2017-18 budget cycles and conservative spending throughout the district were part of a concerted effort to rebuild general fund balance after a planned draw-down in 2014-15. The increased fund balance provided capacity to smooth the effects of a possible levy cliff in 2018-2019. The 2017 legislature did avert the scheduled 2018 drop in local levy and enacted a new levy cap formula to begin in 2019. This new formula reduces local levy cap and is offset by an increase to the State Schools property tax.

The ASB Fund shows a decrease in fund balance of \$121,739. A minor decrease or increase in the ASB fund balance is expected given the fluctuations from year to year in student group activities and student fund raising efforts to support them. For example, specific clubs, such as band and choral, tend to raise significant funds over a two to three-year period to support a major national or international cultural trip.

The Debt Service Fund shows an increase of \$5,978,507. This increase is on schedule with bond principal and interest payments and aligns with multi-year projections that track cash flow from debt service payments and property tax collections. The debt principal and interest payment due dates are timed to keep tax rates stable and meet the demands of the debt repayment schedule. This results in a fluctuation of fund balance across years, depending on the debt schedule and tax collections.

The Capital Projects Fund had a decrease in fund balance of \$25,612,628, reflecting an increase in spending related to the issuance of the 2016 bonds. Another major funding source for the capital projects fund includes building repair and technology levy proceeds. This source of income aligns with project spending for upgraded technology and other small capital asset preservation projects.

Fund balance decreased by \$20,737 in the Transportation Vehicle Fund. Revenues consist of the state's allocation designated for purchasing buses and a small amount of investment interest. Although the district contracts with an outside vendor to provide buses and pupil transportation, the district also maintains a small fleet of its own buses. Replacement buses are purchased as the fleet ages and as accumulated funds allow. The district purchased two buses during the 2017-18 fiscal year.

Table 4 shows the increase or decrease over prior years by major revenue source and by program expenditures. It is notable that local taxes make up nearly 35 percent of total revenues, while the state funds approximately 60 percent of total revenues. Federal revenues and revenues from other entities comprise the remaining five percent.

All categories of revenue in Table 4 show increases compared to the prior year. The total revenue increase of \$31.4 million consists of an increase of \$10.2 million in local revenues, an increase of \$20.0 million in state resources, an increase of \$666 thousand in federal funds and an increase of \$570 thousand in revenue from other entities. Revenues from other entities consist primarily of \$1.8 million in Early Childhood Education and Assistance Program (ECEAP) funds granted from Snohomish County and approximately \$354 thousand from other county and state grants such as the Student Support Advocate Program. The remaining \$142 thousand includes private entities, such as Everett Public Schools Foundation. Increases in state resources generally move in tandem with increased student enrollment.

Corresponding to the increase in revenues, program expenditures have also increased. Capital outlay shows the largest increase of \$24.4 million, driven by issuance of a bond in 2016. Regular instruction programs increased \$10.4 million. Special education programs increased \$4.5 million. Other instructional programs also increased. Overall increases reflect the district's continued priority of allocating resources to instructional programs. Community services and support services (comprised of maintenance, pupil transportation, administration, nutrition services and information systems) also increased by \$289 thousand and \$5.3 million, respectively. Debt Service spending increased by \$4.3 million, in alignment with debt service payment schedules.

Table 4 - Governmental Funds

Revenue Source	2017-2018 Amount	Percent of Total	2016-2017 Amount	Increase (Decrease) 2016-2017	Percent Increase (Decrease)
Local Taxes & Non-Tax	\$113,564,048	34.68%	\$103,346,312	\$10,217,736	9.89%
State Revenues	196,092,673	59.88%	176,100,974	19,991,699	11.35%
Federal Revenues	15,192,857	4.64%	14,526,511	666,346	4.59%
Other Entities	2,636,791	0.81%	2,066,731	570,060	27.58%
TOTAL	\$327,486,369	100.00%	\$296,040,528	\$31,445,841	10.62%
Expenditures					
Regular Instruction	\$153,237,579	44.20%	\$142,790,589	\$10,446,990	7.32%
Special Education	37,782,660	10.90%	33,303,504	4,479,156	13.45%
Vocational Education	10,053,421	2.90%	8,550,977	1,502,444	17.57%
Compensatory Education	14,964,205	4.32%	12,785,449	2,178,756	17.04%
Other Instructional Programs	3,678,692	1.06%	3,235,928	442,764	13.68%
Community Services	873,396	0.25%	584,183	289,213	49.51%
Support Services	49,514,380	14.28%	44,172,585	5,341,795	12.09%
Student Activities	2,291,006	0.66%	2,118,288	172,718	8.15%
Capital Outlay	47,170,471	13.61%	22,722,663	24,447,808	107.59%
Debt Service	27,140,874	7.83%	22,812,919	4,327,955	18.97%
TOTAL	\$346,706,684	100.00%	\$293,077,085	\$53,629,599	18.30%

Table 5 presents a condensed view of the district's General Fund on its own. Major revenue sources and expenditure functions are compared to the prior year to illustrate changes in General Fund operations.

As summarized by the information in Table 5, state funds comprise 72 percent of the district's General Fund revenue, making it the largest source of revenue for the district's operating funds. Local revenues consist mostly of educational program and operations tax levies, representing approximately 21 percent of total General Fund revenues. Federal revenues and revenues from other entities make up the remainder. General Fund revenues have increased by 8.45 percent. Increased revenue is primarily from the state, in response to the Washington State Supreme Court decision *McCleary vs. State*, finding the state in violation of its constitutional obligation to fully fund K-12 public education and requiring full funding by 2018. The 2016 and 2017 legislative sessions resulted in enhancements for reduced class size in kindergarten through grade three, full day kindergarten in all state schools, as well as enhanced funding for categorical programs such as Highly Capable and Transitional Bilingual. These increases also drive increased expenditures in instruction. Funding increases from the state will continue in 2018-19 fiscal year to include salary allocation enhancements.

General Fund total expenditures have increased by 10.97 percent as compared to 2016-17. The majority of the increase is from instructional expenditures, a \$19.4 million increase over the prior year. Maintenance and operations show increased expenditures of \$4.9 million. Administration expenditures increased \$1.0 million. Increases correspond to rising student enrollment, restricted funding from the state for categorical programs, as well as district investments to increase classroom capacity, improve safety and security, and improve building maintenance and grounds. Other areas that show moderate increases include pupil transportation, nutrition services, and information systems/other services (includes warehouse distribution and motor pool).

Washington State law requires school districts to account for nutrition services operations (school breakfast and lunch programs) in the General Fund. During the fiscal year, Food and Nutrition Services had \$7,699,968 in revenues. The direct expenditures of \$7,541,027 increased \$569,839 from 2016-17. Revenues and expenditures by major functions of the district and changes over the preceding year are presented as follows:

Table 5 - General Fund

Revenue Source	2017-18 Amount	Percent of Total	2016-17 Amount	Increase (Decrease)	Percent Increase (Decrease)
Local Taxes & Non-Tax	\$57,875,504	21.35%	\$57,784,384	\$91,120	0.16%
State Revenues	195,985,424	72.30%	175,885,726	20,099,698	11.43%
Federal Revenues	14,893,158	5.49%	14,227,774	665,384	4.68%
Other Entities	2,336,791	0.86%	2,066,731	270,060	13.07%
TOTAL	\$271,090,877	100.00%	\$249,964,615	\$21,126,262	8.45%
Expenditures/Functions					
Instruction	\$220,638,644	80.89%	\$201,209,238	\$19,429,406	9.66%
Maintenance/Operations	21,772,674	7.98%	16,883,055	4,889,619	28.96%
Pupil Transportation	10,976,715	4.02%	10,374,074	602,641	5.81%
Administration	7,188,091	2.64%	6,176,315	1,011,776	16.38%
Nutrition Services	7,541,027	2.76%	6,971,188	569,839	8.17%
Information Systems/Other Services	4,657,444	1.71%	4,190,196	467,248	11.15%
TOTAL	\$272,774,595	100.00%	\$245,804,066	\$26,970,529	10.97%

General Fund Budgeting Highlights

The district's budget is prepared in accordance with State of Washington law. The district actively engages its community and staff in evaluating priorities through the strategic plan process and the Fiscal Advisory Council. The most significant budgeted fund is the General Fund. Appropriations defined in the budget limit expenditures and may only be increased if the Board of Directors adopts a revised or supplemental budget following a defined process that includes a public hearing.

Required Supplementary Information, Schedule A-1, compares general fund original and final budget amounts with actual amounts for revenues and expenditures. The two budget columns are identical, which indicates there were no general fund budget amendments to the official budget for the fiscal year. Current budget practice consolidates most revenue contingencies in Local Non-Tax. Actual local non-tax revenues will fall anywhere between \$3 million and \$6 million below budget and still be within expectations. Similarly, most expenditure contingencies are contained within Regular Instruction, facilitating the ability to respond to increased enrollment or unforeseen major program revenues. Other expenditure variations include higher than expected enrollment in vocational education programs and greater spending in maintenance to keep pace with building operations and grounds equipment needs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The district has invested \$622.67 million in historical costs for its capital assets such as land, buildings, and equipment. These capital assets (except for land and construction in progress which are not depreciated) have a net accumulated depreciation of \$205.54 million making the capital asset net value \$417.13 million as of August 31, 2018.

**Table 6 - Capital Assets At Year-End
(In Millions)**

	Historical Costs	Accumulated Depreciation	NET
Land	\$41.09		\$41.09
Building and Improvements	548.81	(\$199.17)	349.64
Equipment	13.63	(6.37)	7.26
Construction in Progress	19.14		19.14
TOTALS	\$622.67	(\$205.54)	\$417.13

Long-term planning in finances, staffing, technology, and facilities are intentionally and systematically driven by student enrollment, learning measures, and strategic priorities. The district evaluates its facilities and reviews its capital needs annually. A detailed Capital Facilities Plan is completed every two years. Additionally, the district has a 40- to 50-year modernization cycle divided into eight phases to help guide decisions on future building modernizations and replacements. Considerations for appropriate tax rates due to school bonds and levies are also evaluated. Additions to building structures and major building systems over the fiscal year included the building of Tambark Creek Elementary school, North Middle School modernization, Woodside Elementary modernization, new portables, educational technology purchases, and various other renovations throughout the district.

From the support of our voters in February 2006, bond sales of \$198.9 million have provided the financing for buildings, renovations, modernizations, and other facilities projects throughout the district over the past several years. On April 26, 2016, the voters supported another capital bond of \$149.7 million as well as a capital levy proposition to replace the expiring capital levy. The new levy authorizes the collection of \$89.6 million in property taxes over six years.

The ending fund balance in the Capital Projects Fund of \$37,572,674, combined with future capital levy proceeds and bond funds from the September 2018 bond sale (as described in Note 14) will continue existing capital programs and relieve some of the enrollment pressure students, staff and parents currently experience. These funds help keep our facilities in a new and well-maintained condition. More detailed information about capital assets can be found in Note 6 to the financial statements (Changes in Capital Assets).

Debt

Everett Public Schools has benefited from strong support of our local voters over the past 30 years. Voters approved capital bonds of \$38 million in 1986, \$96.5 million in 1990, \$68.5 million in 1996, \$74 million in 2002, \$198.9 million in 2006, and \$149.7 million in 2016. The outstanding debt as authorized by our voters is summarized below in Table 7. The table also shows debt service activity for the outstanding bonds during the period.

**Table 7 - Outstanding Debt, at Year-End
(In Millions)**

Bond	Balance 8/31/2017	Balance 8/31/2018	Increase (Decrease)
July 24, 2007	8.040	0.000	(8.040)
September 30, 2009 BAB	18.465	18.465	
October 6, 2009 QSCB	17.445	17.445	
October 30, 2014 (Refunding)	31.330	31.330	
April 28, 2014 (Refunding)	68.350	58.505	(9.845)
December 6, 2016	47.065	45.635	(1.430)
TOTALS	\$190.695	\$171.380	(\$19.315)

On November 4, 2016, Moody's Investors Service upgraded the district's Global Scale Rating of AA2 to Aa1 as part of the process for issuing \$47.065 million in new bonds in December 2016. Moody's cited several credit strengths including sizeable tax base, formal fiscal policies, and conservative budgetary management. Standard and Poor's also affirmed their AA+/Stable long-term rating and AA/Stable underlying school issuer credit rating (ICR) of the district. Everett's bond rating is among the top seven of 295 school districts.

Rule 15c2-12, promulgated by the Securities and Exchange Commission, imposes certain requirements upon underwriters of publicly offered securities. One of those requirements for issuers is the filing of notices of certain material events. One of the material events is a rating change with respect to a bond issue. If a bond issue is insured by a policy of municipal bond insurance or enhanced by the Washington State School District Credit Enhancement Program, a change in the rating of the bond insurer or Washington State will change the district's bond rating even though the underlying credit rating on the district has not changed.

The following bond insurers and their associated ratings are listed alongside the district's Unlimited Tax General Obligation Bonds' outstanding balances:

<u>Year</u>	<u>Final Maturity</u>	<u>Balance Outstanding as of the Date of this Report</u>	<u>Insurer</u>	<u>Rating</u>
2009B	12/01/2022	\$ 18,465,000	Washington State	Aa1
2009C	12/01/2023	\$ 17,445,000	Washington State	Aa1
2013	12/01/2020	\$ 31,330,000	Washington State	Aa1
2014	12/01/2021	\$ 68,350,000	Washington State	Aa1
2016	12/01/2036	\$ 47,065,000	Washington State	Aa1

The district participates in the Washington State School District Guarantee Program for its bond issues from 2009 through 2016. Now that the insurance companies' ratings have fallen below the district's own underlying ratings and the credit-enhanced ratings provided by participating in the Washington State School District Guarantee Program, the district's underlying ratings and the state's ratings will prevail on those insured bonds, despite insurance company downgrades. The bond issues from 2009, 2013, 2014, and 2016 do not carry separate municipal bond insurance, but instead benefit from the Washington State guarantee.

More detailed information about long-term liabilities can be found in Note 8 to the financial statements (Changes in Long-Term Liabilities).

ECONOMIC FACTORS FOR THE FUTURE

Everett Public Schools is located in Snohomish County, in northwestern Washington State. It encompasses most of the cities of Everett and Mill Creek, as well as portions of the unincorporated County.

The Everett/Snohomish County economy has a healthy financial history and continues to diversify with major industries including aircraft production, electronics and electrical equipment manufacturing, health care, transportation, and a variety of other industrial and commercial businesses, as well as several urban development projects. Economic development efforts have been successful over the past decade in creating a diversification of business and industry that is broader than our historical dependency on the aerospace industry. The county should continue to be an attractive center for growth in the years ahead due to the availability of land, office and manufacturing space.

Approximately 21 percent of the district's General Fund revenues are provided by local educational programs and operations levies. Everett Public Schools voters have continued to support this funding, as demonstrated by the approval of a four-year levy passed in February of 2018. This replaced the levy expiring in 2018 and allows the district to assess up to \$44.22

million in 2019, \$45.32 million in 2020, \$48.88 million in 2021, and \$53.25 million in 2022. Although the voter-approved levy for 2019 was \$44.22 million, a legislative levy cap of \$1.50 per \$1,000 of assessed valuation (AV) reduces the actual levy assessment to approximately \$33.45 million. Management has implemented a budget reduction plan to accommodate this revenue reduction. There is high level of confidence among stakeholders that the 2019 legislature will pass legislation raising the levy cap to match voter-approved amounts.

Snohomish County economic and population growth rates are among the highest in the state. This has led to increases in assessed value, housing starts and commercial development, as well as lower unemployment rates. Major economic drivers such as the port and river front projects and commercial air at Paine Field signal economic growth and stability for years to come.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our community, creditors, investors, and other interested parties with a general overview of the district's finances and to show the district's accountability for the financial resources it receives. If there are questions about this report or additional financial information is needed, contact the district's Department of Finance and Business Services at 3900 Broadway, Everett, Washington 98201.





Government-Wide Financial Statements

The Government-Wide Financial Statements consist of the Statement of Net Position and the Statement of Activities.

These statements report all financial and capital resources of the primary government as a whole and its component unit (Everett School Employee Benefit Trust), except for the fiduciary funds of the primary government and component units that are fiduciary in nature.

The Statement of Net Position offers information on 1) assets and deferred outflows of resources, 2) liabilities and deferred inflows of resources, and 3) the difference between the (i.e. net position), presented in net position format. [Equation: (Assets + deferred outflows of resources) – (Liabilities + deferred inflows of resources) = Net Position]

The Statement of Activities presents governmental activities by function, at the level of detail required in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances.

EVERETT PUBLIC SCHOOLS
STATEMENT OF NET POSITION
AUGUST 31, 2018

	PRIMARY GOVERNMENT Governmental Activities
ASSETS	
Cash, Cash Equivalents & Investments	92,360,130
Due from Other Governmental Units	1,992,749
Accounts Receivable, Net	220,589
Property Taxes Receivable	51,506,578
Inventory	7,420,131
Prepaid Items	1,652,618
Investment in Joint Venture	152,648
Capital Assets, Non-depreciable:	
Land	41,086,848
Construction in Progress	19,137,499
Capital Assets, Net of Accumulated Depreciation:	
Building & Improvements	349,635,338
Equipment	7,270,651
TOTAL ASSETS	572,435,779
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	10,758,903
Deferred Outflows Related to OPEB	1,709,770
Deferred Loss on Refunding	6,065,289
TOTAL DEFERRED OUTFLOWS OF RESOURCES	18,533,962
LIABILITIES	
Accounts Payable	18,090,540
Accrued Salaries	646,853
Payroll Deductions & Taxes Payable	553,365
Due to Other Governmental Units	79,481
Deposits	12,072
Unearned Revenue	427,585
Long-Term Liabilities:	
Due Within One Year	35,236,196
Due in More than One Year	319,316,973
TOTAL LIABILITIES	374,363,065
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	19,369,430
Deferred Inflows Related to OPEB	9,572,828
TOTAL DEFERRED INFLOWS OF RESOURCES	28,942,258
NET POSITION	
Net Investment in Capital Assets	263,670,354
Restricted for:	
Capital Projects	21,974,362
Transportation Vehicles	123,601
Debt Service	37,516,915
ASB Extra-curricular Activities	1,255,978
Carryover Restricted Revenues for Education and Operations	2,782,207
Unrestricted	(139,658,999)
TOTAL NET POSITION	187,664,418

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

**EVERETT PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018**

PROGRAM/ACTIVITY	EXPENSES	PROGRAM REVENUES			NET (EXPENSE)
		CHARGES FOR SERVICE	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGES IN NET POSITION
PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES:					
Regular Instruction	176,036,922	1,314,557	17,773	38,834	(174,665,758)
Special Education	37,497,974	3,069	30,317,967		(7,176,938)
Vocational Education	9,949,166	45,831	116,609		(9,786,726)
Compensatory Education	14,819,528		16,328,881		1,509,353
Other Instruction Programs	3,641,062	548,239	3,067,184		(25,639)
Community Services	865,830	646,251	148,701		(70,878)
Support Services	51,219,301	2,890,534	16,266,221	407,249	(31,655,297)
Extracurricular Activities (ASB)	2,291,006	2,169,267			(121,739)
Interest Payment on Long-Term Debt	6,702,578				(6,702,578)
TOTAL GOVERNMENTAL ACTIVITIES	303,023,367	7,617,748	66,263,336	446,083	(228,696,200)
GENERAL REVENUES:					
Taxes:					
Property Taxes, Levies for Maintenance/Operations					50,823,022
Property Taxes, Levies for Debt Service					35,667,036
Property Taxes, Levies for Capital Projects					18,935,509
Unallocated State Apportionment & Others Not Restricted to Specific Activities					148,752,291
Interest and Investment Earnings					1,521,146
TOTAL GENERAL REVENUES					255,699,004
TOTAL GENERAL REVENUES AND SPECIAL ITEM					255,699,004
Change in Net Position					27,002,804
NET POSITION - Beginning					200,662,665
Cumulative Effect of Change in Accounting Principle (OPEB)					(40,001,051)
ADJUSTED NET POSITION - Beginning					160,661,614
NET POSITION - Ending					187,664,418

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



Governmental Fund Financial Statements

The Governmental Fund Financial Statements consist of the following major governmental funds:

- General Fund
- Special Revenue Fund (Associated Student Body)
- Debt Service Fund
- Capital Projects Fund
- Transportation Vehicle Fund

**EVERETT PUBLIC SCHOOLS
FUND BALANCE SHEETS
GOVERNMENTAL FUNDS
AUGUST 31, 2018**

	GENERAL FUND	SPECIAL REVENUE (ASB) FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TRANSPORTATION VEHICLE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash & Cash Equivalents	\$24,956,604	\$1,568,001	\$20,109,851	\$45,602,073	\$123,601	92,360,130
Due from Other Funds	429,293	17,802				447,095
Due from Other Governmental Units	1,992,749					1,992,749
Accounts Receivable	202,121	8,118		10,350		220,589
Property Taxes Receivable	24,881,084		17,407,064	9,218,430		51,506,578
Inventory	1,152,702	23,371		6,244,058		7,420,131
Prepaid Items	1,641,378	11,240				1,652,618
TOTAL ASSETS	\$55,255,931	\$1,628,532	\$37,516,915	\$61,074,911	\$123,601	\$155,599,890
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE						
LIABILITIES						
Accounts Payable	\$3,957,405	\$61,670		\$14,071,465		\$18,090,540
Accrued Salaries	646,853					646,853
Payroll Deductions & Taxes Payable	553,365					553,365
Due to Other Governmental Units	79,481					79,481
Due to Other Funds	17,802	23,116		406,177		447,095
Deposits	12,072					12,072
Unearned Revenue	150,732	253,156		23,697		427,585
TOTAL LIABILITIES	5,417,710	337,942		14,501,339		20,256,991
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	67,555					67,555
Unavailable Revenue - Property Taxes	24,293,996		16,997,660	9,000,899		50,292,555
TOTAL DEFERRED INFLOWS OF RESOURCES	24,361,551		16,997,660	9,000,899		50,360,110
FUND BALANCES						
Nonspendable Inventories and Prepaid Items	2,794,080	34,611		6,244,058		9,072,749
Restricted for Associated Student Body Fund Purposes		1,255,978				1,255,978
Restricted for Debt Service Fund Purposes			20,519,255			20,519,255
Restricted for Transportation Vehicle Fund Purposes					123,601	123,601
Restricted for Carryover of Restricted Revenues	2,782,207					2,782,207
Restricted for Bond Proceeds				18,910,327		18,910,327
Restricted for State Proceeds				2,430,865		2,430,865
Restricted for Impact Fee Proceeds				1,472,759		1,472,759
Restricted for Mitigation Fee Proceeds						0
Committed Levy Proceeds				7,281,175		7,281,175
Committed Fund Balance	152,000			94,328		246,328
Assigned to Other Purposes	1,339,413					1,339,413
Assigned to Fund Purposes				1,139,162		1,139,162
Unassigned Fund Balance	18,408,970					18,408,970
TOTAL FUND BALANCES	25,476,670	1,290,589	20,519,255	37,572,674	123,601	84,982,789
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$55,255,931	\$1,628,531	\$37,516,915	\$61,074,912	\$123,601	\$155,599,890

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

**EVERETT PUBLIC SCHOOLS
RECONCILIATION
BALANCE SHEET/STATEMENT OF NET POSITION
AUGUST 31, 2018**

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS, LIABILITIES*	RECLASSIFICATIONS AND ELIMINATIONS*	STATEMENT OF NET POSITION TOTALS
ASSETS				
Cash & Cash Equivalents	\$92,360,130			\$92,360,130
Due From Other Funds	\$447,095		(\$447,095)	
Due From Other Governmental Units	\$1,992,749			1,992,749
Accounts Receivable	\$220,589			220,589
Property Taxes Receivable	\$51,506,578			51,506,578
Inventory	\$7,420,131			7,420,131
Prepaid Items	\$1,652,618			1,652,618
Investment in Joint Venture		\$152,648		152,648
Capital Assets, Net		417,130,336		417,130,336
TOTAL ASSETS	155,599,890	417,282,984	(447,095)	572,435,779
DEFERRED OUTFLOWS OF RESOURCES				
Pension Changes - Investment, Experience, Assumptions, Proportion, & Contributions		10,758,903		10,758,903
OPEB Changes - Contributions		1,709,770		1,709,770
Deferred Loss on Refunding		6,065,289		6,065,289
TOTAL DEFERRED OUTFLOWS OF RESOURCES		18,533,962		18,533,962
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$155,599,890	\$435,816,946	(447,095)	\$590,969,741
LIABILITIES				
Accounts Payable	\$18,090,540			\$18,090,540
Accrued Salaries	\$646,853			646,853
Payroll Deductions & Taxes Payable	\$553,365			553,365
Due to Other Governmental Units	\$79,481			79,481
Due to Other Funds	\$447,095		(\$447,095)	0
Deposits	\$12,072			12,072
Unearned Revenue	\$427,585			427,585
Long-Term Liabilities - Pension		87,431,070		87,431,070
Long-Term Liabilities - OPEB		83,562,258		83,562,258
Long-Term Liabilities - Other		183,559,841		183,559,841
TOTAL LIABILITIES	20,256,991	354,553,169	(447,095)	374,363,065
DEFERRED INFLOWS OF RESOURCES				
Pension Changes - Experience, and Proportions		19,369,430		19,369,430
OPEB Changes - Assumptions		9,572,828		9,572,828
Unavailable Revenue	67,555	(67,555)		
Unavailable Revenue - Property Taxes	50,292,555	(50,292,555)		
TOTAL DEFERRED INFLOWS OF RESOURCES	50,360,110	(21,417,852)		28,942,258
FUND BALANCES/NET POSITION				
Fund Balances/Position	84,982,789	102,681,629		187,664,418
TOTAL FUND BALANCES/NET POSITION	84,982,789	102,681,629		187,664,418
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION	\$155,599,890	\$435,816,946	(447,095)	\$590,969,741

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

*See Note 2A.

EVERETT PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018

	GENERAL FUND	SPECIAL REVENUE (ASB) FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TRANSPORTATION VEHICLE FUND	TOTALS GOVERNMENTAL FUNDS
REVENUES						
Local	\$57,875,504	\$2,169,267	\$32,819,582	\$20,697,560	\$2,135	\$113,564,048
State	195,985,424				107,249	196,092,673
Federal	14,893,158		299,699			15,192,857
Other Entities	2,336,791			300,000		2,636,791
TOTAL REVENUES	271,090,877	2,169,267	33,119,281	20,997,560	109,384	327,486,369
EXPENDITURES						
Current:						
Regular Instruction	153,237,579					153,237,579
Special Education	37,782,660					37,782,660
Vocational Education	10,053,421					10,053,421
Compensatory Education	14,964,205					14,964,205
Other Instruction Programs	3,678,692					3,678,692
Community Services	873,396					873,396
Support Services	49,514,380					49,514,380
Student Activities		2,291,006				2,291,006
Capital Outlay:						
Sites				7,609,482		7,609,482
Buildings				26,428,125		26,428,125
Equipment	2,670,262			4,260,579	130,121	7,060,962
Instructional Technology				6,069,315		6,069,315
Sales and Lease				2,587		2,587
Debt Service:						
Bond Principal			19,315,000			19,315,000
Bond Interest and Other Charges			7,825,774	100		7,825,874
TOTAL EXPENDITURES	272,774,595	2,291,006	27,140,774	44,370,188	130,121	346,706,684
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,683,718)	(121,739)	5,978,507	(23,372,628)	(20,737)	(19,220,315)
OTHER FINANCING SOURCES (USES):						
Bond Issuance						0
Bond Issuance Premium						0
Sale of Surplus Equipment	15,742					15,742
Transfers	2,240,000			(2,240,000)		
TOTAL OTHER FINANCING SOURCES (USES)	2,255,742		0	(2,240,000)	0	15,742
NET CHANGE IN FUND BALANCE	572,024	(121,739)	5,978,507	(25,612,628)	(20,737)	(19,204,573)
FUND BALANCE -- September 1, 2017	24,904,646	1,412,328	14,540,748	63,185,302	144,338	104,187,362
FUND BALANCE -- August 31, 2018	\$25,476,670	\$1,290,589	\$20,519,255	\$37,572,674	\$123,601	\$84,982,789

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

**EVERETT PUBLIC SCHOOLS
RECONCILIATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018**

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE, EXPENSES*	CAPITAL RELATED ITEMS*	LONG-TERM DEBT TRANSACTIONS*	STATEMENT OF ACTIVITIES TOTAL
REVENUES & OTHER SOURCES					
Revenues:					
Local	113,564,048	2,526,944			116,090,992
State	196,092,673				196,092,673
Federal	15,192,857				15,192,857
Other Entities	2,636,791	7,427			2,644,218
Other Sources:					
Bond Issuance					
Bond Issuance - Premium					
Sale of Surplus Equipment	15,742		(10,311)		5,431
TOTAL REVENUES & OTHER SOURCES	327,502,111	2,534,371	(10,311)	-	330,026,171
EXPENDITURES & OTHER USES					
Current:					
Regular Instruction	153,237,579	(2,329,318)	25,128,661		176,036,922
Special Education	37,782,660	(287,202)	2,516		37,497,974
Vocational Education	10,053,421	(37,803)	(66,452)		9,949,166
Compensatory Education	14,964,205	(132,292)	(12,385)		14,819,528
Other Instruction Programs	3,678,692	(43,010)	5,380		3,641,062
Community Services	873,396	(9,780)	2,214		865,830
Support Services	49,514,380	(599,614)	2,304,535		51,219,301
Student Activities	2,291,006				2,291,006
Capital Outlay:					
Sites	7,609,482		(7,609,482)		
Buildings	26,428,125		(26,428,125)		
Equipment	7,060,962		(7,060,962)		
Instructional Technology	6,069,315		(6,069,315)		
Sales and Lease	2,587		(2,587)		
Debt Service:					
Bond Principal	19,315,000			(19,315,000)	
Bond Interest and Other Charges	7,825,874			(1,123,296)	6,702,578
TOTAL EXPENDITURES & OTHER USES	346,706,684	(3,439,019)	(19,806,002)	(20,438,296)	303,023,367
NET CHANGE FOR THE YEAR	(\$19,204,573)	\$5,973,390	19,795,691	\$20,438,296	\$27,002,804

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

*See Note 2B.



Fiduciary Funds Financial Statements

The Fiduciary Funds Financial Statements provide information on Private Purpose Trusts. The Fiduciary Funds Financial Statements focus on net position and changes in net position.

Private Purpose Trusts report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

EVERETT PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
AUGUST 31, 2018

	PRIVATE PURPOSE TRUST
	<hr/>
ASSETS	
Cash & Cash Equivalents	\$166,173
	<hr/>
TOTAL ASSETS	166,173
	<hr/>
LIABILITIES	
Accounts Payable	-
	<hr/>
TOTAL LIABILITIES	-
	<hr/>
NET POSITION	
Held in Trust for Intact Trust Principal	25,500
Held in Trust for Scholarships and Private Beneficiaries	140,673
	<hr/>
TOTAL NET POSITION	\$166,173
	<hr/> <hr/>

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

EVERETT PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2018

	PRIVATE PURPOSE TRUST
	<hr/>
ADDITIONS	
Donations	\$56,231
Investment Earnings	2,351
	<hr/>
TOTAL ADDITIONS	58,582
DEDUCTIONS	
Scholarships	26,182
	<hr/>
TOTAL DEDUCTIONS	26,182
CHANGE IN NET POSITION	32,400
NET POSITION -- September 1, 2017	133,773
	<hr/>
NET POSITION -- August 31, 2018	\$166,173
	<hr/> <hr/>

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



Notes to the Financial Statements

The Notes to the Financial Statements are an integral part of the basic financial statements. The Notes focus on the primary government, especially its governmental activities and major funds.

Note 1	Summary of Significant Accounting Policies
Note 2	Reconciliation of Government-Wide and Fund Financial Statements
Note 3	Stewardship, Compliance and Accountability
Note 4	Cash and Investments
Note 5	Interfund Transfers and Other Government Transactions
Note 6	Changes in Capital Assets
Note 7	Pensions and Other Post Employment Benefits (OPEB)
Note 8	Long-Term Liabilities
Note 9	Fund Equity (Governmental Funds)
Note 10	Risk Management
Note 11	Tax Abatements
Note 12	Summary of Significant Contingencies
Note 13	Other Disclosures
Note 14	Subsequent Events

EVERETT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Everett Public Schools (the 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 principles nationally. The following is a summary of the district's significant accounting policies:

A. *REPORTING ENTITY*

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

The Everett Public Schools financial statements include all funds and organizations for which the district is financially accountable, organizations that are controlled by or dependent on the district's board of directors or administrative staff, and other organizations for which the nature and significance of their relationship with the district are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete. Control by or dependence on Everett Public Schools was determined on the basis of budget adoption, taxing authority, outstanding debt secured by the general obligation of the district, obligation of the district to finance any deficits that may occur, receipt of significant subsidies from the district, and consideration of other significant operational and financial relationships with the district.

Related Organizations -- The Everett Public Schools Foundation is a community based, separate legal entity organized under IRS provision as a 501(c)(3) non-profit organization. The Foundation is governed by a board of directors of approximately twenty-five members comprised of a diverse balance of community members as well as district employees. The Foundation's activities are supported by private donations. Their mission is to develop and provide community support to strengthen achievement in the Everett Public Schools.

The district recognizes various parent/teacher associations, organizations and other groups (PTAs, boosters), which are separate legal entities, and whose members are involved according to their own private capacities. These groups have been organized for the purpose of increasing the opportunities for parents and community members to be involved in the educational activities of the children in the community.

The boards of directors and officers for the above listed groups (Foundation and various parent or community associations) are not appointed by the Everett Public Schools. Everett Public Schools is not financially responsible for the Foundation, or the parent/teacher associations, organizations, and other community groups. Contributions from the above noted related parties, while an important and viable source of support for the district, are not a material source as related to the district's overall financial position. Contributions received from these groups have been recorded as revenue in the district's financial statements, but the financial information for said groups themselves are not presented in the district's financial statements.

The district has no other component units, or related organizations for which the district is considered to be financially accountable, and no entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the district's basic financial statements to be misleading or incomplete.

B. PRESENTATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The district's basic financial statements consist of:

1. Government-Wide Financial Statements -- Government-wide financial statements display governmental activities of the district as a whole, without displaying individual funds or fund types. They include only the primary government. Fiduciary funds and activities are not included. The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The government-wide financial statements consist of the following:

a. Statement of Net Position -- The statement of net position reports all financial and capital resources in a format of assets plus deferred outflows of resources less liabilities less deferred inflows of resources equal net position. Land is reported at historical cost. Other depreciable capital assets, such as buildings, building improvements, vehicles and equipment, are reported at historical cost, net of accumulated depreciation.

b. Statement of Activities -- The statement of activities demonstrates the operations of the district presented as direct expenses of specific programs or functions and the degree to which the direct expenses are offset or net against program revenues. A net expense represents the level of support required from the government's general revenues. Revenues are divided between program revenues and general revenues. All revenues not specifically associated with a program are defined as general revenues on the statement of activities. Revenues are recognized when they are earned and measurable on a full accrual basis. The statement of activities shows the change in net position for the year depending on over-all expenses and revenues. The expenses and revenues are reported as follows:

Expenses -- Expenses are reported by function/program. Direct expenses are those that are clearly identifiable with a specific program or function. Depreciation expenses are allocated as direct expenses if they can be specifically identified with a program or function.

Revenues -- Revenues, measured on a full accrual basis, 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. Program specific revenues consist of two major categories: 1) charges for services to individuals or groups who purchase, use, or directly benefit from goods, services, or privileges provided by a program or function; and 2) grants and contributions arising from mandatory and voluntary non-exchange transactions with federal, state governments, organizations, or individuals that are restricted to meeting the operational or capital requirements of a particular program or function. General revenues are divided into property taxes, interest and investment earnings, general apportionment from the state of Washington and other unallocated revenues that are not required to be reported as program revenues, or are not specifically identifiable with a specific program or function.

Fiduciary funds are not presented in the government-wide financial statements. They are presented separately in Schedules 5 and 6 of the fund financial statements.

2. *Fund Financial Statements* -- The accounts of the district are organized on the basis of funds in the 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, deferred inflows, liabilities, fund equity, revenues, and expenditures.

Resources are 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 fund financial statements consist of the Fund Balance Sheet, Reconciliation of Balance Sheet/Statement of Net Position, Statement of Revenues, Expenditures and Changes in Fund Balance, and Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities, Fiduciary Fund - Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position.

The various funds are grouped into two classifications: Governmental and Fiduciary.

Governmental Funds -- The reporting of governmental funds focuses primarily on sources, uses, and balances of current financial resources and has a budgetary orientation. Governmental funds use the modified accrual basis of accounting. The district reports the following major governmental funds:

General Fund

This fund is the district's primary operating fund. 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, food services, maintenance, information systems, printing, and transportation activities are included in the fund. Major sources of revenue include local taxes, state apportionment funds, and grants from state and federal sources.

Special Revenue Fund (Associated Student Body Fund)

This fund is used to account for the extracurricular fees collected from a variety of fundraising events for students. These funds are legally restricted for specific purposes defined in WA State RCW. The district is prohibited from using these funds for its general or curricular operations. The Associated Student Body Fund (ASB Fund) is the only fund of this type. Disbursements require the joint approval of the appropriate ASB representatives (including students' signatures) and the district's board of directors. This fund is accounted for as a special revenue fund because the financial resources legally belong to the district.

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. Fund revenues are derived primarily from local property taxes.

Capital Projects Fund

This fund is used to account for financial resources to be used for the acquisition and construction of capital assets. This fund must be used when projects are financed wholly or in part by bond issues, intergovernmental resources, major private donations, or insurance recoveries. Another major revenue source includes tax revenues from the building and technology levy. Expenditures in this fund may also be for energy, technology and other major improvements to existing facilities and for the purchase of initial equipment for newly constructed buildings.

Transportation Vehicle Fund

This fund is a capital projects fund specifically used to account for the capital outlay involved with purchase, major repair, rebuilding, and debt service expenditures related to pupil transportation equipment (buses) used to transport students to and from school. The primary source of revenue

in this fund is a state allotment provided as a reimbursement for pupil transportation equipment and restricted specifically for that purpose.

Fiduciary Funds -- Fiduciary fund reporting focuses on net position and changes in net position. Trust funds are used to account for assets held for individuals, private organizations, other districts, or other funds in its fiduciary capacity as trustee or agent. The only fund the district has of this nature is the Private Purpose Trust Fund. The Private Purpose Trust Fund is used to account for resources legally held in trust to benefit private beneficiaries, individuals or private organizations for scholarships and student aid. The Private Purpose Trust Fund's resources are not available to support district operations. Funds are segregated by account code to differentiate between donors' intended use of funds for different purposes. Generally, all of the Trust fund resources, including any earnings on invested resources, may be used to support the trust arrangements. However, there are some resources within the Private Purpose Trust Fund that contain a requirement to hold original trust principal donations intact so that only the interest earnings may be used to support student scholarships. The Private Purpose Trust Fund uses the accrual basis of accounting.

Major and Non-Major Funds -- All governmental funds are considered "major funds."

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide statements and fiduciary fund financial statements, measure and report all assets (both financial and capital), deferred inflows/outflows of resources, liabilities (including long-term liabilities such as long-term debt), revenues, expenses, gains, and losses using the economic resources measurement focus and the 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 over-all financial position. Revenues are recorded when earned and expenses are recorded on a consumption basis, and/or 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This means only current assets and current liabilities are included on the balance sheets. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days (for property taxes within 30 days) of the end of the current fiscal period. Expenditures generally are recorded when assets are consumed and/or as liability is incurred just as under accrual accounting. However, debt service expenditures, for non-matured principal and interest on long-term debt as well as expenditures related to pensions, compensated absences, claims and judgments, are recorded only when payment is due.

Revenues derived from property taxes collected within 30 days of year-end 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.

Property taxes receivable are measurable but not available and are, therefore, recorded as deferred inflows of resources – unavailable revenue rather than accrued. Categorical program claims, including grant revenues from cost reimbursement grants, and inter-district billings are measurable and available and are, therefore, accrued.

Eliminations and Reclassifications -- In the process of consolidating internal activities for the government-wide statement of net position and statement of activities, the interfund receivables and payables between the governmental funds, except those, if any, with fiduciary funds, were eliminated. The district's primary type of interfund activity consists of a 'reimbursement of expenditure' type transaction. This occurs when one fund (usually the General Fund as the operating fund) pays the initial outlay of expenditure belonging to or attributable to another fund, which are subsequently reimbursed by the other fund. The loaning fund treats the pay-back of funds as 'reimbursements of expenditure' while the benefiting fund accounts for the transaction as a direct expense. Accordingly, the direct expenses are included only once from government-wide presentation. These expenses happen primarily between the General, ASB, and Capital Projects Funds involving payroll transactions.

D. *ASSETS, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, LIABILITIES AND NET POSITION OR EQUITY*

1. Cash, Cash Equivalents and Investments

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

State of Washington statutes authorize the district to invest in 1) securities, certificates, notes, bonds, short-term securities, or other obligations of the United States, and 2) deposits in any state bank or trust company, national banking association, stock saving bank, mutual savings bank, savings and loan association, and any branch bank engaged in banking in the state in accordance with RCW 30.04.300, if the institution has been approved by the Public Deposit Protection Commission to hold public deposits, and has segregated eligible collateral having a value of not less than its maximum liability.

The Snohomish 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. Temporary investments are stated at cost plus accrued interest, which approximates market. Other investments of the district are reported at fair value.

2. Receivables and Payables

Due from Other Funds and Due to Other Funds -- Interfund receivables and payables and the associated expenditures and/or reimbursement of expenditures, are recorded in the respective funds in the governmental fund financial statements. The interfund balances represent short-term loans between the governmental funds, made for the purposes of streamlining the issuance of warrants for payroll and other occasional miscellaneous purchases of goods and services. The interfund balances are temporary and are cleared regularly by issuance of a warrant from one fund to the other. In the process of aggregating data for the statement of net position and the statement of activities, any interfund receivables and payables that may exist at fiscal year-end are eliminated in government-wide financial statements, except those (if any) with fiduciary funds, which are reclassified as a third party receivable.

Due from Other Governmental Units/Due to Other Governmental Units -- The 'due from' account represents receivables for grants from federal, state and local governmental entities. Grant revenues are recorded in the year in which the expenditures are incurred and/or applicable eligibility requirements imposed by the grantor have been met. A 'due to' account is recognized if a granting agency's compliance criteria require a refund of previously awarded revenues. Grants administered by the Office of the Superintendent of Public Instruction (OSPI) are recaptured through the state's apportionment process.

Accounts Receivable -- This account represents amounts due for services rendered by the district in the current year, under exchange type transactions, net of allowance for doubtful accounts. It also includes amounts due from non-governmental entity voluntary agreements to fund district events or other provisions in the administration of the district's educational programs. The district considers receivables collected within 60 days after year-end to have been available and recognizes them as revenues of the current year.

Property Taxes Receivable -- Property tax revenues are collected by the Snohomish County Treasurer as the result of special levies passed by voters in the district. In accordance with RCW 84.60.020, the tax assessment date is January 1 of the calendar year of collection. The tax lien date is January 1 of the year of collection and taxes receivable are recognized as of that date. Current year taxes are due in full as of April 30 and are considered delinquent after that date. However, without incurring penalty, the taxpayer may elect to pay one-half of the taxes due by April 30, with the remaining one-half of the taxes due October 31 and considered delinquent after that date. Typically, slightly more than half of the collections are made by the April 30 date. The October 31 collection is measurable but only those collected within 30 days of year-end are available in time to cover liabilities for the fiscal period ended August 31. Therefore, the balance of the fall property taxes is not accrued as revenue in the governmental fund financial statements. Instead, the balance of taxes (after September's accrual) due on October 31 are recorded as taxes receivable and deferred inflow of resources – unavailable revenue in the fund financial statements. In the government-wide financial statements, property tax revenue, net of estimated uncollectible, is accrued at year-end. Property is subject to foreclosure if property taxes are delinquent for three years.

Unearned Revenue -- Unearned revenues are funds associated with exchange-type transactions where a good or service is to be provided by the district in exchange for a charge or fee for that good or service, collected or paid in advance, for which the earnings process is not yet complete. The unearned revenues are tied to goods or services to be provided in the coming fiscal year. For example, facilities rentals paid in advance, and student project supply or extracurricular activity fees collected in advance of the class or activity; all represent funds the district would be obligated to refund if the facility was not made available, the student withdraws, or the program, service, activity, or good was otherwise not provided. Unearned revenues become revenues in the next fiscal year, allowing for an appropriate match to the new school year or fiscal year activities.

3. Inventory and Prepaid Items

Inventory -- With the exception of some of the food items purchased for use in the food services program, the district uses the periodic inventory method for the goods and supplies purchased for use in its programs. The district records expenditures throughout the year as the goods and supplies are purchased. Near year end, goods or supplies purchased primarily for consumption and use in the coming new school year are recognized as inventory of the current fiscal year, and expenditures during the year in which they are used. Physical inventory counts are conducted annually near fiscal year-end. In addition, the district operates a very limited service warehouse for the sole purpose of the food services program. The district uses the consumption method for its warehouse and food service program purchases. Under the consumption method, expenditures for food are recognized as the food is used. Food inventory is tracked using the perpetual method with an annual physical count taken near year-end to verify and adjust the inventory value. The inventories are valued at cost using the first-in-first-out (FIFO) method. Reported inventories are offset by a non-spendable fund balance equal to the reported inventory level to indicate a portion of the fund balance is not available for future expenditures.

The United States Department of Agriculture (USDA) commodity inventory, is included in the General Fund inventory total and consists of food donated by the USDA for use in the district's

nutrition services program. The commodities are valued at the prices paid by the USDA for commodities.

Prepaid Items -- Prepaid items refer to payments made to vendors for services which will be consumed in a future fiscal period but for which payment has been made in the current fiscal period. Expenditures for these items are pro-rated or matched to the period during which the services will be consumed. The prepaid items asset account is used when the timing of the expenditure is relevant to the proper recognition of the expenditures. These amounts are recorded as prepaid items in both the government-wide and fund financial statements. Reported prepaids are offset by a non-spendable fund balance in the fund financial statements, equal to the prepaid balance, to indicate a portion of the fund balance is not available for future appropriations.

4. Capital Assets

Capital assets consist of land, buildings, improvements, vehicles, machinery and other equipment having an estimated useful life of more than one year. Capital assets of the district are reported in the government-wide financial statements in the Statement of Net Position. Land, buildings, and major improvements funded by the capital projects fund, are capitalized at cost with no minimum threshold. Equipment is capitalized when the unit cost of an individual item is \$5,000 or more. Assets are valued at actual historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated acquisition value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but are charged to expenditures in the current period.

In governmental fund financial statements, there is no depreciation for capital assets. However, depreciation is charged to expense and allocated to various programs/functions in the government-wide statement of activities in compliance with GASB statement No. 34 (see Note 6). Capital assets are reflected at historical cost (or estimated historical cost where applicable) net of accumulated depreciation in the government-wide statement of net position. Land and construction work in progress (CIP) are not depreciated. All other capital assets are depreciated using the straight line method over the following ranges of estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & Building Improvements	20-50
Vehicles	8-13
Equipment	5-15

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures as incurred upon acquisition.

5. Deferred Outflows/Inflows of Resources

Deferred Outflows -- Deferred outflows are a consumption of net assets by the district that are applicable to a future reporting period. Deferred outflows have a debit balance and a positive effect on net position. In governmental fund financial statements, there are no deferred outflows of resources. In government-wide statements, deferred outflows of resources consist of amounts or changes in amounts associated with the net pension liability (actuarial factors that affect the district's pension liability such as changes in investment earnings, experience, assumptions, proportion and contributions), and OPEB liability (actuarial factors that affect the district's OPEB liability such as changes in experience, assumptions, demographic, or other input factors), and deferred loss on bond refunding resulting in a defeasance of debt. The deferred outflows are recognized on the statement of net position. Changes in the deferred amount associated with pensions and OPEB liabilities also affects the expenses on the statement of activities. Deferred loss

on refunding is amortized as a component of interest expense on the statement of activities, over the life of the old debt or the life of the new debt, whichever is shorter.

Deferred Inflows -- Deferred inflows are an acquisition of net assets by the district that are applicable to a future reporting period. Deferred inflows have a credit balance and a negative effect on net position. Deferred inflows of resources on the governmental fund financial statements consist of amounts collected before revenue recognition criteria have been met, and receivables, which under the modified accrual basis of accounting, are measurable but not yet available (i.e. unavailable property tax revenues, unavailable revenues from federal, state, and local grants and unavailable revenues on long-term receivables). In government-wide financial statements, property taxes, and other receivables, less estimated uncollectible, are accrued as revenue, therefore, there are no deferred inflows of resource associated with property taxes and receivables balances in the government-wide financial statements. Deferred inflows of resources on the government-wide statement of net position consist of amounts or changes in amounts associated with the net pension (actuarial factors that affect the district's net pension liability such as changes in pension plan investments, and proportions), and OPEB liability (actuarial factors that affect the district's OPEB liability such as changes in experience, assumptions, demographic, or other input factors).

6. Long-Term Liabilities

Long-term liabilities are reported in the government-wide financial statements in the statement of net position and consist of bonds, net proportion of pension liability, other post-employment benefits other than pension (OPEB), and compensated absences.

Long-Term Debt/Bonds -- In government-wide financial statements bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Deferred amount on refunding is reported separately as a deferred outflow of resources (or inflow) on the statement of net position and is amortized over the life of the bonds using the straight-line method. Bond issuance costs, except any portion related to prepaid insurance costs, are expensed in the period incurred.

In the fund financial statements, bond premiums, discounts, and issuance costs are recognized in the period of issuance. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources while discounts or debt refundings are reported as other financing uses. Issuance costs, whether or not they are withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Pension Liability -- GASB Statement 68 requires the district to report a long-term liability on the government-wide statement of net position for the district's proportionate share of net pension liability for pension plans as administered by the Washington State Department of Retirement Systems. See Note 7, Pensions and Other Post-Employment Benefits for more details. In the fund financials, retirement expenditures are recognized when they are payable.

Other Post-Employment Benefits (OPEB) -- GASB Statement 75 requires the district to carry a long-term liability on the statement of net position for other post-employment benefits (other than pension). See Note 7, Pensions and Other Post-Employment Benefits for more details. In the fund financials, any inherent costs associated with other post-employment benefits are recognized as expenditures when they are payable.

Compensated Absences -- Government-wide financial statements include a long-term liability for compensated absences on the statement of net position. Compensated absences liability includes vacation and sick leave earned by employees when the leave is related to employee services already rendered and eventual payment to the employee is considered probable. Payment means

salary-related compensation through paid time off, or some other means such as cash payments at termination or retirement. The sick and vacation liabilities reported by the district include all salary-related payments to employees (i.e. employer obligations for FICA, Medicare and Retirement).

Sick Leave

Employees earn sick leave at a rate of 12 days per year and may accumulate such leave up to a maximum of one contract year. Under the provisions of RCW 28A.400.210, sick leave accumulated by district employees is reimbursed at death, retirement, or in certain circumstances, upon separation, at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This statute also provides for an annual buy-out of an amount up to the maximum annual accumulation of 12 days. For buy-out purposes, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year. Sick leave expenditures are recorded in the governmental fund financial statements, when paid, except termination sick leave that is accrued upon death or retirement.

Vested sick leave for employees eligible for retirement is recorded as a long-term debt liability. Vested sick leave is computed using the vesting method.

Vacation Leave

Employees earn vacation leave at various rates based on the number of years employed. A maximum of 30 days unused vacation leave is paid upon termination or retirement. Vacation pay is recorded as an expenditure at the time of payment, which occurs upon usage or upon employee separation. The amount accrued for vacation leave payable is reported under long-term liabilities in the government-wide financial statements, statement of net position.

7. Net Position -- Government-Wide Financial Statement

Net Investment in Capital Assets -- This component of net position in the government-wide financial statements consists of capital assets, including any restricted capital assets, net of accumulated depreciation, plus capital-related deferred outflows of resources (such as deferred amount on bond refunding), and reduced by any capital-related deferred inflows of resources as well as any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted Net Position -- This component of net position in the government-wide financial statements reports the assets where constraints are imposed by law through enabling legislation (Capital, Transportation Vehicle, and ASB Funds), externally imposed debt covenants (Debt Service Fund), externally imposed regulations of high level contributors and other government's legal requirements and for external contractual impositions of grantors/regulations of other governments upon state and federal grant funds (carry-over of restricted revenues for specific educational provisions/programs and operations). Therefore, the amounts in restricted net position are available for disbursement only for specific purposes.

Unrestricted Net Position -- This component of net position in the government-wide financial statements shows assets that may be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. It is possible that unrestricted net position may be a deficit or negative number. This can happen when there are significant balances of noncurrent operating liabilities such as net pension obligation, other post-employment benefit (OPEB), or compensated absences liabilities carried on the statement of net position, that are funded on the 'pay-as-you-go' basis, appropriating resources each year as payments come due, rather than accumulating assets in advance.

Flow Assumptions for Restricted or Unrestricted Net Position -- When both restricted and unrestricted resources are available for a certain purpose, the assumption is in most cases restricted resources are used before the unrestricted resources. In some cases, a pro-rata approach is used, such as with certain federal restricted grant funds that contain a 'supplement-not-supplant' provision.

8. Fund Equity -- Restrictions, Commitments, Assignments -- Governmental Funds

Governmental funds, fund financial statements display fund balance in five classifications depicting the relative strength of spending constraints under which resources may be used.

Nonspendable Fund Balance-- Amounts reported as nonspendable represent those portions of fund balance that cannot be spent either because they are not in spendable form (inventories and prepaid items), or are legally required to be maintained intact.

Restricted Fund Balance -- Amounts that are reported as restricted are those resources of the district that are constrained to specific purposes by their providers (such as grantors, bond holders, and higher levels of government) through legal restrictions such as constitutional provisions, enabling legislation, or other externally imposed laws and contractual obligations beyond the control of the board of directors.

Committed Fund Balance -- Amounts that are reported as committed are those resources of the district that have a limitation placed upon their usage by formal action (board resolution) of the district's board of directors. Commitments may only be changed when the resources are used for the intended purpose or the limitation is removed by a subsequent formal action (board resolution) of the board of directors. General Fund shows committed fund balance for authorized imprest accounts, per board resolution. Capital Projects Fund committed fund balance consists of two components, 'building repair and technology' tax levy proceeds (authority for such levy as per board resolution) the source of which dictates their representation as committed per the State Accounting Manual for School Districts in the State of Washington, and funds previously set-aside by board resolution for improvements to the Everett Memorial Baseball Stadium.

Assigned Fund Balance -- The superintendent, as designated by the board (board policy), is the individual responsible for authorizing or changing assignments of fund balance. In the General Fund, assigned resources are constrained through budget allocation decisions made by the superintendent for funds which are neither restricted nor committed. For the General Fund, assignments primarily include individual schools' carry-over of discretionary budget allotments, and privately donated funds for individual schools' special programs, field trips or other enrichment activities, which while not legally restricted, would be publicly sensitive if funds were not ear-marked for use as the donor intended. In the Capital Projects Fund, assigned resources are constrained at the superintendent's authorization, and are based on the nature of the legal classification of residual funds (neither restricted, or committed) in the Capital Fund in the State of Washington and as prescribed by the State Accounting Manual for School Districts in the State of Washington. Assignments are changed when the resources are used for the intended purpose, or, for General Fund, if the funds are not utilized as designed within the next current period, could be rescinded by the superintendent through the budget allocation process and through agreements with the original donors. For the Capital Fund, the 'Assigned-Capital Project Fund Purposes' cannot be changed, unless the funds are used for the intended purpose of the Capital Projects Fund, or if the Capital Projects fund were to be dissolved as a whole, through state legally-defined processes and at the direction of the board. Assignments reduce the amount of unassigned fund balance, but may not reduce that balance below zero. Authority for making additional or more specific assignments within any of the funds rests with the superintendent.

Unassigned Fund Balances -- In the General Fund, amounts that are reported as unassigned are those net spendable resources of the district that are not otherwise restricted, committed, or assigned and may be used for any purpose within the General Fund.

In other governmental funds, unassigned fund balance, if any, would represent a deficit ending spendable fund balance once all restrictions and commitments are considered. The district does not have any unassigned fund balance in funds other than the General Fund. A negative unassigned fund balance would mean that the legal restrictions and formal commitments of the district exceed its currently available resources. The district does not have negative unassigned fund balances in any of its governmental funds.

Flow Assumptions for Restricted, Committed, Assigned or Unassigned Fund Balances -- The order in which the district assumes restricted, committed, assigned, and unassigned amounts are spent when amounts in more than one classification are available for a particular purpose, depends on the program and the resource, but is applied consistently from year to year. In some cases, unrestricted resources are used first, or a pro-rata approach is used. In most cases, the restricted resources are considered used first before the unrestricted resources.

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

Additionally, when expenditures are recorded for purposes for which a restriction or commitment of fund balance is available, those funds that are restricted or committed to that purpose are considered first before any unrestricted or unassigned amounts are expended.

Minimum Fund Balance Policy -- The district has established a board policy providing a goal for management of fund balance. The goal embodies what was previously an informal practice of maintaining a minimum total ending fund balance in the General Fund of five percent and a minimum unassigned fund balance of two-and-a-half percent. The authority for approval of the budget rests with the board, which may adopt an annual expenditure plan with an estimated total ending fund balance that departs from this minimum target when it determines this is appropriate for a particular fiscal year.

E. ACCOUNTING CHANGES

Change in Accounting Principal

Effective for fiscal year 2017-2018, the district implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. The new standard establishes new accounting and financial reporting requirements for postemployment benefit plans.

Restatement in accordance with GASB Statement No. 75, resulted in a reduction to beginning net position of \$40,001,051, as noted in the cumulative effect of change in accounting principle on the government-wide statement of activities.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE FUND BALANCE SHEET FOR GOVERNMENTAL FUNDS AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

1. Investment in Joint Venture -- The district's equity interest of \$152,648 in King County Director's Association (KCDA) purchasing cooperative is included in the statement of net position.

2. Capital Assets, Net -- When capital assets (land, buildings, equipment) used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in the governmental funds. However, the statement of net position includes those capital assets among the assets of the district as a whole.

Cost of Capital Assets	\$ 622,659,926
Less Accumulated Depreciation	(205,529,590)
Capital Assets, Net	<u>\$ 417,130,336</u>

3. Deferred Outflows of Resources – Pension Changes -- Changes in actuarial factors affecting the district's net pension liability such as changes in investment earnings, experience, assumptions, proportion and contributions results in a deferred outflow of resources for pension changes balance of \$10,758,903 which is added to the statement of net position.

4. Deferred Outflows of Resources – OPEB -- Changes in actuarial factors affecting the district's OPEB liability such as changes in experience, assumptions, demographic, or other input factors results in a deferred outflow of resources for pension changes balance of \$1,709,770 which is added to the statement of net position.

5. Deferred Outflows of Resources – Deferred Loss on Refunding -- The difference between the carrying amount of refunded debt and the cost of new debt to retire the old resulted in a loss on refunding. The governmental funds recognize the flow of resources as current other financing sources and uses of funds in the period where the refunding occurred. However, the deferred loss on refunding balance of \$6,065,289 is added to the statement of net position as a deferred outflow of resources.

6. Long-Term Liabilities -- Long-term liabilities applicable to the district's governmental activities are not due and payable in the current period and, therefore, are not reported as liabilities in the fund balance sheet. However, all liabilities, both current and long-term, are reported in the statement of net position. Accordingly, \$354,553,169 in long-term liabilities is added to the statement of net position. See Long-Term Debt Note 8 for a schedule comprising the total below.

Long-Term Liability - Pension	\$ 87,431,070
Long-Term Liability - OPEB	83,562,258
Long-Term Liability - Other	<u>183,559,841</u>
	<u>\$ 354,553,169</u>

7. Deferred Inflows of Resources – Pension Changes -- Changes in actuarial factors affecting the district's net pension liability such as changes in experience and proportions results in a deferred inflow of resources for pension changes balance of \$19,369,430 which is added to the statement of net position as a deferred inflow of resources.

8. Deferred Inflows of Resources – OPEB Changes -- Changes in actuarial factors affecting the district's OPEB liability such as changes in experience, assumptions, demographic, or other input factors results in a deferred inflow of resources for pension changes balance of \$9,572,828 which is added to the statement of net position.

9. Deferred Inflows of Resources – Unavailable Revenue-- Property tax levies not collected within 30 days, and other similar receivables that will not be collected for several months after year-end are not considered available. They are reported as deferred inflows of resources in governmental funds. However, unavailable revenue from property taxes (\$50,292,555) and unavailable revenue for other miscellaneous entitlements (\$67,555) are removed from the statement of net position.

10. Eliminations, Due from Other Funds and Due to Other Funds -- In the governmental fund financial statements, interfund payables and receivables and the associated expenditures and/or reimbursement of expenditures are recorded in the respective funds as a result of general operations. In the conversion of fund financial statements to government-wide financial statements, all the governmental funds are consolidated and presented as a total. Accordingly, interfund receivable/payable balances of \$447,095 were eliminated.

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE DISTRICT FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

1. Long-Term Revenues, Local -- Property tax levies not collected within 30 days of year-end, and other miscellaneous entitlements, less estimated uncollectible accounts that do not provide current financial resources, are reported as deferred inflows of resources in the governmental funds, but as revenues in the government-wide financial statements. Accordingly, \$2,526,944 in revenue is added to the statement of activities.

2. Long-Term Revenues, Other Entities -- The value of the district's investment in joint venture (see also Note 12-Other Disclosures, KCDA) increased by \$7,427 from the prior year. The increase in the value of this asset results in an adjustment of general revenue in the statement of activities. The value of the investment in joint venture is not reported in the governmental funds.

3. Long-Term Expenses -- The net amount of \$3,439,019 represents the changes in the district's pension, compensated absences, and other post-employment benefits (OPEB) liabilities. The pension liability change resulted in a decrease to expenses of \$8,818,529. The compensated absences liability decreased expenses by \$1,356,681, and the OPEB liability increased expenses by \$6,736,191. These long-term assets or liabilities are not reported in governmental funds. The net increase in liabilities results in an adjustment to the statement of activities as expenses to appropriate programs.

4. Capital Related Items, Other Sources -- When surplus capital assets are disposed of, the proceeds from the sale or the disposal is recognized as other financing sources in the governmental funds. However, in the government-wide financial statements, statement of activities, a net loss or gain on the sale or disposal of the assets is recognized. Accordingly, the book value of the assets are offset against the proceeds (if any) from the sale or disposal to calculate, a net gain or loss. Sale of surplus equipment is categorized as a general revenue, unallocated, on the statement of activities. The net gain from the sale of real property is considered a special item on the statement of activities.

Equipment Historical Cost	\$	422,326
Less Accumulated Depreciation		(412,015)
Book Value of Assets	\$	10,311
Proceeds from Sale of Equipment		15,742
Less Book Value of Equipment		(10,311)
Net Gain from Surplus Equipment	\$	5,431

5. Capital Related Items, Expenses -- When capital assets (i.e. land, buildings, equipment) are purchased or constructed to be used in governmental activities, the cost of those assets are reported as capital outlay expenditures in the governmental funds. However, the statement of net position includes capital assets among the assets of the district as a whole. Thus, governmental fund financial statements report capital outlay as expenditures (\$47,170,471), while government-wide financial statements report depreciation expense (\$16,887,617) for capital assets which are allocated to various applicable programs. Expenditures for equipment costing less than \$5,000 that are reported as capital outlay expenditures in the governmental fund financial statements (\$10,476,852) are not capitalized and therefore have been re-allocated as expenses to governmental activities in the statement of activities as follows:

	<u>Non-Capitalized</u>	<u>Depreciation</u>	<u>Total</u>
Regular Instruction	\$ 9,758,266	\$ 15,370,395	\$ 25,128,661
Special Education		2,516	2,516
Vocational Education	(83,495)	17,043	(66,452)
Compensatory Education	(13,338)	953	(12,385)
Other Instructional Programs		5,380	5,380
Community Services		2,214	2,214
Support Services	815,419	1,489,116	2,304,535
Total	<u>\$ 10,476,852</u>	<u>\$ 16,887,617</u>	<u>\$ 27,364,469</u>

Reconciliation Summary:

Non-Capitalized, Building & Equipment Costs	\$ 10,476,852
Depreciation Expense	16,887,617
Capital Outlay (Sites, Buildings, Equipment)	(47,170,471)
Difference	<u>\$ (19,806,002)</u>

6. Long-Term Debt Transactions, Bond Principal -- Repayment of bond principal in the amount of \$19,315,000 was reported as an expenditure in the governmental funds and, thus, has the effect of reducing fund balance. For the district as a whole, the principal payments reduce the liabilities in the statement of net position. (See Long-Term Debt Note 8.)

7. Long-Term Debt Transactions, Bond Interest & Other Charges -- In governmental fund financial statements, interest and transfer fee payments of \$7,825,874 on general obligation bonds were charged to expenditures. However, in the government-wide financial statements, interest expense is adjusted to reflect amortization of deferred amount on refunding (which has the effect of increasing interest expense), and amortization of bond premium (which has the effect of decreasing interest expense). Accordingly, a net adjustment of \$1,123,296 is made to decrease bond interest expense in the statement of activities. (See Long-Term Debt Note 8 for amortization schedules.)

Amortization of Deferred Amount on Refunding	\$1,986,746
Amortization of Bond Premium	<u>(3,110,042)</u>
Net Adjustment to Bond Interest & Other Charges	<u>(\$1,123,296)</u>

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

General Budgetary Policies -- The Everett Public Schools budgets the funds in accordance with the Revised Code of Washington Chapter 28A.505 and Chapter 392-123 of the Washington Administrative Code (WAC). The board of directors adopts annual appropriation budgets at the

fund level for all governmental type funds after a public hearing. Appropriations lapse at the end of the fiscal period.

Budgetary Basis of Accounting -- For budget and accounting purposes, revenues and expenditures are accounted for on a modified accrual basis as prescribed by law for all governmental funds. Fund balance is budgeted as available resources and, pursuant to law, cannot be negative.

Budget Controls and Revisions -- Each governmental fund's total expenditures cannot, by law, exceed its formal fund appropriation. The district's finance office reviews requests from management to modify specific accounts within the overall fund appropriation and implements those under the authority granted by approval from the executive director of finance and business services. 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 after a public hearing anytime during the fiscal year.

Budget Amendments -- There were no budget amendments made during the 2017-2018 fiscal year. The original budget is the same as the final budget, total expenditures were within budget and there were no fund-level revisions necessary.

NOTE 4. CASH AND INVESTMENTS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The Snohomish County Treasurer is the *ex-officio* treasurer for the district. In this capacity, the Snohomish County Treasurer receives deposits and transacts investment activity on the district's behalf.

The district's cash and cash equivalents are covered entirely by federal depository insurance (FDIC) or by collateral held by the district's custodial banks in the district's name.

Statutes authorize the district to: (1) invest in securities, certificates, notes, bonds, short-term securities, or other obligations of the United States, in bankers' acceptances and commercial paper purchased on the secondary market, the Washington State Local Government Investment Pool, and county treasurer investment pools, and (2) make deposits in financial institutions in accordance with RCW 30.04.300, which have been designated as qualified public depositories by the Washington State Public Deposit Protection Commission (WSPDPC).

To qualify as public depositories in the State of Washington, financial institutions must provide collateral to the WSPDPC in an amount equal to not less than ten percent of all public deposits by municipalities up to the net worth of the qualified institution. WSPDPC guidelines basically provide that in the event of default of a qualified public depository, all other qualified public depositories will collectively assure that no loss of funds will be suffered by any public entity.

Investments are stated at fair value on the balance sheet. Changes in fair value are included as revenue in the financial statements. The fair value of securities was based on quoted market prices.

Investments in the State Investment Pool (Local Government Investment Pool – LGIP) as held by the County Treasurer on behalf of the district, have fair values that are the same as the value of the pool shares. The information was provided by the County Treasurer in their capacity as *ex-officio* treasurer for the district.

Government-wide cash, cash equivalents, and investments at year-end totaled \$92,360,130, which consisted of the following:

Description	Governmental Funds	Total Government Wide
Investment at Fair Value	\$91,160,861	\$91,160,861
Cash with County Treasurer, Net of Outstanding Warrants	229,189	229,189
Cash Bank Deposits Used as Imprest Revolving Funds	196,950	196,950
Cash	773,130	773,130
Total Cash, Cash Equivalents and Investments	<u>\$92,360,130</u>	<u>\$92,360,130</u>

Fiduciary Fund, cash, cash equivalents, and investments at year-end totaled \$166,173, and consisted of the following:

Investments at Fair Value	\$165,474
Cash with County Treasurer, Net of Outstanding Warrants	377
Cash	322
Total Cash, Cash Equivalents and Investments	<u>\$166,173</u>

The district's deposits are covered entirely by federal depository insurance (FDIC) or by collateral held in the multiple financial institution collateral pool administered by the WSPDPC. All of the district's investments during the year and at year-end were held by the district or by the Snohomish County Treasurer on behalf of the district.

The district's investments are measured and categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. These guidelines recognize a three-tiered fair value hierarchy as follows: Level 1: Quoted prices in active markets for identical assets. Level 2: Quoted market prices for similar assets, quoted prices for identical or similar assets in markets that are not active, or other than quoted prices that are not observable. Level 3: Unobservable inputs for an asset. Investments held by the district are considered Level 1 only and at August 31, 2018, are as follows:

Investment Type	Cost	Level 1 - Fair Value	Investment Maturities (In Years)			
			Less Than 1 Year	1-5	6-10	More Than 10 Years
Government-Wide						
State Investment Pool (LGIP)	\$ 91,160,861	\$ 91,160,861	\$ 91,160,861			
Government-Wide Investments	91,160,861	91,160,861	91,160,861	-	-	-
Fiduciary Funds						
State Investment Pool (LGIP)	165,474	165,474	165,474			
Total Investments	\$ 91,326,335	\$ 91,326,335	\$ 91,326,335	\$ -	\$ -	\$ -

Interest Rate Risk – The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates. However, Snohomish County, as a means of limiting its exposure to raising interest rates, invests in securities that have a final maturity of no longer than five years. All of the district's investments are with Snohomish County which invests almost 100 percent of the funds with the Washington State Treasurer's Local Government Investment Pool (LGIP).

The Washington State Local government Investment Pool (LGIP) is operated by the Washington State Treasurer and is managed in a manner generally consistent with SEC regulated Rule 2a-7 money market funds. Participation in the pool is voluntary and the pool is not rated by a nationally recognized statistical rating organization (NRSRO). Fair value of the district's investment in the pool is measured using a net asset value (NAV) calculation based on the amortized cost of all securities held such that the securities will be valued at their acquisition cost, plus accrued income, amortized daily. The pool maintains a Weighted Average Maturity (WAM) of 60 days or shorter. Accordingly, participants' balances in the LGIP are not subject to interest rate risk since the weighted average maturity of the portfolio will not exceed 90 days.

Credit Risk – The basic risk for holders of debt securities is that the debtor will not be able to make scheduled payments (*credit risk*). State law prohibits investments in commercial paper, corporate bonds, and mutual bond funds. The district has no investment policy that would further limit its investment choices. As of August 31, 2018, the district's investment in the State Investment Pool was not rated by a nationally recognized statistical rating organization (NRSRO).

Credit risk is limited because the majority of the district's investments outside of the pool are typically either obligations of the US government, government sponsored enterprises, or insured demand deposits accounts and certificates of deposit.

Concentration of Risk -- The district places no limit on the amount the district may invest in any one investment facilitator. All of the district's investments are invested in the Washington State Treasurer's Local Government Investment Pool and U.S. Government Obligations. In compliance with State of Washington statutes, Pool policies authorize investments in US securities, US agency securities, and mortgaged-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.

The LGIP is a voluntary investment vehicle operated by the State Treasurer. Over 530 governments have participated in the pool since it was started in 1986 to provide safe, liquid, and competitive investment options for local governments pursuant to RCW 43.250. The LGIP lets local governments use the State Treasurer's resources to safely invest their funds while enjoying the economies of scale available from a \$7-11 billion pooled fund investment portfolio. The LGIP's investment objectives are, 1) safety of principal, 2) maintaining adequate liquidity to meet cash flows, and 3) providing a competitive interest rate relative to other comparable investment alternatives. LGIP offers 100 percent liquidity to its participants. The LGIP portfolio is managed in a manner generally consistent with SEC regulated Rule 2a-7 money market funds.

Oversight of the LGIP is provided by the LGIP Advisory Committee. The LGIP Advisory Committee was created in 1995 to advise the State Treasurer on the operation of the Pool. The committee is comprised of 12 appointed members; four are appointed by the State Treasurer and the other eight are appointed by state associations including the Washington Finance Officers Association (WFOA), and the Washington Municipal Treasurers Association (WMTA) among others. Each member serves a three-year term and is eligible for two total terms. The LGIP

Advisory Committee meets quarterly to advise the Treasurer on LGIP operational issues, budget, and oversight of the Statewide Custody Program.

NOTE 5. INTERFUND, TRANSFERS, AND OTHER GOVERNMENT TRANSACTIONS

Interfund Balances -- (Amounts Due to Other Funds/Amounts Due from Other Funds) Interfund balances between the district's governmental funds are transactions that have occurred in one fund that are later reclassified to the appropriate fund. Payroll transactions are streamlined and paid wholly through the General Fund. The costs are then reclassified as an expenditure to the appropriate fund, and a reimbursement of expenditure to the General Fund. Interfund receivables/payables are liquidated monthly. As of August 31, 2018, short-term interfund receivables and payables in governmental funds resulting from general operating transactions (mostly salaries with a minor amount attributable to supplies or equipment) in governmental fund financial statements were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$429,293	\$17,802
Special Revenue Fund	17,802	23,116
Capital Projects Fund		406,177
Total	<u>\$447,095</u>	<u>\$447,095</u>

Interfund receivables and payables between governmental funds are eliminated in the government-wide financial statements. Interfund receivables and payables from the private-purpose trust fund have been reclassified as third party receivables/payables in the government-wide financial statements.

Interfund Transfers -- Planned transfers between funds are included in the budgeting process. In 2017-2018, transfers included \$2,240,000 from the Capital Projects Fund to the General Fund. The transfers are in connection with certain eligible equipment repair, preventative maintenance, and technology related projects.

Interfund Loans -- There were no interfund loans made during the course of the 2017-2018 fiscal year.

Due from Other Governmental Units -- As of August 31, 2018, receivables from other governments consisted of the following related to apportionment, grants, and reimbursements for services owed:

Due from Other Governmental Units	General Fund
State of Washington	
Categorical education program grants	\$ 1,986,012
School Districts	4,787
Everett Police Department	480
City of Everett	1,470
Total	<u>\$ 1,992,749</u>

NOTE 6. CHANGES IN CAPITAL ASSETS

Purchases of equipment with a unit cost of \$5,000 or more, are capitalized and depreciated in government-wide financial statements. Equipment costing less than \$5,000 is not included in capital asset cost values or depreciation totals in the district's government-wide financial statements. The district's capital assets are insured up to the cost of replacement, subject to a \$1,000 deductible per

occurrence. Course of construction insurance is carried on projects under construction. There have been no significant reductions to insurance coverage. Changes in capital assets for the year are as follows:

	Primary Government			
	Beginning Balance	Additions	Deletions	Ending Balance
Government Activities:				
Non-depreciable Capital Assets				
Land	\$ 38,700,278	\$ 2,386,570		\$ 41,086,848
Construction in Progress	<u>5,492,862</u>	<u>\$ 28,015,165</u>	<u>\$ (14,370,528)</u>	<u>19,137,499</u>
Total Non-Depreciable Capital Assets	<u>44,193,140</u>	<u>30,401,735</u>	<u>(14,370,528)</u>	<u>60,224,347</u>
Depreciable Capital Assets				
Building & Improvements	537,360,340	17,309,463	(5,861,712)	548,808,091
Equipment	<u>10,696,866</u>	<u>3,352,948</u>	<u>(422,326)</u>	<u>13,627,488</u>
Total Depreciable Capital Assets	<u>548,057,206</u>	<u>20,662,411</u>	<u>(6,284,038)</u>	<u>562,435,579</u>
Less Accumulated Depreciation				
Building & Improvements	(188,925,361)	(16,109,105)	5,861,713	(199,172,753)
Equipment	<u>(5,990,340)</u>	<u>(778,512)</u>	<u>412,015</u>	<u>(6,356,837)</u>
Total Accumulated Depreciation	<u>(194,915,701)</u>	<u>(16,887,617)</u>	<u>6,273,728</u>	<u>(205,529,590)</u>
Total Depreciable Capital Assets, Net of Depreciation	<u>353,141,505</u>	<u>3,774,794</u>	<u>(10,310)</u>	<u>356,905,989</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 397,334,645</u>	<u>\$ 34,176,529</u>	<u>\$ (14,380,838)</u>	<u>\$ 417,130,336</u>

Depreciation expense was charged to governmental activities as follows:

Regular Instruction	\$ 15,370,395
Special Education	2,516
Vocational Instruction	17,043
Compensatory Education	953
Other Instruction Programs	5,380
Community Services	2,214
Support Services	<u>1,489,116</u>
Total:	<u>\$ 16,887,617</u>

Construction in Progress

Projects	Project Authority Dollars	Expenditures Accumulated August 31, 2018
Cascade High School Staff Lounge	\$45,000	\$33,055
Science Resource Center	130,000	43,582
Longfellow Site Redevelopment	780,000	264,341
Woodside Elementary Modernization	27,800,000	774,991
Tambark Creek Elementary	43,900,000	9,428,069
North Middle School Modernization	<u>50,100,000</u>	<u>8,593,462</u>
	<u>\$122,755,000</u>	<u>\$19,137,500</u>

NOTE 7. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. PENSIONS 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 purpose 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>.

B. MEMBERSHIP PARTICIPATION

Substantially all 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 the DRS: Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement Systems (SERS).

As of June 30, 2018, the collective Washington State Department of Retirement Systems membership participation by retirement plan, was as follows:

Plan	Inactive		Retired Members	Total Members
	Active Members	Vested Members		
PERS 1	1,986	539	47,037	49,562
SERS 2	27,786	6,050	9,171	43,007
SERS 3	34,930	8,678	8,866	52,474
TRS 1	497	147	33,460	34,104
TRS 2	20,518	2,617	5,453	28,588
TRS 3	55,117	8,735	11,960	75,812

The latest actuarial valuation date for all plans was June 30, 2017.
Source: Washington State Office of the State Actuary

C. MEMBERSHIP PLAN AND BENEFITS

Certificated staff of 295 public school district employers and other public employers are members of TRS. Non-certificated staff (classified employees) are members of PERS (if plan 1) or SERS. TRS 1 and PERS 1 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.

Teachers Retirement System (TRS)

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.

Public Employees Retirement System (PERS)

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 (COLA) adjustment, and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries.

School Employees Retirement System (SERS)

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 for 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 (COLA) 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.

D. PLAN CONTRIBUTIONS

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

The employer and employee contribution rates for the PERS plan are effective as of July 1. SERS and TRS contribution rates are effective as of September 1. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2017 and 2018 were as follows:

Pension Rates			
	9/1/18 Rate	7/1/17 Rate	
PERS 1			
Member Contribution Rate	0.0600	0.0600	
Employer Contribution Rate	0.1283	0.1270	
	9/1/18 Rate	9/1/17 Rate	
TRS 1			
Member Contribution Rate	0.0600	0.0600	
Employer Contribution Rate	0.1541	0.1520	
TRS 2			
Member Contribution Rate	0.0706	0.0706	
Employer Contribution Rate	0.1541	0.1520	
TRS 3			
Member Contribution Rate	*	*	
Employer Contribution Rate	0.1541	0.1520	**
SERS 2			
Member Contribution Rate	0.0727	0.0727	
Employer Contribution Rate	0.1348	0.1348	
SERS 3			
Member Contribution Rate	*	*	
Employer Contribution Rate	0.1348	0.1348	**
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			

Employer required contributions in dollars (September 1 through August 31):

<u>Plan</u>	<u>FY17-18</u>	<u>FY16-17</u>	<u>FY15-16</u>
Plan 1 TRS	\$8,901,622	\$7,213,943	\$6,752,604
Plan 2 TRS	1,818,522	1,418,780	1,164,295
Plan 3 TRS	7,738,399	6,463,620	6,118,243
Plan 1 PERS	1,936,914	1,671,348	1,524,261
Plan 2 SERS	1,293,389	969,298	862,251
Plan 3 SERS	1,835,071	1,385,518	1,251,400

E. PENSION LIABILITY

Collective Net Pension Liability

The collective net pension liabilities for the pension plans school districts participated in as of June 30, 2018, are reported in the following table:

Collective Net Pension Liability (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%

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

At June 30, 2018, the district reported a total liability of \$87,431,070 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.

Contributions and Proportionate Share	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's annual contributions	\$1,891,471	\$2,976,118	\$8,598,472	\$9,208,605
Employer allocation percentage	0.282975%	1.701217%	2.067471%	2.071302%
Proportionate share of the Net Pension Liability	12,637,752	5,087,694	60,382,403	9,323,221

At June 30, 2018, the district's percentage of the proportionate share of the collective net pension liability and the change in the allocation percentage from the prior period is illustrated below.

Change in Proportionate Share Allocation Percentage	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.282975%	1.701217%	2.067471%	2.071302%
Prior year proportionate share of the Net Pension Liability	0.273586%	1.645115%	2.035627%	2.034198%
Net difference percentage	0.009389%	0.056102%	0.031844%	0.037104%

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:

Actuarial Assumptions	
Inflation	2.75% total economic inflation, 3.50% salary inflation
Salary increases	In addition to the base 3.50% salary inflations 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 and the 2015 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 50-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 10-15 year period, becomes amplified over a 50-year measurement period.

Best estimates of arithmetic real rates of return for each major class included in the pension plans'

target asset allocation as of June 30, 2018, are summarized in the following table:

The long-term expected rate of return and pension plans' target asset allocation		
TRS1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	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 contribution 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.

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	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	-	-
Net difference between projected and actual earnings on pension plan investments		(\$502,217)
Changes in assumptions or other inputs	-	
Changes in the district's proportion and differences between the district contributions and proportionate share of contributions	-	-
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	\$332,434	
PERS 1 TOTAL	\$332,434	(\$502,217)

SERS 2/3	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	\$1,402,210	-
Net difference between projected and actual earnings on pension plan investments		(\$2,473,658)
Changes in assumptions or other inputs	40,322	(1,044,341)
Changes in the district's proportion and differences between the district contributions and proportionate share of contributions	274,627	-
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	540,776	
SERS 2/3 TOTAL	\$2,257,936	(\$3,517,999)

TRS 1	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	-	-
Net difference between projected and actual earnings on pension plan investments		(\$2,582,195)
Changes in assumptions or other inputs	-	
Changes in the district's proportion and differences between the district contributions and proportionate share of contributions	-	-
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	\$1,579,525	
TRS 1 TOTAL	\$1,579,525	(\$2,582,195)

TRS 2/3	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	\$4,381,239	\$ (688,429)
Net difference between projected and actual earnings on pension plan investments		(7,884,953)
Changes in assumptions or other inputs	158,509	(3,746,668)
Changes in the district's proportion and differences between the district contributions and proportionate share of contributions	353,763	(446,968)
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	1,695,497	
TRS 2/3 TOTAL	\$6,589,008	\$(12,767,019)

The \$4,148,233 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	\$21,972	\$47,794	\$258,363	(\$463,677)
2020	(109,787)	(457,274)	(534,540)	(1,904,325)
2021	(329,442)	(1,160,079)	(1,836,212)	(4,187,256)
2022	(84,960)	(207,534)	(469,806)	(1,092,907)
2023	-	3,298	-	16,841
Thereafter	-	(27,045)	-	(242,184)

Pension Expense

The district's pension expense consists of contributions made on behalf of its members, the changes in the net pension liability, and the changes in deferred outflows and deferred inflows of resources related to pensions. For the year ending August 31, 2018, the district recognized a total pension expense of \$14,705,387. Details of pension expense by plan is as follows:

<u>Plan Name</u>	<u>Pension Expense</u>
PERS 1	\$1,565,635
SERS 2/3	1,438,716
TRS 1	7,414,541
TRS 2/3	<u>4,286,495</u>
Total	<u><u>\$14,705,387</u></u>

Sensitivity of the Net Pension Liability (NPL) to Changes in the Discount Rate

The table below presents the district's proportionate share of the net pension liability calculated using the discount rate of 7.40 percent as well as what the net pension liability would be if it were calculated using a discount rate one percentage point lower (6.40 percent) or one percentage point higher (8.40 percent) than the current rate. Amounts are calculated by plan using the

district's allocation percentage.

Sensitivity of the Net Pension Liability (NPL) to changes in the discount rate:			
Participating Plans for TRS, PERS, and SERS			
	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	0.282975%	0.282975%	0.282975%
Proportionate share of collective NPL	\$15,531,009	\$12,637,752	\$10,131,608
SERS_{2/3} - NPL	\$1,127,549,000	\$299,062,000	\$ (383,817,000)
Allocation percentage	1.701217%	1.701217%	1.701217%
Proportionate share of collective NPL	\$19,182,058	\$5,087,694	(\$6,529,561)
TRS₁ - NPL	\$3,650,431,000	\$2,920,592,000	\$2,288,760,000
Allocation percentage	2.067471%	2.067471%	2.067471%
Proportionate share of collective NPL	\$75,471,615	\$60,382,403	\$47,319,457
TRS_{2/3} - NPL	\$2,805,439,000	\$450,114,000	\$(1,463,229,000)
Allocation percentage	2.071302%	2.071302%	2.071302%
Proportionate share of collective NPL	\$58,109,117	\$9,323,221	(\$30,307,893)

F. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The district implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for fiscal year 2018 financial reporting. OPEB refers to post-employment benefits provided to employees other than pension benefits. These benefits include but are not limited to healthcare coverage, life insurance and long-term care. The Governmental Accounting Standards Board (GASB) has issued guidance for the recognition of OPEB liabilities and expenditures.

Plan Description -- Washington State, through the Health Care Authority (HCA), administers a single - employer defined benefit other post-employment benefit plan (OPEB). Per RCW 41.05.065, 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. PEBB programs include medical, dental, life and long-term disability.

Employers participating in the plan include the state (which includes general governmental agencies and higher education institutions), 74 of the state's K-12 schools and educational service districts (ESDs), and 236 political subdivisions. Additionally, the PEBB plan is available to the retirees of the remaining 238 K-12 school districts and ESDs.

Everett Public Schools is deemed to provide to its retirees employer-provided subsidies associated with post-employment medical and life insurance benefits provided through the PEBB. According to state law, the Washington State Treasurer collects a fee from all school district entities who are not active members of the State Health Care Authority but participate in the state retirement system. As outlined by the state's operating budget, school districts were mandated to pay the state HCA \$64.07 per month per full-time equivalent employee in the 2017-18 fiscal year, in support of

this program. This assessment to the district is subject to change annually. Because the district is self-insured, it does not participate in PEBB for provision of medical and life insurance benefits to its active employees. Participation in PEBB is limited to only its retirees.

Everett Public Schools' members, for the purposes of determining actuarial numbers relative to the subsidies and liabilities for the district's OPEB as of August 31, 2016, were as follows:

<u>Total Membership</u>	
Active Members	2,168
<u>Members Currently Receiving Benefits</u>	
Retired Members and Surviving Spouses	572
Spouses of Retired Members	252

The funds paid in the assessment, are deposited to a custodial account of the Washington State Treasurer and are withdrawn by the Health Care Authority for subsidizing all school district retirees' health insurance premiums. Statutory assessments the district paid to the State Treasurer for the years ended August 31, 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, and 2009 were, \$1,656,457, \$1,606,094, \$1,512,167, \$1,526,189, \$1,399,154, \$1,392,674, \$1,390,378, \$1,349,193, \$1,305,024, and \$1,362,790, respectively.

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

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

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

Medical and Life Benefits -- Upon retirement, members are permitted to receive medical benefits. For calendar year 2018, the estimated monthly cost for PEBB benefits for each active employee (average across all plans and tiers) is as follows:

<u>Required Premium*</u>	
Medical	\$ 1,071
Dental	80
Life	4
Long-term disability	2
Total	<u>1,157</u>
Employer Contribution	1,001
Employee Contribution	156
Total	<u>1,157</u>

*Per 2018 PEBB Financial Projection Model 4.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2018 which includes projected claims cost at the time of this reporting.

For medical insurance coverage, the HCA has two claims pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. Each participating employer pays a portion of the premiums for active employees. For retirees,

participating employers provide two different subsidies: an explicit subsidy and an implicit subsidy.

Funding Policy -- The funding policy is based upon the pay-as-you-go financing requirements and there are no assets accumulated in a qualifying trust.

Actuarial Methods and Assumptions -- In order to calculate the beginning total OPEB liability balance under GASB Statement No. 75, the August 31, 2018 actuarial valuation was performed with a valuation date of August 31, 2016, while the ending balance was determined by projecting the August 31, 2016 valuation forward to August 31, 2017. GASB Statement No. 75 allows for up to a one-year lag between measurement date and the reporting date. The forward projection reflects the plan's assumed service cost, assumed interest, and expected benefit payments. There have been no significant changes between the valuation date and the fiscal year-end.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the August 31, 2018 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions used included:

Inflation Rate	3.00%
Projected Salary Changes	3.75%
Post-Retirement Participation Percentage	50%
Percentage With Spouse Coverage	45%

Discount Rate -- The discount rate used to measure the total OPEB liability was set equal to the 20-year tax-exempt municipal bond yield, or 3.51 percent for the August 31, 2018 actuarial valuation.

Changes in assumptions resulted from an increase in the 20-year tax-exempt municipal bond yield discount rate resulting in an overall decrease in total OPEB liability for the August 31, 2018 actuarial valuation.

The health costs and life insurance trend rates used for the actuarial study are as follows:

Year Ending August 31	Pre-65 Retiree Premiums and Claims (1)	Post-65 Retiree Premiums and Claims (2)
2017	6.70%	8.80%
2018	5.40%	6.90%
2019	5.50%	5.40%
2020	5.60%	5.50%
2025	5.80%	5.70%
2030	6.20%	5.80%
2040	6.40%	5.70%
2050	6.10%	5.80%
2060	5.90%	6.00%
2093+	4.90%	4.90%

(1) Used to project annual increase to: total cost of pre-65 medical benefits; and retiree contributions for pre-65 medical benefits.

(2) Used to project annual increase to explicit subsidy for Post-65 medical benefits.

Mortality rates 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.

Demographic assumptions regarding retirement, disability, turnover, and mortality are based upon the TRS Plan 2 as shown in the 2007-2012 Experience Study by the Washington State Public Retirement Systems.

Total OPEB Liability. As of August 31, 2018, the District reported a total OPEB liability of \$83,562,258.

Changes in Total OPEB Liability

The following table presents the change in the total OPEB liability as of the August 31, 2018, reporting date:

<u>Changes in total OPEB Liability</u>	
OPEB Liability, August 31, 2017	\$ 87,958,486
Changes for the year:	
Service Cost	5,431,775
Interest on total OPEB Liability	2,630,292
Effect of Plan Changes	-
Effect of Economic/demographic gains or losses	-
Effect of Assumptions Changes or Inputs	(10,898,704)
Expected Benefit Payments	<u>(1,559,591)</u>
Net Changes in Total OPEB Liability	<u>(4,396,228)</u>
OPEB Liability, August 31, 2018	<u><u>\$ 83,562,258</u></u>

Sensitivity of the Total Liability to Changes in the Discount Rate and Healthcare Costs Trend Rates -- The following presents the total OPEB liability of the District, calculated using the discount rate of 3.51 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51 percent) or 1 percentage point higher (4.51 percent) than the current rate:

	<u>1% Decrease (2.51%)</u>	<u>Current Discount Rate (3.51%)</u>	<u>1% Increase (4.51%)</u>
August 31, 2018 OPEB Liability	\$ 100,339,338	\$ 83,562,258	\$ 69,578,973

The following presents the total OPEB liability of the District, calculated using the current healthcare cost trend rates as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
August 31, 2018 OPEB Liability	\$ 68,230,824	\$ 83,562,258	\$ 103,908,202

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB. -- For the year ending August 31, 2018, the District recognized OPEB expense of \$6,736,191.

On August 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflow of Resources	Deferred Outflows of Resources
Difference between expected and an actual experience	\$ -	\$ -
Changes of assumptions	(9,572,828)	-
Contributions made subsequent to measurement date	-	1,709,770
Total	\$ (9,572,828)	\$ 1,709,770

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended August 31, 2019.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for the District will be recognized in OPEB expense in the fiscal years ended August 31 as follows:

	Year ended August 31,
2019	\$ (1,325,876)
2020	(1,325,876)
2021	(1,325,876)
2022	(1,325,876)
2023	(1,325,876)
Thereafter	(2,943,488)

Further information about the state's PEBB plan as it pertains to OPEB is presented in a separate report, the State of Washington's June 30, 2018, comprehensive annual financial report. Refer to this audited GAAP basis report for detailed trend information. It is available from:

State of Washington
Office of Financial Management
300 Insurance Building
P.O. Box 43113
Olympia, WA 98504-3113

The state's PEBB OPEB plan does not issue a publicly available financial report. However, the results of an actuarial valuation of Washington State's employer provided subsidies associated with the PEBB plan, including more detailed trend information can be found at:

http://osa.leg.wa.gov/Actuarial_services/OPEB/OPEB.htm

NOTE 8. LONG-TERM LIABILITIES

CHANGES IN LONG-TERM LIABILITIES

During the year, the following changes occurred in liabilities reported in the government-wide financial statements:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds Payable					
2007 Unlimited Tax GO and Refunding Bonds	\$ 8,040,000		\$ 8,040,000	\$ -	
2009B UTGO Taxable Build America Bonds (BAB)	18,465,000			18,465,000	
2009C UTGO Qualified School Construction Bonds* *(QSCB) Tax Credit Bonds	17,445,000			17,445,000	
2013 Unlimited Tax GO Refunding Bonds	31,330,000			31,330,000	\$ 14,310,000
2014 Unlimited Tax GO Refunding Bonds	68,350,000		9,845,000	58,505,000	5,750,000
2016 Unlimited Tax GO Bonds	47,065,000		1,430,000	45,635,000	8,620,000
Total Bonds Payable	190,695,000	-	19,315,000	171,380,000	28,680,000
Net Pension Liabilities					
PERS Plan 1	12,981,858		344,106	12,637,752	
SERS Plans 2/3	8,118,230		3,030,536	5,087,694	
TRS Plan 1	61,542,470		1,160,067	60,382,403	
TRS Plans 2/3	18,774,485		9,451,264	9,323,221	
Total Net Pension Liabilities	101,417,043		13,985,973	87,431,070	
Other Liabilities					
Unamortized Bond Premium	9,610,466		3,110,042	6,500,424	2,475,122
Compensated Absences	7,036,098	2,371,304	3,727,985	5,679,417	2,371,304
Total OPEB Liabilities*	87,958,486	8,062,067	12,458,295	83,562,258	1,709,770
Total Other Liabilities	104,605,050	10,433,371	19,296,322	95,742,099	6,556,196
GRAND TOTAL	\$ 396,717,093	\$ 10,433,371	\$ 52,597,295	\$ 354,553,169	\$ 35,236,196

*The beginning balance of the OPEB liability has been revised by \$43,270,412 million as a result of implementing GASB Statement No. 75.

Debt service requirements for bonds are funded out of the Debt Service Fund with the revenue sources being property taxes, investment income, and refunding bonds. The General Fund typically bears the cost of liquidating long-term liabilities associated with pension, OPEB and compensated absences obligations.

BONDS OUTSTANDING

General obligation bonds payable at August 31, 2018, are comprised of the following individual issues:

Purpose - Governmental Activities	Interest Rate	Issue date	Maturity Date	Amount Issued	Amount Outstanding
2009B UTGO Taxable Build America Bonds	.85 - 4.98	09/30/09	12/01/22	23,715,000	18,465,000
2009C UTGO Qualified School Construction Bonds* *(QSCB) Tax Credit Bonds	1.14 - 6.11	10/06/09	12/01/23	17,445,000	17,445,000
2013 Unlimited Tax GO Refunding Bonds	1.50 - 5.00	10/30/13	12/01/20	34,165,000	31,330,000
2014 Unlimited Tax GO Refunding Bonds	1.00 - 5.00	04/28/14	12/01/21	69,645,000	58,505,000
2016 Unlimited Tax GO Bonds	2.25 - 5.00	12/06/16	12/01/36	47,065,000	45,635,000
Total Bonds Payable				<u>\$192,035,000</u>	<u>\$171,380,000</u>

AMORTIZATION OF BOND PREMIUM/DISCOUNT

Below is a schedule of amortization of bond premiums/discounts on all applicable general obligation bond issues. The effective interest method was used in calculating the amortization schedule.

Unamortized Bond Premium/Discount: Descriptions	Premium/ (Discount) Beginning Balance	Net Bond Issue Premium	(Premium)/ Discount Amortization	Ending Balance
2007 Unlimited Tax GO & Refunding Bonds	17,838		(17,838)	\$ -
2013 Unlimited Tax GO Refunding Bonds	1,973,736		(882,196)	1,091,540
2014 Unlimited Tax GO Refunding Bonds	4,711,495		(1,527,704)	3,183,791
2016 Unlimited Tax GO Bonds	2,907,397		(682,304)	2,225,093
Total Unamortized Bond Premium	<u>\$9,610,466</u>	<u>\$0</u>	<u>(\$3,110,042)</u>	<u>\$6,500,424</u>

UNAMORTIZED DEFERRED AMOUNT ON REFUNDING

Below is a schedule of amortization of deferred amount on refunding which is carried as a deferred outflow of resources balance on the government-wide statement of net position. The deferred amount on refunding is amortized on a straight-line basis, over the life of the old debt or the life of the new debt, whichever is shorter. The amortization has the effect of increasing interest expense on the statement of activities.

Descriptions	Beginning Balance	Additions	Reductions	Ending Balance
2006 Unlimited Tax GO Bonds (Oct 2013)	\$ 2,266,270		\$ 647,505	\$ 1,618,765
2006 Unlimited Tax GO Bonds (April 2014)	842,866		240,819	602,047
2007 Unlimited Tax GO Bonds (April 2014)	<u>4,942,899</u>		<u>1,098,422</u>	<u>3,844,477</u>
Total Unamortized Deferred Amount on Refunding	<u>\$8,052,035</u>		<u>\$1,986,746</u>	<u>\$6,065,289</u>

The district has pledged its full faith and credit to the payment of principal and interest on the bonds. The bonds are secured by ad valorem taxes to be levied without limitation as to rate or amount. The taxes, when collected, are required to be applied solely for the payments of principal and interest on the bonds.

The following is a schedule of annual requirements to amortize debt at August 31, 2018:

Year Ending August 31	Principal	Interest	Premium Amortized	Carrying Amount of Bonds
2018				\$ 177,880,424
2019	\$ 28,680,000	\$ 6,701,402	\$ 2,475,122	146,725,302
2020	25,810,000	5,353,277	1,630,364	119,284,938
2021	26,250,000	4,059,277	920,579	92,114,359
2022	25,640,000	2,821,007	364,453	66,109,906
2023	16,375,000	1,831,087	144,195	49,590,711
2024-2028	23,210,000	5,870,005	630,882	25,749,829
2029-2033	11,110,000	4,062,800	278,043	14,361,786
2034-2037	<u>14,305,000</u>	<u>1,196,300</u>	<u>56,786</u>	-
Total Long-Term Bonded Debt	<u>\$ 171,380,000</u>	<u>\$ 31,895,155</u>	<u>\$6,500,424</u>	

As of August 31, 2018, the district had \$20,519,255 available in the Debt Service Fund to service the general obligation bonds.

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

Long-Term Debt Payable at 9/01/2017	\$190,695,000
Debt Retired	<u>19,315,000</u>
Long-Term Debt Payable at 8/31/2018	<u>\$171,380,000</u>

Defeasance of Debt -- The district's refunded bonds satisfy the criteria for in-substance defeasance and are considered no longer outstanding. Accordingly, the district does not budget or report any refunded (old) debt. The irrevocable trust account assets and the liability for the defeased bonds are not included in the district's financial statements. Notice has been given that the bonds are defeased and will be called for redemption at 100 percent of par. Defeased bonds of \$55,065,000 were redeemed on December 1, 2017.

Arbitrage Regulations -- The Tax Reform Act of 1986, Internal Revenue Service Code Section 148, requires the district to rebate to the federal government, earnings on investment of bond proceeds which are in excess of the debt yield. This requirement is effective for the district's bonds issued after September 1, 1986. Rebates are due and payable five years from the date tax-exempt debt is issued and at five-year intervals thereafter while the debt is outstanding. The final rebate is due and payable 60 days after retirement of the debt. Positive arbitrage can be offset against negative arbitrage, therefore, the potential liability fluctuates from year to year and potentially may not be owing at the payment intervals. Calculations monitoring the applicability of federal arbitrage regulations are provided by Arbitrage Compliance Specialists, Inc. Current calculations performed by Arbitrage Compliance Specialists indicate the district's outstanding bonds subject to arbitrage are not in a position of positive arbitrage liability. Accordingly, no contingent liability has been estimated and a reserve in the Capital Projects Fund is not deemed necessary for the 2017-18 reporting period. The district will continue to monitor for arbitrage liability with technical assistance from its consultants, Arbitrage Compliance Specialists. Future reserves may be established if appropriate.

NOTE 9. FUND EQUITY (GOVERNMENTAL FUNDS)

GASB Statement No. 54 pertaining to fund balance classifications dictates that if restricted, committed or assigned fund balances are displayed in the aggregate on the balance sheet, specific purposes information should be disclosed in the notes to the financial statements. The district displays the

specific purpose details for some classifications on the face of the balance sheet, and discloses the details for other classifications in the notes to the financial statements. Accordingly, the following fund balances list all the fund balance classifications, including the special purposes information for any of the fund balance classifications that were listed in the aggregate on the balance sheet:

General Fund	August 31, 2018
Non-spendable Inventories - Supplies and Materials	\$ 929,482
Non-spendable Inventories - Food Services Lunchrooms	223,220
Sub-total Non-spendable Inventories	1,152,702
Non-spendable Prepaid Items, Registrations and Subscriptions	1,641,378
Total Non-spendable Fund Balance	2,794,080
Restricted - Title 1	9,967
Restricted - State Learning Assistance	641,811
Restricted - Capital Maintenance and Capital Technology	780,590
Restricted - Snohomish County Early Childhood Education Assistance	97,698
Restricted - Vocational Education	166,785
Restricted - Food Services Summer Lunch	92,282
Restricted - Food Services Breakfast and Lunch	993,074
Total Restricted Fund Balance	2,782,207
Committed - Imprest Accounts	152,000
Assigned - School Budget Carryover	387,965
Assigned - Operations Budget Carryover	806,053
Assigned - Gates, United Way, Boeing	145,395
Total Assigned Fund Balance	1,339,413
Unassigned Fund Balance	18,408,970
Total Fund Balance	<u>\$25,476,670</u>

Special Revenue - Associated Student Body (ASB) Fund	August 31, 2018
Non-spendable Inventories - Supplies and Materials	\$ 23,371
Non-spendable Prepaid Items - Registrations and Subscriptions	11,240
Total Non-spendable Fund Balance	34,611
Restricted for ASB Fund Purposes - Extra-Curricular Activities	1,255,978
Total Fund Balance	<u>\$ 1,290,589</u>

Debt Service Fund	August 31, 2018
Restricted - Debt Service Fund Purposes - Principal and Interest	\$ 20,519,255
Total Fund Balance	<u>\$ 20,519,255</u>

<u>Capital Projects Fund</u>	<u>August 31, 2018</u>
Non-spendable Inventories - Technology Materials	\$ 6,244,058
Restricted - Bond Proceeds	18,910,327
Restricted - State Building Match Proceeds	2,430,865
Restricted - Impact Fee Proceeds	1,472,759
Total Restricted Funds	22,813,951
Committed - Technology Levy Proceeds	7,281,175
Committed - Memorial Baseball Stadium	94,328
Total Committed Funds	7,375,503
Assigned - Capital Projects Fund Purposes	1,139,162
Total Fund Balance	<u><u>\$37,572,674</u></u>

<u>Transportation Vehicle Fund</u>	<u>August 31, 2018</u>
Restricted - Student Transportation Buses	\$ 123,601
Total Fund Balance	<u><u>\$ 123,601</u></u>

NOTE 10. RISK MANAGEMENT

Risk Management Pool -- The district is exposed to various risks of loss related to its property and liability exposures. The district is one of over 90 school district and educational service district members of the Washington Schools Risk Management Pool (Pool) which was formed on August 30, 1986, pursuant to the authority granted in Chapter 48.62 of the Revised Code of Washington (RCW) and according to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The purpose of the Pool is to join together in a cooperative manner to provide its members the capability and authority to jointly purchase property and liability insurance, establish and maintain a reserve to pay for self-insurance coverage, provide a plan of self-insurance, and provide related services, including a cooperative program of risk management.

The district made net premium payments totaling \$1,532,940 to the Pool for its 2017-18 coverage. This premium includes a loss control incentive discount credit of \$64,501 in recognition of the district's risk management practices. The Pool provides liability limits of \$10 million per occurrence and property limits of \$500 million per occurrence (for covered claims). The Pool acquires reinsurance from unrelated underwriters that are subject to a per-occurrence self-insured retention of \$1 million risk shared by the Pool. Members are responsible for varied deductibles for both liability and property claims. Insurance carriers cover losses over \$1 million to the maximum limits of each policy.

Pool underwriting and rate-setting policies have been established by the Pool executive board after consultation with actuaries. Pool members are subject to supplemental assessment in the event of deficiencies. There is no limit on the amount of annual premium contribution increases. The Pool is fully funded by its member participants.

Since the Pool is a cooperative program there is a joint liability among the participating members. Members contract to remain in the Pool for a minimum of three years and must give notice two- and one-half years before terminating participation. The Cooperative Risk Management Pool Account Agreement is renewed automatically each year after the initial three-year period. Even after termination, or if the assets of the Pool were to be exhausted, a member is still responsible for

contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Agreement. If the assets of the Pool were to be exhausted, members would be responsible for the Pool's liabilities. The allocation of the liabilities would be determined by the executive board. If the Pool were dissolved, the members would receive the net assets. The allocation would be in proportion to each member's contribution less obligations (including incurred but not reported claims).

The district did not have any significant reductions in insurance coverage as compared to the prior year, nor did the district have any insurance settlements that exceeded insurance coverage over the last three fiscal years.

The Pool is governed by a board of directors which is comprised of one designated representative from each participating member. An executive board is elected at the annual meeting, and is responsible for overseeing the business affairs of the Pool.

The Washington Schools Risk Management Pool has produced its own financial report for the year ended August 31, 2017, which can be obtained from:

Washington Schools Risk Management Pool
P.O. Box 88700
Tukwila, WA 98138-2700

Employee Benefits -- Qualified employees of the district receive comprehensive medical, dental, life, accidental death and dismemberment and long-term disability coverage through the Everett School Employee Benefit Trust (the Trust). The Trust is a separate legal entity that is governed by a board of three district appointed trustees and three Everett Education Association appointed trustees. The district's monthly contributions to the Trust are based on the State's "full time equivalent" funding allocation. Optional coverage may be purchased by district employees through payroll deductions which are remitted to the Trust monthly. The Trust is required to purchase fiduciary liability insurance and any other insurance as deemed prudent to cover potential losses. There were no settlements resulting from losses that would exceed the insurance coverage. Medical benefit claims by participants are covered by the contracted insurance provider, either Aetna or Kaiser Permanente.

Unemployment Insurance -- The district joined together with school districts in Island, San Juan, Skagit, Snohomish and Whatcom Counties on July 1, 1978, to form the Northwest Educational Service District 189 Unemployment Compensation Pool (Pool), a public entity risk pool for unemployment insurance. The district made \$0 in payments to the Pool in fiscal year 2017-18. Claims against the district are paid by the Washington State Department of Employment Security (WSDS). The WSDS is reimbursed by the Pool for all claims paid. Unemployment claims of \$14,602 were made by the Pool on behalf of the district for fiscal year 2017-18. The following is a summary of activity:

Unemployment Insurance				
Fiscal Year	Beginning Balance	Additions	Reductions	Ending Balance
2016-2017	\$567,581	\$4,972	\$53,334	\$519,219
2017-2018	\$519,219	\$6,344	\$23,493	\$502,070

Workers' Compensation -- In December 2000, the board of directors adopted Resolution No. 718 which authorized the district to become a member of the Puget Sound Workers' Compensation Trust (PSWCT), a cooperative that was formed to provide workers' compensation coverage for its members. The district joins 30 other school districts or educational service districts in the PSWCT, which is administered by the Puget Sound Educational Service District. For fiscal year 2017-18, the district made premium payments totaling \$1,848,723 to the PSWCT in lieu of premium payments to the State of

Washington for industrial insurance. This practice enables the PSWCT to pay industrial insurance beneficiaries as they become eligible and minimizes the district's costs for the program.

NOTE 11. TAX ABATEMENTS

As of August 31, 2018, the District property tax revenues were reduced through the Multifamily Housing Property Tax Exemption.

The Multifamily Urban Housing Tax Exemption program provides property tax exemptions to stimulate the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for multifamily housing in urban centers, in keeping with the goals of the Growth Management Act (Chapter 36.70A RCW).

The value of new construction, conversion, and rehabilitation improvements qualifying under this program are exempt from ad valorem property taxation for:

- Ten years provided applications have been submitted prior to July 22, 2007;
- Eight years if applications were submitted on or after July 22, 2007; or
- Twelve years if applications were submitted on or after July 22, 2007, the property otherwise qualifies for the exemption under Chapter 84.14 RCW, and the owner commits to renting or selling at least twenty percent of the multifamily housing units as affordable housing units to low- and moderate-income households.

Tax exemptions are obtained through application by the property owner. Property owners receiving tax exemptions are required to file a notarized annual declaration indicating ongoing compliance.

	Amount of Tax Abated as of August 31, 2018
<u>Tax Abatement Program</u>	
Multifamily Property Tax Exemption	\$ 565,453

NOTE 12. SUMMARY OF SIGNIFICANT CONTINGENCIES

Litigation -- The district is party to several legal actions arising from its normal educational activities. It is the opinion of the administration that these actions will be resolved without material impact on the financial position of the district.

NOTE 13. OTHER DISCLOSURES

A. EVERETT SCHOOL EMPLOYEE BENEFIT TRUST

Related Party – The Everett School Employee Benefit Trust (ESEBT), a 501 (c) 9 non-profit separate legal entity, is a local governmental employee health benefit program as defined by Title 48.62 of the Revised Code of Washington (RCW). It provides comprehensive medical, vision, dental, life, accidental death and dismemberment, long-term disability, and short-term disability coverage to qualified district employees and their covered dependents. The ESEBT has also incorporated a comprehensive wellness program to promote healthy lifestyles and reduce medical plan costs. The ESEBT is governed and administered by a board of three management and three labor trustees. Everett Public Schools and the Everett Education Association appoints board of trustees. The trustees act in a fiduciary capacity over the ESEBT and decisions or actions of the trustees require a majority vote. As of June 30, 2018 the ESEBT net position was \$5,464,480. For 2017-18 year, the District contributed \$21,740,904.

The ESEBT has produced its own financial report for the year ended June 30, 2018, which can be obtained from:

Everett School Employee Benefit Trust
P.O. Box 2098
Everett, WA 98213

B. KING COUNTY DIRECTORS' ASSOCIATION

Investment in Joint Venture -- Everett Public Schools has been a member of the King County Directors' Association (KCDA) for many years. KCDA is a purchasing cooperative that serves 294 school districts throughout the State of Washington. In 2017, Everett Public Schools purchased \$2,087,886 through KCDA contracts, including direct billings by vendors. Everett Public Schools' equity in KCDA as of December 31, 2017, was \$152,648.

Because of the purchasing power of KCDA, it is the intent of the district to remain a member. Should the district decide to terminate its membership in KCDA, the following options are available in regard to withdrawing the ownership amount, if the district so chooses:

1. The district may withdraw inventory at a maximum rate of ten percent (10%) per year for a ten (10) year period or;
2. The district may withdraw cash equally over a fifteen (15) year period.

KCDA has published its own financial report for the year ended December 31, 2017, which can be obtained from:

King County Directors' Association
P.O. Box 5550
Kent, WA 98064-5550

C. NORTHWEST EDUCATIONAL SERVICE DISTRICT

Jointly Governed Organization -- The district is served by Northwest Educational Service District No. 189 (ESD). The ESD is a regional service entity organized to serve the educational needs of all school districts in Island, San Juan, Skagit, Snohomish and Whatcom Counties. All school districts in the ESD's service area collectively elect nine directors to the ESD. Participating school districts have neither an ongoing financial interest nor responsibility. The ESD's relationship to the school district is one of a jointly governed organization.

D. SNO-ISLE VOCATIONAL SKILLS CENTER

In 1978, the district participated in the establishment of the Sno-Isle Skills Center (Skills Center), a vocational education facility operated by host district, Mukilteo School District. The Skills Center was established to broaden the vocational curriculum for participating districts and avoid unnecessary duplication of courses which involve expensive training equipment. The participating districts continue to operate local vocational programs separate from the Skills Center.

The Skills Center is administered by the host district but is jointly governed by an Administrative Council consisting of a representative from each participating district. There are currently 13 participating districts including the host district.

The host district retains ownership of all facilities and equipment purchased by the Skills Center or donated to the Skills Center. The participating districts share in the annual operating costs of the Skills Center, but have no ownership equity in the facilities or equipment.

In fiscal year 2017-2018, the Skills Center received \$512,427 in state apportionment funding for providing service to Everett Public Schools' students.

E. LEVIES

Replacement Educational Programs and Operations Levy -- In a special election held on February 11, 2014, voters approved excess taxes to be levied in calendar years 2015 (\$48 million), 2016 (\$49 million), 2017 (\$53 million), and 2018 (\$51 million). This levy covers a four-year period and replaces the levies expiring in calendar years 2011 (\$40 million), 2012 (\$41.5 million), 2013 (\$43 million) and 2014 (\$45 million). Educational programs and operations levy dollars help the district provide continued funding for textbooks, curriculum materials, salaries, and other programs that support student graduation success and academic rigor.

In a special election held on February 13, 2018, voters approved excess taxes to be levied in calendar years 2019 (\$44 million), 2020 (\$45 million), 2021 (\$49 million), and 2022 (\$53 million). The proposition replaces the expiring levy voters approved February 11, 2014, and would be used to support educational programs and operation expenses.

Replacement Levy for Safety, Building and Instructional Technology Improvements, Capital Levy -- In a special election held on April 26, 2016, voters authorized the district to levy an additional tax providing a total of \$89.624 million for the district's Capital Projects Fund. The levy allows the district to assess additional property taxes over the course of six years to pay a portion of the district's construction and installation of safety, building and instructional technology improvements. This levy replaces the \$48 million capital levy which allowed the district to assess \$8 million each year for six years beginning 2011 through 2016, to fund renovation and improvement of district facilities, technology improvements, and equipment.

F. BOND MEASURES AND BOND ISSUES

Capital Improvement and School Construction Bond – In a special election held on April 26, 2016, voters approved a capital bond proposition which authorizes the district to issue \$149.7 million in bonds to be paid from future excess levies and collection of property taxes. These funds will be used to build additional classrooms to relieve overcrowding, build a new elementary school, modernize North Middle and Woodside Elementary schools, upgrade communications and technology infrastructure, improve HVAC systems, buy land for a future school, and other capital improvements. Accordingly, the following bond sale was issued:

2016 General Unlimited Tax Bond Issue – In December 2016, the District issued \$47.065 million in General Unlimited Tax Bond. The bonds were sold at a premium of \$3.255 million. Bond issuance costs were \$319,209 consisting of bond underwriters, bond counsel, credit and financial advisor fees. Bonds were issued with an average interest rate of 4.03% and a final maturity date of December 1, 2036. The district has expended \$21.693 million in bond proceeds as authorized under the 2016 vote, on school building renovations and projects as described in the bond measures.

NOTE 14. SUBSEQUENT EVENTS

2018 General Unlimited Tax Bond Issue – In September 2018, the District issued \$46.220 million in General Unlimited Tax Bond. The bonds were sold at a premium of \$4.105 million. Bond issuance costs were \$320,187 consisting of bond underwriters, bond counsel, credit and financial advisor fees. Bonds were issued with an average interest rate of 5.0% and a final maturity date of December 1, 2037.





Required Supplementary Information

The Required Supplementary Information presents budgetary comparison (original and final budget), actual inflows and outflows, and balances for General Fund and its annually budgeted Special Revenue Fund (Associated Student Body Fund). In addition, Required Supplementary Information presents a Schedule of Actuarial Valuation of Post Employment Benefits Other Than Pensions, a Schedule of the District's Proportionate Share of the Net Pension Liability and a Pension Plan Schedule of District Contributions.

Notes to the Required Supplementary Information

NOTE 1. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (OPEB)

PENSIONS

The Office of the State Actuary (OSA) calculates the ADC based on the results of an actuarial valuation consistent with the state's funding policy defined in RCW 41.45. The results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that follows two years later. Amounts reported as RSI are determined as of the June 30 measurement date of the collective net pension liability.

The Everett Public Schools has no independent ability to fund or satisfy this pension liability outside of Washington State's legislatively adopted contribution rates as they currently exist or may be adopted in the future. Assessments now and in the future are made based on the annual qualified worker compensation and are paid by both the district, as the employer, and its employees.

GASB 68 was implemented for the fiscal year ended August 31, 2015. The RSI schedules for pensions will be built prospectively until they contain ten years of data.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Per RCW 41.05.065, 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. The PEBB plan does not have assets in trusts or equivalent

arrangements and is funded on a pay-as-you-go basis.

Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, salary projections, and participation percentages.

GASB 75 was implemented for the fiscal year ended August 31, 2017. The RSI schedules for the OPEB liability will be built prospectively until they contain ten years of data.

EVERETT PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Local Taxes	\$51,972,000	\$51,972,000	\$51,498,857	(\$473,143)
Local Non-Tax	8,942,700	8,942,700	6,376,646	(2,566,054)
State, General Purpose	152,937,472	152,937,472	151,931,750	(1,005,722)
State, Special Purpose	43,137,589	43,137,589	44,053,674	916,085
Federal, General Purpose	60,000	60,000	55,523	(4,477)
Federal, Special Purpose	14,879,210	14,879,210	14,837,635	(41,575)
Other	1,846,827	1,846,827	2,336,792	489,965
TOTAL REVENUES	273,775,798	273,775,798	271,090,877	(2,684,921)
EXPENDITURES				
Current:				
Regular Instruction	163,625,911	163,625,911	153,237,579	10,388,332
Special Education	38,634,227	38,634,227	37,782,660	851,567
Vocational Education	10,070,938	10,070,938	10,053,421	17,517
Compensatory Education	15,744,819	15,744,819	14,964,205	780,614
Other Instruction Programs	3,386,777	3,386,777	3,678,692	(291,915)
Community Services	521,486	521,486	873,396	(351,910)
Support Services	48,265,982	48,265,982	49,514,380	(1,248,398)
Capital Outlay:				
Equipment	223,290	223,290	2,670,263	(2,446,973)
TOTAL EXPENDITURES	280,473,430	280,473,430	272,774,595	7,698,835
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,697,632)	(6,697,632)	(1,683,719)	5,013,913
OTHER FINANCING SOURCES (USES)				
Sale of Surplus Equipment			15,742	15,742
Transfers	2,240,000	2,240,000	2,240,000	0
TOTAL OTHER FINANCING SOURCES (USES)	2,240,000	2,240,000	2,255,742	15,742
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	(\$4,457,632)	(\$4,457,632)	572,024	\$5,029,656
FUND BALANCE -- September 1, 2017			24,904,646	
FUND BALANCE -- August 31, 2018			\$25,476,670	

The basis of budgeting is the same as GAAP.

EVERETT PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND (ASSOCIATED STUDENT BODY FUND)
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
General	\$1,461,290	\$1,461,290	\$946,608	(\$514,682)
Athletics	394,943	394,943	348,454	(46,489)
Classes	94,355	94,355	70,377	(23,978)
Clubs	894,364	894,364	732,091	(162,273)
Private Monies	86,700	86,700	71,737	(14,963)
TOTAL REVENUES	2,931,652	2,931,652	2,169,267	(762,385)
EXPENDITURES				
General	1,360,256	1,360,256	724,540	635,716
Athletics	565,615	565,615	553,810	11,805
Classes	102,588	102,588	78,428	24,160
Clubs	1,025,075	1,025,075	866,298	158,777
Private Monies	88,862	88,862	67,930	20,932
TOTAL EXPENDITURES	3,142,396	3,142,396	2,291,006	851,390
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(\$210,744)	(\$210,744)	(121,739)	\$89,005
FUND BALANCE -- September 1, 2017			1,412,328	
FUND BALANCE -- August 31, 2018			\$1,290,589	

The basis of budgeting is the same as GAAP.

EVERETT PUBLIC SCHOOLS
POST EMPLOYMENT BENEFITS OTHER THAN PENSION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

FISCAL YEAR
ENDED
AUGUST 31, 2018*

Service cost	\$ 5,431,775
Interest on total OPEB liability	2,630,292
Changes of benefit terms	-
Effect of economic/demographic gains or (losses)	-
Effect of assumption changes or inputs	(10,898,704)
Expected benefit payments	<u>(1,559,591)</u>
Net change in total OPEB liability	(4,396,228)
 Total OPEB liability, beginning	 87,958,486
Total OPEB liability, ending	83,562,258
 Covered employee payroll	 \$ 156,700,436
Total OPEB liability as a % of covered employee payroll	53.33%

*GASB 75 was implemented for the fiscal year ended August 31, 2018. This schedule is to be built prospectively until it contains ten years of data.

EVERETT PUBLIC SCHOOLS
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

	As of June 30,			
	2015*	2016*	2017*	2018*
<u>PERS 1</u>				
District's proportion of the net pension liability (percentage)	0.253349%	0.256754%	0.273586%	0.282975%
District's proportionate share of the net pension liability (amount)	\$13,252,490	\$13,788,889	\$12,981,858	\$12,637,752
District's covered payroll	\$28,559,392	\$30,767,818	\$33,995,511	\$37,528,660
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	46.40%	44.82%	38.19%	33.67%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%
<u>SERS 2/3</u>				
District's proportion of the net pension liability (percentage)	1.631183%	1.639176%	1.645115%	1.701217%
District's proportionate share of the net pension liability (amount)	\$6,625,065	\$10,765,567	\$8,118,231	\$5,087,694
District's covered payroll	\$28,076,353	\$30,324,651	\$33,608,957	\$37,250,663
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	23.60%	35.50%	24.15%	13.66%
Plan fiduciary net position as a percentage of the total pension liability	90.92%	86.52%	90.79%	94.77%
<u>TRS 1</u>				
District's proportion of the net pension liability (percentage)	2.077874%	2.080021%	2.035627%	2.067471%
District's proportionate share of the net pension liability (amount)	\$65,830,005	\$71,016,861	\$61,542,470	\$60,382,403
District's covered payroll	\$99,530,951	\$104,608,824	\$112,886,403	\$121,626,651
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	66.14%	67.89%	54.52%	49.65%
Plan fiduciary net position as a percentage of the total pension liability	65.70%	62.07%	65.58%	66.52%
<u>TRS 2/3</u>				
District's proportion of the net pension liability (percentage)	2.074337%	2.060122%	2.034198%	2.071302%
District's proportionate share of the net pension liability (amount)	\$17,503,301	\$28,291,596	\$18,774,485	\$9,323,221
District's covered payroll	\$97,065,368	\$102,670,166	\$111,534,575	\$120,683,922
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	18.03%	27.56%	16.83%	7.73%
Plan fiduciary net position as a percentage of the total pension liability	92.48%	88.72%	93.14%	96.88%

*Amounts reported are determined as of the June 30 measurement date of the collective net pension liability. GASB 68 was implemented for the fiscal year ended August 31, 2015. This schedule is to be built prospectively until it contains ten years of data.

EVERETT PUBLIC SCHOOLS
PENSION PLAN SCHEDULE OF DISTRICT CONTRIBUTIONS

	FOR THE FISCAL YEAR ENDED AUGUST 31			
	2015*	2016*	2017*	2018*
<u>PERS 1</u>				
Contractually required contribution	\$1,164,385	\$1,524,261	\$1,671,348	\$1,936,914
Contributions in relation to the contractually required contributions	\$1,164,385	\$1,524,261	\$1,671,348	\$1,936,914
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
District's covered payroll	\$28,726,003	\$31,411,273	\$34,510,139	\$38,178,004
Contribution as a percentage of covered-employee payroll	4.05%	4.85%	4.84%	5.07%
<u>SERS 2/3</u>				
Contractually required contribution	\$1,650,091	\$2,113,651	\$2,354,816	\$3,128,459
Contributions in relation to the contractually required contributions	\$1,650,091	\$2,113,651	\$2,354,816	\$3,128,459
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
District's covered payroll	\$28,250,934	\$30,973,083	\$34,131,574	\$37,936,499
Contribution as a percentage of covered-employee payroll	5.65%	6.82%	6.90%	8.25%
<u>TRS 1</u>				
Contractually required contribution	\$4,631,809	\$6,752,604	\$7,213,943	\$8,901,622
Contributions in relation to the contractually required contributions	\$4,631,809	\$6,752,604	\$7,213,943	\$8,901,622
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
District's covered payroll	\$99,115,901	\$106,750,992	\$114,297,898	\$123,179,110
Contribution as a percentage of covered-employee payroll	4.67%	6.33%	6.31%	7.23%
<u>TRS 2/3</u>				
Contractually required contribution	\$5,686,914	\$7,282,538	\$7,882,401	\$9,556,920
Contributions in relation to the contractually required contributions	\$5,686,914	\$7,282,538	\$7,882,401	\$9,556,920
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
District's covered payroll	\$96,701,352	\$104,908,845	\$113,043,460	\$122,300,663
Contribution as a percentage of covered-employee payroll	5.88%	6.94%	6.97%	7.81%

*GASB 68 was implemented for the fiscal year ended August 31, 2015. This schedule is to be built prospectively until it contains ten years of data.





Supplementary Information

Supplementary data includes financial statements and schedules not required by the Governmental Accounting Standards Board (GASB), nor as part of the basic financial statements, but are presented for purposes of additional analysis.

**EVERETT PUBLIC SCHOOLS
GENERAL FUND
COMPARATIVE BALANCE SHEET
AUGUST 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash & Cash Equivalents	\$24,956,604	\$25,495,441
Due From Other Funds	429,293	323,533
Due From Other Governmental Units	1,992,749	1,638,557
Accounts Receivables	202,121	361,947
Property Taxes Receivable	24,881,084	25,750,804
Inventories	1,152,702	1,172,032
Prepaid Items	<u>1,641,378</u>	<u>517,723</u>
TOTAL ASSETS	<u>\$55,255,931</u>	<u>\$55,260,037</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities:		
Accounts Payable	\$3,957,405	\$4,009,564
Accrued Salaries	646,853	639,553
Payroll Deductions and Taxes Payable	553,365	446,211
Deposits	12,072	21,799
Due to Other Funds	17,802	6,852
Due to Other Governmental Units	79,481	1,472
Unearned Revenue	<u>150,733</u>	<u>199,646</u>
Total Liabilities	<u>5,417,710</u>	<u>5,325,097</u>
Deferred Inflows of Resources:		
Unavailable Revenue	67,555	60,462
Unavailable Revenue - Property Taxes	<u>24,293,996</u>	<u>24,969,832</u>
Total Deferred Inflows of Resources	<u>24,361,551</u>	<u>25,030,294</u>
Fund Balance:		
Nonspendable Inventories and Prepaid Items	2,794,080	1,689,754
Restricted for Carryover of Restricted Revenues	2,782,207	1,680,570
Committed Fund Balance	152,000	102,000
Assigned to Other Purposes	1,339,413	561,116
Unassigned Fund Balance	<u>18,408,970</u>	<u>20,871,206</u>
Total Fund Balance	<u>25,476,670</u>	<u>24,904,646</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$55,255,931</u>	<u>\$55,260,037</u>

EVERETT PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2017)

	2018			2017
	BUDGET	ACTUAL	VARIANCE	ACTUAL
REVENUES				
Local Taxes	\$51,972,000	\$51,498,857	(\$473,143)	\$52,030,165
Local Nontax	8,942,700	6,376,646	(2,566,054)	5,754,218
State, General Purpose	152,937,472	151,931,750	(1,005,722)	138,098,586
State, Special Purpose	43,137,589	44,053,674	916,085	37,787,140
Federal, General Purpose	60,000	55,523	(4,477)	10,987
Federal, Special Purpose	14,879,210	14,837,635	(41,575)	14,216,788
Other	1,846,827	2,336,792	489,965	2,066,731
TOTAL REVENUES	273,775,798	271,090,877	(2,684,921)	249,964,615
EXPENDITURES				
Regular Instruction	163,625,911	153,237,579	10,388,332	142,790,589
Special Education	38,634,227	37,782,660	851,567	33,303,504
Vocational Education	10,070,938	10,053,421	17,517	8,550,977
Compensatory Education	15,744,819	14,964,205	780,614	12,785,449
Other Instruction Programs	3,386,777	3,678,692	(291,915)	3,235,927
Community Services	521,486	873,396	(351,910)	584,183
Support Services	48,265,982	49,514,380	(1,248,398)	44,172,585
Other	223,290	2,670,263	(2,446,973)	380,852
TOTAL EXPENDITURES	280,473,430	272,774,595	7,698,835	245,804,066
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,697,632)	(1,683,719)	5,013,913	4,160,549
OTHER FINANCING SOURCES (USES)				
Sale of Surplus Equipment		15,742	15,742	49,175
Transfers	2,240,000	2,240,000	0	306,000
TOTAL OTHER FINANCING SOURCES (USES)	2,240,000	2,255,742	15,742	355,175
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	(\$4,457,632)	572,024	\$5,029,656	\$4,515,724
FUND BALANCE -- September 1, 2017		24,904,646		
FUND BALANCE -- August 31, 2018		\$25,476,670		



EVERETT PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2017)

DESCRIPTION	2018			2017
	BUDGET	ACTUAL	VARIANCE	ACTUAL
1000 Local Taxes				
Local Property Tax	\$51,972,000	\$51,498,857	(\$473,143)	\$52,030,165
Total	51,972,000	51,498,857	(473,143)	52,030,165
2000 Local Non-Tax				
Tuitions and Fees, Unassigned	580,000	698,262	118,262	644,725
Summer School Tuition and Fees	65,000	80,366	15,366	45,030
Sale of Goods, Supplies & Services	325,000	202,389	(122,611)	227,727
Food Services	2,358,243	2,527,292	169,049	2,370,241
Investment Earnings	145,000	431,976	286,976	193,614
Gifts & Donations	1,054,500	699,919	(354,581)	643,141
Fines & Damages	40,000	61,883	21,883	38,835
Rentals	465,500	574,233	108,733	554,348
Insurance Recoveries		57,147	57,147	161,691
Other	3,909,457	1,043,178	(2,866,279)	874,866
Total	8,942,700	6,376,646	(2,566,054)	5,754,218
3000 State, General Purpose				
Apportionment	148,803,714	147,744,118	(1,059,596)	134,814,843
Local Effort Assistance	4,133,758	4,187,631	53,873	3,283,743
Total	152,937,472	151,931,750	(1,005,722)	138,098,586
4000 State, Special Purpose				
Special Purpose, Unassigned	1,000,000	4,358	(995,642)	4,848
Special Education	18,302,322	19,328,189	1,025,867	16,885,615
Special Educ - Infants & Toddlers	1,369,081	1,482,888	113,807	1,273,918
Learning Assistance	5,785,928	5,818,859	32,931	4,099,186
Special Pilot Programs	1,636,015	1,829,985	193,970	1,587,387
Transitional Bilingual	3,691,613	3,833,036	141,423	3,188,632
Highly Capable - Gifted, Talented	492,387	488,382	(4,005)	215,317
School Food Service	125,243	132,148	6,905	135,874
Transportation - Operations	10,700,000	11,086,090	386,090	10,359,642
Other	35,000	49,740	14,740	36,721
Total	43,137,589	44,053,674	916,085	37,787,140

DESCRIPTION	2018			2017
	BUDGET	ACTUAL	VARIANCE	ACTUAL
5000 Federal, General Purpose				
Federal Forests	\$60,000	\$55,523	(\$4,477)	\$10,987
Total	60,000	55,523	(4,477)	10,987
6000 Federal, Special Purpose				
Special Purpose, OSPI, Unassigned	\$ -	\$ 3,109	\$ 3,109	\$ -
Special Education, Supp., EHA, Part B	4,335,024	4,471,655	136,631	4,342,345
Vocational Education	113,256	115,199	1,943	137,169
ESSIA Chapter 1 - Disadvantaged	4,731,743	4,520,137	(211,606)	3,725,418
Limited English Proficiency	416,504	260,907	(155,597)	416,504
Child Care	-	87,830	87,830	-
Other Community Services	80,000	148,701	68,701	130,700
School Food Services	4,412,847	4,420,177	7,330	4,433,904
Direct Special Purpose Grants	65,000	70,956	5,956	68,026
Federal Grants Thru Other Agencies	100,000	137,312	37,312	386,816
USDA Commodities	624,836	601,651	(23,185)	575,906
Total	14,879,210	14,837,635	(44,684)	14,216,788
8000 Revenue Other Entities				
Governmental Entities	\$1,843,077	\$2,185,214	\$342,137	\$1,895,884
Private Foundations	3,750	142,275	138,525	151,557
Non-Federal Educational Service District	-	9,302	9,302	19,290
Total	1,846,827	2,336,791	489,964	2,066,731
9000 Other Financing Sources				
Sale of Equipment	-	15,742	15,742	49,175
Transfers	2,240,000	2,240,000	-	1,370,000
Total	2,240,000	2,255,742	15,742	1,419,175
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$276,015,798	\$273,346,619	(\$2,669,179)	\$251,383,790



EVERETT PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES BY PROGRAM
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018

PROGRAM	2018 BUDGET	2018 ACTUAL	VARIANCE	% SPENT
Basic Instruction	\$163,640,069	\$153,310,357	\$10,329,712	93.7%
Special Education, Basic, State	34,432,819	33,446,135	986,684	97.1%
Special Education, Supplemental, Federal	4,201,408	4,336,524	(135,116)	103.2%
Vocational, Basic, State	9,961,628	10,207,700	(246,072)	102.5%
Vocational, Federal	109,310	111,231	(1,921)	101.8%
Disadvantaged, Federal	3,945,207	3,781,614	163,593	95.9%
School Improvement, Federal	631,673	581,998	49,675	92.1%
Learning Assistance, State	5,584,332	5,036,172	548,160	90.2%
Special and Pilot Programs, State	1,703,063	1,814,507	(111,444)	106.5%
Limited English Proficiency, Federal	408,340	251,817	156,523	61.7%
Transitional Bilingual, State	3,362,987	3,404,510	(41,523)	101.2%
Compensatory, Other	109,217	112,616	(3,399)	103.1%
Summer School	260,000	315,517	(55,517)	121.4%
Highly Capable	447,624	433,472	14,152	96.8%
Instructional Programs, Other	2,679,153	2,929,702	(250,549)	109.4%
Child Care	-	87,534	(87,534)	*
Other Community Services	521,486	785,862	(264,376)	150.7%
District Wide Support	30,516,543	33,372,849	(2,856,306)	109.4%
Food Services	7,151,167	7,273,972	(122,805)	101.7%
Pupil Transportation	10,807,404	11,180,505	(373,101)	103.5%
TOTAL EXPENDITURES	<u>\$280,473,430</u>	<u>\$272,774,595</u>	<u>\$7,698,835</u>	97.3%

**EVERETT PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES BY ACTIVITY
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018**

ACTIVITY	2018 BUDGET	2018 ACTUAL	VARIANCE	% SPENT
<u>Administration</u>				
Board of Directors	\$880,065	\$845,729	\$34,336	96.1%
Superintendent's Office	587,841	631,862	(44,021)	107.5%
Business Office	2,496,519	2,632,906	(136,387)	105.5%
Human Resources	2,423,294	2,414,720	8,574	99.6%
Public Relations	712,713	662,874	49,839	93.0%
Total	7,100,432	7,188,091	(87,659)	101.2%
<u>Instruction</u>				
Supervision	7,048,675	6,860,092	188,583	97.3%
Learning Resources	3,997,977	4,052,162	(54,185)	101.4%
Principals	15,361,236	15,668,221	(306,985)	102.0%
Guidance/Counseling	8,326,005	8,113,633	212,372	97.4%
Pupil Mgmt. & Safety	4,168,540	3,925,905	242,635	94.2%
Health/Related Services	13,499,663	13,406,082	93,581	99.3%
Teaching	165,068,375	155,761,663	9,306,712	94.4%
Extracurricular	3,341,404	3,218,347	123,057	96.3%
Payments to Other Districts	200,000	253,895	(53,895)	126.9%
Instructional Professional Development	6,349,318	5,547,005	802,313	87.4%
Instructional Technology	889,611	880,623	8,988	99.0%
Curriculum	3,747,341	2,951,015	796,326	78.7%
Total	231,998,145	220,638,644	11,359,501	95.1%
<u>Nutrition Services</u>				
Supervision	567,888	577,689	(9,801)	101.7%
Food	2,999,309	3,262,630	(263,321)	108.8%
Operations	3,819,670	4,046,500	(226,830)	105.9%
Transfers	(130,700)	(345,793)	215,093	264.6%
Total	7,256,167	7,541,026	(284,859)	103.9%

ACTIVITY	2018 BUDGET	2018 ACTUAL	VARIANCE	% SPENT
<u>Pupil Transportation</u>				
Supervision	\$521,745	\$594,996	(\$73,251)	114.0%
Operations	10,451,849	10,992,832	(540,983)	105.2%
Maintenance	96,606	35,266	61,340	36.5%
Insurance	18,375	18,375	-	100.0%
Transfers	(505,000)	(646,378)	141,378	128.0%
Total	10,583,575	10,995,090	(411,515)	103.9%
<u>Maintenance & Operation</u>				
Supervision	1,104,737	1,189,050	(84,313)	107.6%
Grounds Maintenance	1,381,095	2,272,246	(891,151)	164.5%
Operation of Buildings	6,211,343	6,311,291	(99,948)	101.6%
Maintenance	3,451,930	5,591,306	(2,139,376)	162.0%
Utilities	4,537,148	4,059,021	478,127	89.5%
Building & Property Security	480,533	815,174	(334,641)	169.6%
Insurance	1,200,052	1,516,212	(316,160)	126.3%
Total	18,366,838	21,754,299	(3,387,461)	118.4%
<u>Other Services</u>				
Information Systems	4,741,533	3,951,845	789,688	83.3%
Warehouse/Distribution	89,584	164,513	(74,929)	183.6%
Motor Pool	337,156	468,124	(130,968)	138.8%
Public Activities	-	72,962	(72,962)	*
Total	5,168,273	4,657,444	510,829	90.1%
TOTAL EXPENDITURES	\$280,473,430	\$272,774,595	\$7,698,835	97.3%

**EVERETT PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES BY OBJECT
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018**

OBJECT	2018 BUDGET	2018 ACTUAL	VARIANCE	% SPENT
Debit Transfers	\$916,700	\$1,286,115	(\$369,415)	140.3%
Credit Transfers	(916,700)	(1,286,115)	369,415	140.3%
Certificated Salaries	131,114,033	127,257,079	3,856,954	97.1%
Classified Salaries	41,378,239	40,159,488	1,218,751	97.1%
Employee Benefits	64,271,283	60,966,699	3,304,584	94.9%
Supplies & Materials	15,277,127	10,715,123	4,562,004	70.1%
Contractual Services	27,880,215	30,569,577	(2,689,362)	109.6%
Travel	329,243	436,366	(107,123)	132.5%
Capital Outlay	<u>223,290</u>	<u>2,670,263</u>	<u>(2,446,973)</u>	1195.9%
TOTAL EXPENDITURES	<u>\$280,473,430</u>	<u>\$272,774,595</u>	<u>\$7,698,835</u>	97.3%

**EVERETT PUBLIC SCHOOLS
SPECIAL REVENUE FUND
(ASSOCIATED STUDENT BODY FUND)
COMPARATIVE BALANCE SHEET
AUGUST 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash & Cash Equivalents	\$1,568,001	\$1,781,549
Due from Other Funds	17,802	6,852
Accounts Receivable	8,118	10,726
Inventories - Supplies	23,371	45,221
Prepaid Items	<u>11,240</u>	<u>480</u>
TOTAL ASSETS	<u><u>\$1,628,532</u></u>	<u><u>\$1,844,828</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts Payable	\$61,670	\$160,501
Due to Other Funds	23,116	20,055
Unearned Revenues	<u>253,156</u>	<u>251,944</u>
Total Liabilities	<u>337,942</u>	<u>432,500</u>
Fund Balance:		
Nonspendable Inventories and Prepaid Items	34,611	45,701
Restricted for Associated Student Body Fund Purposes	<u>1,255,978</u>	<u>1,366,627</u>
Total Fund Balance	<u>1,290,589</u>	<u>1,412,328</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$1,628,531</u></u>	<u><u>\$1,844,828</u></u>

EVERETT PUBLIC SCHOOLS
SPECIAL REVENUE FUND
(ASSOCIATED STUDENT BODY FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2017)

	2018			2017 ACTUAL
	BUDGET	ACTUAL	VARIANCE	
REVENUES				
General	\$1,461,290	\$946,609	(\$514,681)	\$876,860
Athletics	394,943	348,454	(46,489)	336,270
Classes	94,355	70,376	(23,979)	80,326
Clubs	894,364	732,091	(162,273)	513,863
Private Monies	86,700	71,737	(14,963)	53,122
TOTAL REVENUES	<u>2,931,652</u>	<u>2,169,267</u>	<u>(762,385)</u>	<u>1,860,441</u>
EXPENDITURES				
General	1,360,256	724,541	635,715	712,090
Athletics	565,615	553,810	11,805	536,855
Classes	102,588	78,428	24,160	69,621
Clubs	1,025,075	866,298	158,777	740,184
Private Monies	88,862	67,929	20,933	59,538
TOTAL EXPENDITURES	<u>3,142,396</u>	<u>2,291,006</u>	<u>851,390</u>	<u>2,118,288</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(\$210,744)</u>	<u>(121,739)</u>	<u>\$89,005</u>	<u>(\$257,847)</u>
FUND BALANCE -- September 1, 2017		<u>1,412,328</u>		
FUND BALANCE -- August 31, 2018		<u>\$1,290,589</u>		

**EVERETT PUBLIC SCHOOLS
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEET
AUGUST 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash & Cash Equivalents	\$20,109,851	\$14,105,262
Property Taxes Receivable	<u>17,407,064</u>	<u>14,376,221</u>
TOTAL ASSETS	<u>\$37,516,915</u>	<u>\$28,481,483</u>
DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Deferred Inflows of Resources:		
Unavailable Revenue - Property Taxes	<u>\$16,997,660</u>	<u>\$13,940,735</u>
Total Deferred Inflows of Resources	<u>16,997,660</u>	<u>13,940,735</u>
Fund Balance:		
Restricted for Debt Service Fund Purposes	<u>20,519,255</u>	<u>14,540,748</u>
Total Fund Balance	<u>20,519,255</u>	<u>14,540,748</u>
TOTAL DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$37,516,915</u>	<u>\$28,481,483</u>

EVERETT PUBLIC SCHOOLS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2017)

	2018			2017 ACTUAL
	BUDGET	ACTUAL	VARIANCE	
REVENUES				
Local Taxes	\$32,889,985	\$32,610,111	(\$279,874)	\$27,700,385
Local Non-Tax	100,000	209,471	109,471	75,824
Federal, General Purpose	300,000	299,699	(301)	298,737
TOTAL REVENUES	33,289,985	33,119,281	(170,704)	28,074,946
EXPENDITURES				
Bonds Matured	19,315,000	19,315,000		14,915,000
Bond Interest Matured	7,923,627	7,825,774	97,853	7,578,710
Bond Transfer Fees	10,000		10,000	
Bond Issuance Fees	650,000		650,000	
TOTAL EXPENDITURES	27,898,627	27,140,774	757,853	22,493,710
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,391,358	5,978,508	587,150	5,581,236
OTHER FINANCING SOURCES (USES)				
Other Financing Sources	650,000		(650,000)	1,596
TOTAL OTHER FINANCING SOURCES (USES)	650,000	0	(650,000)	1,596
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/OTH FIN USES	\$6,041,358	5,978,508	(\$62,850)	\$5,582,832
FUND BALANCE -- September 1, 2017		<u>14,540,748</u>		
FUND BALANCE -- August 31, 2018		<u>\$20,519,255</u>		

**EVERETT PUBLIC SCHOOLS
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEET
AUGUST 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash & Cash Equivalents	\$45,602,073	\$65,634,343
Due from Other Governmental Units	-	12,653
Inventory	6,244,058	3,179,597
Accounts Receivable	10,350	10,361
Property Taxes Receivables	<u>9,218,430</u>	<u>9,139,244</u>
TOTAL ASSETS	<u>\$61,074,911</u>	<u>\$77,976,198</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities:		
Accounts Payable	\$14,071,465	\$5,574,097
Due to Other Funds	406,177	303,478
Unearned Revenue	<u>23,697</u>	<u>51,184</u>
Total Liabilities	<u>14,501,338</u>	<u>5,928,759</u>
Deferred Inflows of Resources:		
Unavailable Revenue		
Unavailable Revenue - Property Taxes	<u>9,000,899</u>	8,862,137
Total Deferred Inflows of Resources	<u>9,000,899</u>	<u>8,862,137</u>
Fund Balance:		
Nonspendable Inventories and Prepaid Items	6,244,058	3,179,597
Restricted for Bond Proceeds	18,910,327	40,603,378
Restricted for State Proceeds	2,430,865	4,258,586
Restricted for Impact Fee Proceeds	1,472,759	840,294
Restricted for Mitigation Fee Proceeds	-	24,685
Committed Levy Proceeds	7,281,175	8,416,455
Committed Fund Balance	94,328	1,319,668
Assigned to Fund Purposes	<u>1,139,162</u>	<u>4,542,639</u>
Total Fund Balance	<u>37,572,674</u>	<u>63,185,302</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$61,074,912</u>	<u>\$77,976,198</u>

**EVERETT PUBLIC SCHOOLS
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2017)**

	2018			2017 ACTUAL
	BUDGET	ACTUAL	VARIANCE	
REVENUES				
Local	\$18,933,500	\$20,697,561	\$1,764,061	\$15,924,906
State	1,285,013		(1,285,013)	99,284
Other Agencies		300,000		
TOTAL REVENUES	20,218,513	20,997,561	479,048	16,024,190
EXPENDITURES				
Sites	8,049,998	7,609,482	440,516	4,920,649
Buildings	44,679,097	26,428,125	18,250,972	11,899,560
Equipment	19,140,380	4,260,579	14,879,801	4,098,455
Instructional Technology		6,069,315	(6,069,315)	1,163,874
Sales and Lease	10,400	2,587	7,813	1,918
Bond Interest and Other Charges	300,000	100	299,900	319,209
TOTAL EXPENDITURES	72,179,875	44,370,188	27,809,687	22,403,665
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(51,961,362)	(23,372,628)	28,288,734	(6,379,475)
OTHER FINANCING SOURCES (USES)				
Bond Sales & Refunding Bond Sales	50,000,000		(50,000,000)	50,319,209
Transfers	(2,240,000)	(2,240,000)	0	(370,000)
TOTAL OTHER FINANCING SOURCES (USES)	47,760,000	(2,240,000)	(50,000,000)	49,949,209
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES	<u>(\$4,201,362)</u>	<u>(25,612,628)</u>	<u>(\$21,711,266)</u>	<u>\$43,569,734</u>
FUND BALANCE -- September 1, 2017		63,185,302		
FUND BALANCE -- August 31, 2018		<u>\$37,572,674</u>		

**EVERETT PUBLIC SCHOOLS
TRANSPORTATION VEHICLE FUND
COMPARATIVE BALANCE SHEET
AUGUST 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash & Cash Equivalents	<u>\$123,601</u>	<u>\$144,338</u>
TOTAL ASSETS	<u>\$123,601</u>	<u>\$144,338</u>
FUND BALANCE		
Fund Balance:		
Restricted for Transportation Vehicle Fund Purposes	<u>\$123,601</u>	<u>\$144,338</u>
Total Fund Balance	<u>123,601</u>	<u>144,338</u>
TOTAL FUND BALANCE	<u>\$123,601</u>	<u>\$144,338</u>

EVERETT PUBLIC SCHOOLS
TRANSPORTATION VEHICLE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2017)

	2018			2017
	BUDGET	ACTUAL	VARIANCE	ACTUAL
REVENUES				
Local Non-Tax	\$350	\$2,135	\$1,785	\$372
State, Special Purpose	88,200	107,249	19,049	115,964
TOTAL REVENUES	88,550	109,384	20,834	116,336
EXPENDITURES				
Transportation Equipment	232,550	130,121	102,429	257,356
TOTAL EXPENDITURES	232,550	130,121	102,429	257,356
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(\$144,000)	(20,737)	\$123,263	(\$141,020)
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	-	64,000
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	64,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(\$144,000)</u>	<u>(20,737)</u>	<u>\$123,263</u>	<u>(\$77,020)</u>
FUND BALANCE -- September 1, 2017		144,338		
FUND BALANCE -- August 31, 2018		<u>\$123,601</u>		

EVERETT PUBLIC SCHOOLS
SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018

	BALANCE	CHANGES		BALANCE
	09/01/17	ADDITIONS	DEDUCTIONS	08/31/18
General Obligation Bonds				
Payable	\$190,695,000	\$ -	\$19,315,000	\$171,380,000
Unamortized Bond Premium	9,610,466	-	3,110,042	6,500,424
Net Pension Liability	101,417,043	-	13,985,973	87,431,070
Net OPEB Obligation	87,958,486	8,062,067	12,458,295	83,562,258
Vacation Leave Payable	2,841,386	1,337,854	2,826,309	1,352,931
Sick Leave Payable	4,194,712	1,033,450	901,676	4,326,486
TOTAL LONG-TERM				
LIABILITIES PAYABLE	<u>\$396,717,093</u>	<u>\$10,433,371</u>	<u>\$52,597,295</u>	<u>\$354,553,169</u>

EVERETT PUBLIC SCHOOLS
OUTSTANDING GENERAL OBLIGATION INDEBTEDNESS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018

FISCAL YEAR	SEPTEMBER 30, 2009		OCTOBER 6, 2009		OCTOBER 30, 2013	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
18/19		916,791		198,873	\$14,310,000	1,208,750
19/20		916,791		198,873	8,100,000	648,500
20/21		916,791		198,873	8,920,000	223,000
21/22	\$2,090,000	866,297		198,873		
22/23	16,375,000	407,901		198,873		
23/24			\$17,445,000	99,437		
24/25						
25/26						
26/27						
27/28						
28/29						
29/30						
30/31						
31/32						
32/33						
33/34						
34/35						
35/36						
36/37						
TOTAL	<u>\$18,465,000</u>	<u>\$4,024,570</u>	<u>\$17,445,000</u>	<u>\$1,093,802</u>	<u>\$31,330,000</u>	<u>\$2,080,250</u>

APRIL 28, 2014		DECEMBER 6, 2016		TOTAL		TOTAL
PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
5,750,000	2,645,425	8,620,000	1,731,563	28,680,000	6,701,402	35,381,402
14,065,000	2,164,175	3,645,000	1,424,938	25,810,000	5,353,277	31,163,277
15,140,000	1,441,550	2,190,000	1,279,063	26,250,000	4,059,277	30,309,277
23,550,000	531,525		1,224,313	25,640,000	2,821,007	28,461,007
			1,224,313	16,375,000	1,831,087	18,206,087
			1,224,313	17,445,000	1,323,773	18,768,773
		965,000	1,213,456	965,000	1,213,456	2,178,456
		1,400,000	1,177,600	1,400,000	1,177,600	2,577,600
		2,050,000	1,111,600	2,050,000	1,111,600	3,161,600
		1,350,000	1,043,600	1,350,000	1,043,600	2,393,600
		1,700,000	982,600	1,700,000	982,600	2,682,600
		2,020,000	908,200	2,020,000	908,200	2,928,200
		2,400,000	819,800	2,400,000	819,800	3,219,800
		2,290,000	726,000	2,290,000	726,000	3,016,000
		2,700,000	626,200	2,700,000	626,200	3,326,200
		3,140,000	509,400	3,140,000	509,400	3,649,400
		3,610,000	374,400	3,610,000	374,400	3,984,400
		3,520,000	231,800	3,520,000	231,800	3,751,800
		4,035,000	80,700	4,035,000	80,700	4,115,700
<u>\$58,505,000</u>	<u>\$6,782,675</u>	<u>\$45,635,000</u>	<u>\$17,913,856</u>	<u>\$171,380,000</u>	<u>\$31,895,178</u>	<u>\$203,275,178</u>



SECTION III

STATISTICAL

FINANCIAL TRENDS ~ These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

- I** **Net Position by Component**
- II** **Changes in Net Position**
- III** **Fund Balances ~ Governmental Funds**
- IV** **Changes in Fund Balance ~ Governmental Funds**

REVENUE CAPACITY ~ These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.

- V** **Assessed and Estimated Actual Value of Taxable Property**
- VI** **Direct and Overlapping Property Tax Rates**
- VII** **Principal Taxpayers**
- VIII** **Governmental Funds ~ Property Tax Levies and Collections**

DEBT CAPACITY ~ These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

- IX** **Ratios of Net General Bonded Debt**
- X** **Ratios of General Bonded Debt Outstanding**
- XI** **Direct and Overlapping Net Bonded Debt**
- XII** **Legal Debt Margin Information**
- XIII** **Pledged-Revenue Coverage**

DEMOGRAPHIC AND ECONOMIC INFORMATION ~ These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

- XIV** **Demographic and Economic Statistics**
- XV** **Principal Employers In Snohomish County**

OPERATING INFORMATION ~ These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

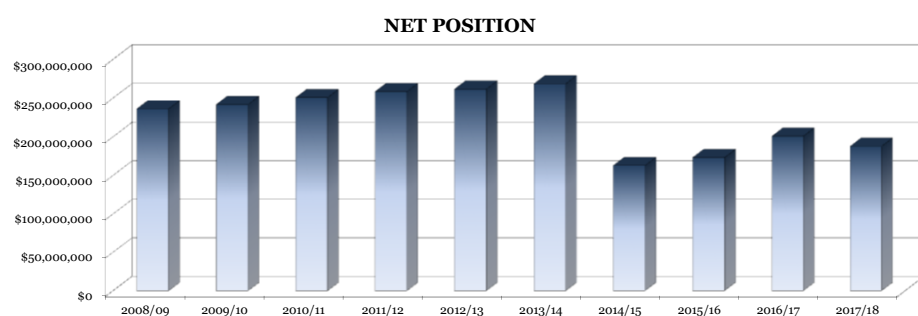
- XVI** **Full-Time Equivalent Employees by Program/Activity**
- XVII** **Operating Statistics**
- XVIII** **School Building Information**
- XIV** **Certificated Employee Information by Program**



**EVERETT PUBLIC SCHOOLS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)**

Governmental Activities	2008/09	2009/10	2010/11	2011/12	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Net Investment in Capital Assets	\$135,421,434	\$151,258,897	\$172,098,850	\$184,148,951	\$208,604,969	\$206,221,932	\$229,884,105	\$237,315,029	\$245,424,439	\$263,670,354
Restricted for:										
Capital Projects	32,998,364	32,793,360	30,358,729	30,359,927	18,563,165	16,875,612	16,802,082	23,095,534	28,524,617	21,974,362
Debt Service	11,631,706	11,672,101	8,266,087	9,947,142	7,030,116	9,335,362	7,879,249	21,055,604	28,479,888	37,516,915
Transportation Vehicles							90,399	221,358	144,338	123,601
Everett School Employee Benefit Trust	13,302,462	12,770,103	9,813,100	7,998,528	7,961,764	6,080,610	5,815,200			
ASB Activities			2,152,577	1,676,164	1,644,824	1,621,733	1,534,634	1,628,317	1,366,627	1,255,978
Carryover Restricted Revenues for Ed and Ops			1,257,319	1,144,761	1,289,916	1,438,510	1,671,997	1,601,513	1,680,570	2,782,207
Uninsured Risks (Workers Comp Required Surety)			1,596,000	345,578	150,000	125,000	125,000			
Other Externally Imposed Grant Restrictions, Laws, Regulations	4,497,164	4,668,432								
Unrestricted	38,151,091	28,457,219	24,968,922	22,654,594	16,222,054	26,600,671	(101,021,887)	(111,844,567)	(104,957,814)	(139,658,999)
Total Governmental Activities Net Position	\$236,002,221	\$241,620,112	\$250,511,584	\$258,275,645	\$261,466,808	\$268,299,430	\$162,780,779	\$173,072,788	\$200,662,665	\$187,664,418

Source Data: Everett Public Schools Financial Statements

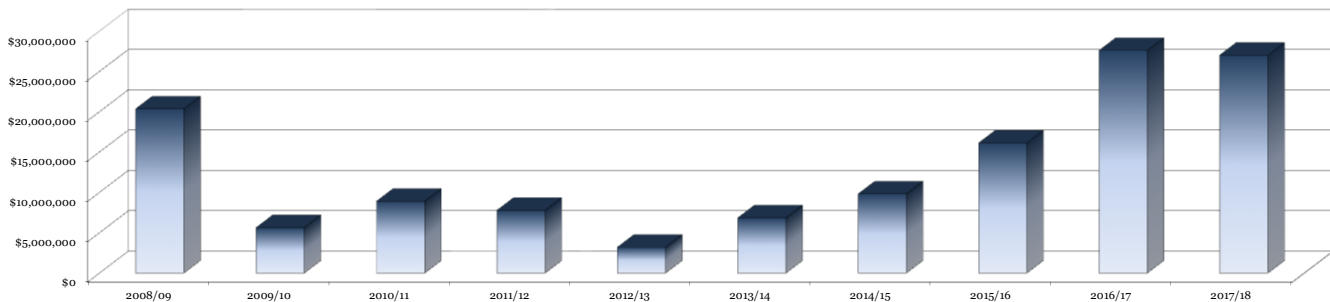


**EVERETT PUBLIC SCHOOLS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)**

Governmental Activities:

	2008/09	2009/10	2010/11	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/18
Expenses										
Regular Instruction	\$104,031,441	\$119,876,519	\$117,312,907	\$127,931,238	\$125,232,191	\$137,478,386	\$133,829,291	\$150,233,015	\$160,689,790	\$176,036,895
Federal Stimulus	8,307,879	5,244,855	8,166,944							
Special Education	23,458,145	22,185,512	23,387,769	24,964,872	25,800,597	27,429,607	28,403,386	31,579,755	33,402,323	37,497,974
Vocational Education	4,391,972	4,194,589	4,396,029	5,900,056	7,302,313	7,070,190	6,940,780	8,169,374	8,630,445	9,949,166
Compensatory Education	17,045,663	9,707,969	9,168,967	9,132,007	10,486,952	10,313,448	11,253,669	12,554,646	12,862,755	14,819,528
Other Instruction Programs	2,478,291	2,842,222	2,238,718	2,605,145	2,882,752	3,504,455	4,185,018	4,021,826	3,233,359	3,641,062
Community Services	344,797	397,431	321,395	352,281	402,119	456,471	622,029	547,575	586,788	865,830
Support Services	36,202,310	36,466,428	41,389,728	41,073,954	40,396,661	44,166,396	44,474,180	44,373,548	47,789,705	51,219,328
Extracurricular Activities (ASB)	1,920,801	2,014,407	1,927,058	2,132,126	2,197,293	2,018,835	1,978,389	2,115,149	2,118,288	2,291,006
Interest Payment on Long-Term Debt	11,925,409	11,758,154	11,281,415	10,512,084	9,574,976	4,397,168	7,317,210	6,610,672	6,869,622	6,702,578
Total Expenses	\$210,106,708	\$214,688,086	\$219,500,930	\$224,603,763	\$224,275,854	\$236,834,956	\$238,843,952	\$260,205,560	\$276,183,075	\$303,023,367
Program Revenues										
Charges for Service:										
Regular Instruction	\$819,149	\$875,490	\$981,147	\$1,023,065	\$962,707	\$1,049,061	\$1,141,439	\$1,183,278	\$1,261,257	\$1,314,557
Special Education	532	508	1,828	358	564	18	64	58	190	3,069
Vocational Education	2,987	7,919	35,146	9,134	5,959	9,629	15,142	14,734	24,444	45,831
Compensatory Education	576		624		628					
Other Instruction Programs	1,240,150	1,279,509	1,304,723	1,410,391	1,582,781	1,804,645	1,475,423	1,438,320	501,470	548,239
Community Services	410,148	452,899	393,830	383,646	485,985	506,898	520,687	561,861	577,205	646,251
Support Services	2,450,032	2,506,938	2,412,443	2,321,442	2,302,223	2,342,023	2,357,574	2,491,932	2,831,101	2,890,534
Extracurricular Activities (ASB)	1,910,794	2,053,318	2,301,765	1,655,713	2,165,953	1,995,744	2,010,953	2,131,027	1,860,441	2,169,267
Operating Grants and Contributions	54,005,214	43,172,614	45,729,131	39,040,719	41,419,914	44,611,614	49,039,497	55,072,083	58,481,564	66,263,336
Capital Grants and Contributions	7,018,309	2,202,781	7,774,780	11,848,649	4,034,492	6,766,219	1,089,544	153,023	367,778	446,083
Total Program Revenues	\$67,857,891	\$52,551,776	\$60,934,793	\$57,693,741	\$52,960,906	\$59,086,851	\$57,650,323	\$63,046,316	\$65,905,450	\$74,327,167
Net (Expense)/Revenue										
Governmental Activities	(142,248,817)	(162,136,310)	(158,566,137)	(166,910,022)	(171,314,948)	(177,748,105)	(181,193,629)	(197,159,244)	(210,277,625)	(228,696,200)
Total Governmental Activities Net Expense	(\$142,248,817)	(\$162,136,310)	(\$158,566,137)	(\$166,910,022)	(\$171,314,948)	(\$177,748,105)	(\$181,193,629)	(\$197,159,244)	(\$210,277,625)	(\$228,696,200)
General Revenues and Special Items										
Taxes:										
Property Taxes, Levies for Maintenance/Operations	\$34,694,071	\$36,417,352	\$43,524,606	\$43,786,293	\$43,021,150	\$42,681,250	\$47,693,774	\$49,379,659	\$52,929,350	\$50,823,022
Property Taxes, Levies for Debt Service	35,929,760	36,188,964	25,658,505	26,501,868	26,955,771	27,351,076	23,222,886	24,720,469	29,543,433	35,667,036
Property Taxes, Levies for Capital Projects			8,053,656	8,016,531	8,002,574	7,966,903	7,938,659	8,063,198	18,076,029	18,935,509
Unallocated State Apportionment & Others	89,893,588	94,541,280	89,997,326	96,149,869	96,379,816	106,489,921	112,096,609	127,618,135	135,730,435	148,752,291
Interest and Investment Earnings	2,077,474	606,605	223,516	129,522	146,800	91,577	44,213	171,952	688,255	1,521,146
Total General Revenues	162,594,893	167,754,201	167,457,609	\$174,674,083	\$174,506,111	\$184,580,727	\$190,996,141	\$209,953,413	\$237,867,502	\$255,699,004
Special Items										
Gain on Sale of Real Property								3,313,040		
Total Special Items								3,313,040		
Total General Revenues and Special Items	\$162,594,893	\$167,754,201	\$167,457,609	\$174,674,083	\$174,506,111	\$184,580,727	\$190,996,141	\$213,266,453	\$237,867,502	\$255,699,004
Change in Governmental Activities Net Position	\$20,346,076	\$5,617,891	\$8,891,472	\$7,764,061	\$3,191,163	\$6,832,622	\$9,802,512	\$16,107,209	\$27,589,877	\$27,002,804

Source Data: Everett Public Schools Financial Statements

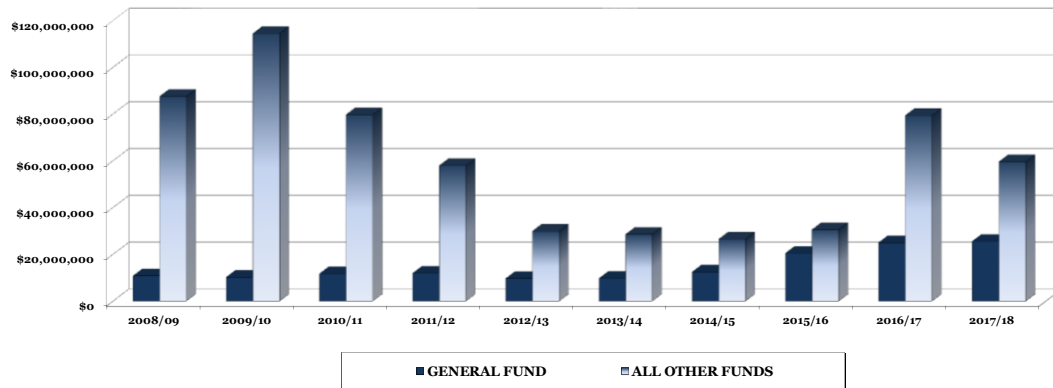
CHANGES IN NET POSITION

**EVERETT PUBLIC SCHOOLS
FUND BALANCES
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)**

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
General Fund										
Nonspendable Inv and Prepaid Items	\$667,401	\$476,123	\$828,333	\$1,052,239	\$2,016,674	\$1,833,535	\$1,127,804	\$1,683,457	\$1,689,754	\$2,794,080
Restricted	2,090,604	2,414,439	2,853,319	1,490,339	1,439,916	1,563,510	1,796,997	1,601,513	1,680,570	2,782,207
Committed			102,000	102,000	102,000	102,000	102,000	102,000	102,000	152,000
Assigned	2,824,101	1,460,732	2,444,243	2,576,132	257,430	571,865	825,839	812,073	561,116	1,339,413
Unassigned	5,139,492	5,819,006	5,398,476	6,615,391	5,809,772	5,571,954	8,557,914	16,189,879	20,871,206	18,408,970
Total General Fund	\$10,721,598	\$10,171,200	\$11,626,371	\$11,836,101	\$9,625,792	\$9,642,864	\$12,410,554	\$20,388,922	\$24,904,646	\$25,476,670
All Other Governmental Funds										
Nonspendable Inv and Prepaid Items	\$86,934	\$85,917	\$62,865	\$116,537	\$64,639	\$81,630	\$119,663	\$495,455	\$3,225,298	\$6,278,669
Restricted, reported in:										
Special Revenue Funds	6,970	9,488	2,089,712	1,559,627	1,580,185	1,540,103	1,534,634	1,628,317	1,366,627	1,255,978
Debt Service Funds				9,947,142	7,030,116	9,967,646	7,879,249	8,957,916	14,540,748	20,519,255
Capital Projects Funds	61,231,450	88,591,972	62,220,507	37,835,117	14,263,950	9,461,956	7,079,932	5,990,913	45,726,943	22,813,951
Transportation Vehicle Funds				281,778	316,269	193,344	90,399	221,358	144,338	123,601
Committed			298,755	322,972	348,253	1,442,123	5,271,895	5,255,745	9,736,123	7,375,503
Assigned	26,141,586	25,672,698	14,947,293	7,774,309	6,226,554	5,778,189	4,450,255	7,915,313	4,542,639	1,139,162
Total All Other Governmental Funds	\$87,466,940	\$114,360,075	\$79,619,132	\$57,837,482	\$29,829,966	\$28,464,991	\$26,426,027	\$30,465,017	\$79,282,716	\$59,506,119

Source Data: Everett Public Schools Financial Statements

GOVERNMENTAL FUND BALANCES



**EVERETT PUBLIC SCHOOLS
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)**

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Revenues										
Local	\$75,597,824	\$79,495,949	\$83,370,230	\$87,843,591	\$87,347,597	\$86,826,977	\$87,815,417	\$90,786,070	\$103,346,312	\$113,564,048
State	125,947,575	120,784,977	122,072,986	130,968,899	125,492,779	142,842,688	145,325,810	164,694,611	176,100,974	196,092,673
Federal	22,450,252	13,692,940	13,173,954	13,540,345	14,816,045	13,518,221	14,052,850	14,460,172	14,526,511	15,192,857
Federal Stimulus		5,058,437	7,590,660	126,715						
Miscellaneous Other	1,934,894	3,883			16,076	139,292	1,543,784	1,992,920	2,066,731	2,636,791
Total Revenues	225,930,545	219,036,186	226,207,830	232,479,550	227,672,497	243,327,178	248,737,861	271,933,773	296,040,528	327,486,369
Expenditures										
Current:										
Regular Instruction	91,601,556	102,881,185	100,551,940	105,631,574	106,915,866	115,739,305	119,027,292	130,584,540	142,790,589	153,237,579
Federal Stimulus	8,307,879	4,867,873	7,403,350	126,005						
Special Education	23,165,012	21,081,328	22,225,506	24,288,601	25,277,485	26,665,038	28,364,943	30,953,226	33,303,504	37,782,660
Vocational Education	4,242,219	3,944,129	4,085,393	5,578,060	7,110,653	6,709,718	6,866,719	8,013,815	8,550,977	10,053,421
Compensatory Education	16,860,115	9,354,499	8,738,549	8,784,926	10,263,394	10,136,673	11,116,057	12,276,981	12,785,449	14,964,205
Other Instruction Programs	2,446,080	2,632,351	2,170,762	2,527,869	2,776,428	3,206,654	4,138,514	3,886,139	3,235,928	3,678,692
Community Services	336,431	376,959	304,168	348,020	395,816	443,886	446,696	537,613	584,183	873,396
Support Services	33,608,678	33,655,645	34,167,925	35,067,295	35,203,643	37,101,491	38,721,493	41,442,837	44,172,585	49,514,380
Student Activities	1,920,801	2,014,407	1,927,058	2,132,126	2,197,293	2,018,835	1,978,389	2,115,149	2,118,288	2,291,006
Capital Outlay:										
Sites	19,079,447	343,439	109,431	1,277,182	340,924	190,503	220,596	65,521	4,920,649	7,609,482
Buildings	20,882,463	21,883,594	36,682,609	33,270,387	30,249,145	10,463,500	5,083,619	3,823,236	11,899,560	26,428,125
Equipment	5,825,554	2,475,019	6,328,077	3,838,521	5,519,756	5,162,388	3,109,693	2,686,724	4,736,662	7,060,962
Instructional Technology					1,501,903	2,290,600	1,087,298	3,394,475	1,163,874	6,069,315
Sales and Lease				5,868,388	28,165	4,667	128,461	7,544	1,918	2,587
Debt Service:										
Bond Principal	24,895,000	23,890,000	23,070,000	14,385,000	19,905,000	17,325,000	19,540,000	16,055,000	14,915,000	19,315,000
Bond Interest and Other Charges	12,558,190	12,366,830	11,757,391	10,927,516	10,232,836	7,855,708	8,187,346	7,402,594	7,897,919	7,825,874
Bond Insurance Fees and Services	75,228	405,165								
Total Expenditures	265,804,653	242,172,423	259,522,159	254,051,470	257,918,307	245,313,966	248,017,116	263,245,394	293,077,085	346,706,684
Excess (Deficiency) of Revenues Over Expenditures	(39,874,108)	(23,136,237)	(33,314,329)	(21,571,920)	(30,245,810)	(1,986,788)	720,745	8,688,379	2,963,443	(19,220,315)
Other Financing Sources (Uses)										
Refunding Bond Sales		48,900,000				103,810,000			47,065,000	
Refunding Bond Sales Premium		561,950				16,136,682			3,255,805	
Refunded Bonds, Payment to Escrow Agent						(119,314,398)				
Sale of Real Property								3,317,040		
Sale of Surplus Equipment		17,024	28,557		27,985	6,601	7,981	11,939	49,175	15,742
Costs of Issue - Bond & Refunding Bond Sales	9,844,112									
Costs of Securities Escrow - Refunded Bonds	(9,764,925)									
Total Other Financing Sources (Uses)	79,187	49,478,974	28,557		27,985	638,885	7,981	3,328,979	50,369,980	15,742
NET CHANGE IN FUND BALANCE	(\$39,794,921)	\$26,342,737	(\$33,285,772)	(\$21,571,920)	(\$30,217,825)	(\$1,347,903)	\$728,726	\$12,017,358	\$53,333,423	(\$19,204,573)
Debt Service as a Percentage of Noncapital Expenditures	16.8%	16.6%	15.6%	11.5%	13.3%	10.7%	11.3%	9.0%	8.2%	8.8%

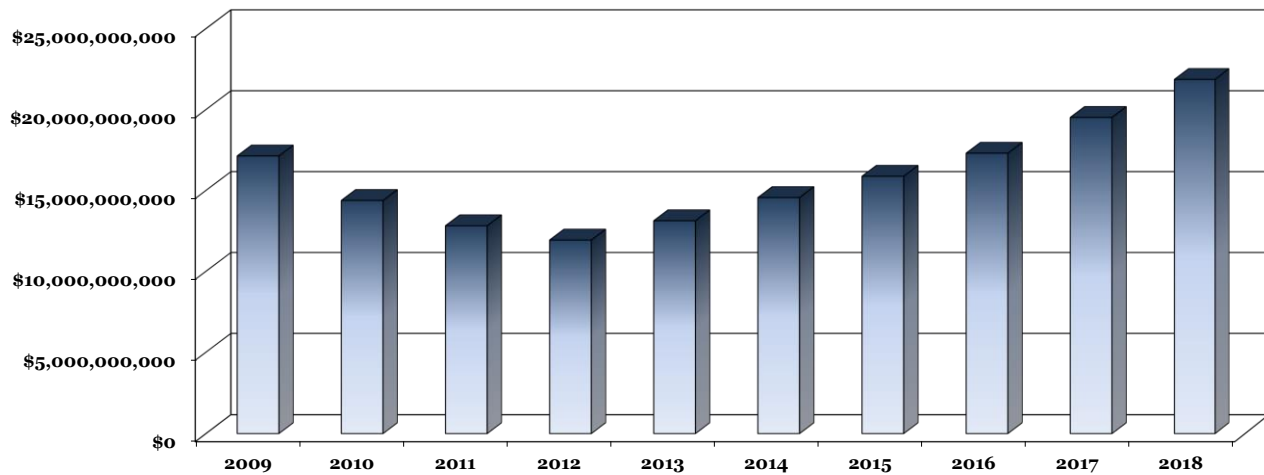
Source Data: Everett Public Schools Financial Statements

**EVERETT PUBLIC SCHOOLS
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN CALENDAR YEARS
(Unaudited)**

CALENDAR YEAR	REAL PROPERTY	PERSONAL PROPERTY	STATE ASSESSED UTILITY	TOTAL TAXABLE ASSESSED VALUE	TOTAL PROPERTY TAX RATE	ESTIMATED ACTUAL TAXABLE VALUE	ASSESSED VALUE AS A PERCENTAGE OF ACTUAL VALUE*
2009	16,334,826,131	572,060,082	224,503,125	17,131,389,338	4.128	17,131,389,338	100.00%
2010	13,628,532,749	508,290,999	243,457,373	14,380,281,121	4.626	14,380,281,121	100.00%
2011	12,056,098,756	460,953,963	297,377,671	12,814,430,390	5.438	12,814,430,390	100.00%
2012	11,309,376,527	410,780,095	210,564,022	11,930,720,644	6.168	11,930,720,644	100.00%
2013	12,584,022,735	356,868,007	185,766,489	13,126,657,231	6.549	13,126,657,231	100.00%
2014	14,005,401,606	353,982,649	199,618,969	14,559,003,224	5.974	14,559,003,224	100.00%
2015	15,316,092,095	349,689,052	209,529,100	15,875,310,247	5.480	15,875,310,247	100.00%
2016	16,735,866,800	361,210,084	205,699,672	17,302,776,556	5.183	17,302,776,556	100.00%
2017	18,947,168,269	382,776,588	183,699,514	19,513,644,371	5.881	19,513,644,371	100.00%
2018	21,219,745,771	445,836,763	197,332,427	21,862,914,961	5.427	21,862,914,961	100.00%

*District Estimated Actual Value is 100% of Assessed Value
Source Data: Snohomish County Assessor's Office

**DISTRICT ASSESSED VALUE
Last Ten Calendar Years**



**EVERETT PUBLIC SCHOOLS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN CALENDAR YEARS
(Unaudited)**

CALENDAR YEAR	DISTRICT DIRECT RATES			OVERLAPPING RATES		
	SCHOOL SPECIAL LEVY*	SCHOOL BOND*	TOTAL DIRECT	STATE SCHOOL*	CITY EVERETT*	CITY MILL CR*
2009	2.026	2.102	4.128	1.909	2.502	1.702
2010	2.318	2.308	4.626	1.992	2.655	1.897
2011	2.381	3.057	5.438	2.206	3.108	2.367
2012	2.725	3.443	6.168	2.379	3.455	2.648
2013	2.938	3.611	6.549	2.433	3.633	2.762
2014	2.096	3.878	5.974	2.384	3.431	2.555
2015	1.618	3.862	5.480	2.279	3.248	2.431
2016	1.560	3.623	5.183	2.124	3.068	2.384
2017	2.813	3.068	5.881	2.027	2.883	2.355
2018	2.810	2.617	5.427	2.848	2.604	2.135

*Rates are Based on Dollars per Thousand of Assessed Value
Source Data: Snohomish County Assessor's Office

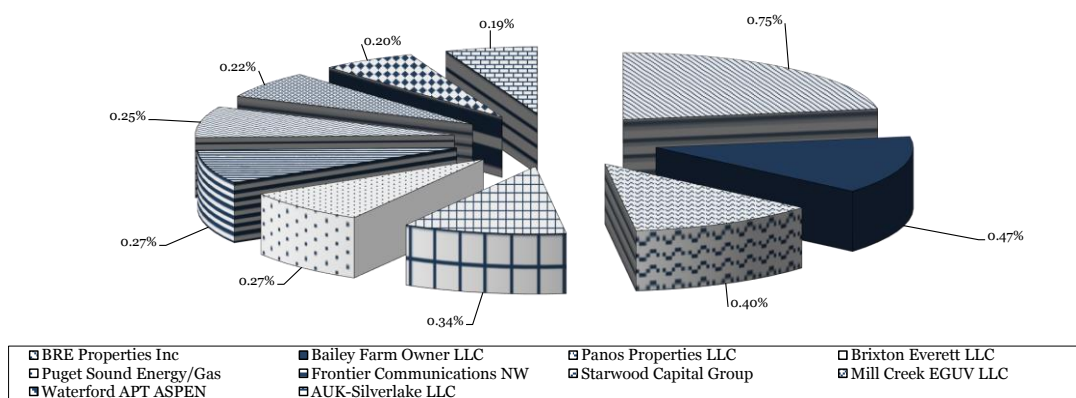
OVERLAPPING RATES					
COUNTY*	PORT*	HOSP 1*	FIRE 4*	FIRE 7*	FIRE 8*
0.716	0.267	0.127	1.179	1.673	1.546
0.782	0.285	0.098	1.293	1.696	1.765
0.868	0.285	0.110	1.398	2.000	1.839
0.982	0.345	0.127	1.928	2.000	1.889
1.077	0.290	0.140	1.932	2.000	1.930
1.078	0.353	0.370	1.945	2.000	1.908
0.998	0.334	0.341	1.862	1.964	1.865
0.933	0.316	0.319	1.788	1.937	1.783
0.879	0.297	0.298	1.813	1.914	1.682
0.791	0.271	0.271	1.660	1.949	1.734

**EVERETT PUBLIC SCHOOLS
PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)**

NAME OF TAXPAYER	2018			2009		
	ESTIMATED ASSESSED VALUATION	RANK	% OF TOTAL ASSESSED VALUATION	ESTIMATED ASSESSED VALUATION	RANK	% OF TOTAL ASSESSED VALUATION
BRE Properties Inc	\$159,557,000	1	0.75%	-	-	-
Bailey Farm Owner LLC	98,916,358	2	0.47%	-	-	-
Panos Properties LLC	84,005,346	3	0.40%	-	-	-
Brixton Everett LLC	72,585,600	4	0.34%	-	-	-
Puget Sound Energy/Gas	57,601,161	5	0.27%	\$38,307,367	6	0.22%
Frontier Communications NW	56,978,792	6	0.27%	-	-	-
Starwood Capital Group	53,340,000	7	0.25%	-	-	-
Mill Creek EGUV LLC	46,085,100	8	0.22%	-	-	-
Waterford APT ASPEN	42,000,000	9	0.20%	-	-	-
AUK-Silverlake LLC	41,000,000	10	0.19%	-	-	-
Kimberly-Clark World Wide, Inc	-	-	-	288,037,194	1	1.68%
Verizon Northwest, Inc.	-	-	-	225,656,102	2	1.32%
Avalonbay Communities	-	-	-	132,928,792	3	0.78%
The Equitable Life Assurance	-	-	-	47,194,978	4	0.28%
Jefferson at Mill Creek LP	-	-	-	43,073,455	5	0.25%
Providence Health & Services	-	-	-	32,596,128	7	0.19%
Huntington Park Apartments	-	-	-	30,267,834	8	0.18%
Skotdal Mutual LLC	-	-	-	27,939,538	9	0.16%
Washington Brookwood Association	-	-	-	22,118,801	10	0.13%
Total	\$712,069,357		3.36%	\$849,812,821		4.96%

Source Data: Snohomish County Assessor's Office

**COMPARISON OF PRINCIPAL TAXPAYERS
2018 Assessed Valuation**





**EVERETT PUBLIC SCHOOLS
GOVERNMENTAL FUNDS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN CALENDAR YEARS
(Unaudited)**

CALENDAR YEAR	CURRENT TAX LEVY	TOTAL CURRENT & DELINQUENT	CURRENT TAX COLLECTIONS	% CURRENT LEVY COLLECTED
2009	70,168,216	72,392,671	68,449,596	97.6%
2010	72,399,489	75,357,834	70,761,196	97.7%
2011	77,224,788	80,035,085	76,594,288	99.2%
2012	77,619,222	80,051,462	76,753,592	98.9%
2013	77,044,441	79,454,077	76,706,964	99.6%
2014	78,123,905	80,165,556	76,810,644	98.3%
2015	78,828,906	80,504,470	78,267,315	99.3%
2016	81,492,979	83,062,574	81,031,399	99.4%
2017	101,324,420	103,063,234	100,117,551	98.8%
2018	105,830,623	105,746,514	104,293,254	98.5%

Source Data: Snohomish County Treasurer's Office

**PROPERTY TAX LEVIES
Last Ten Calendar Years**

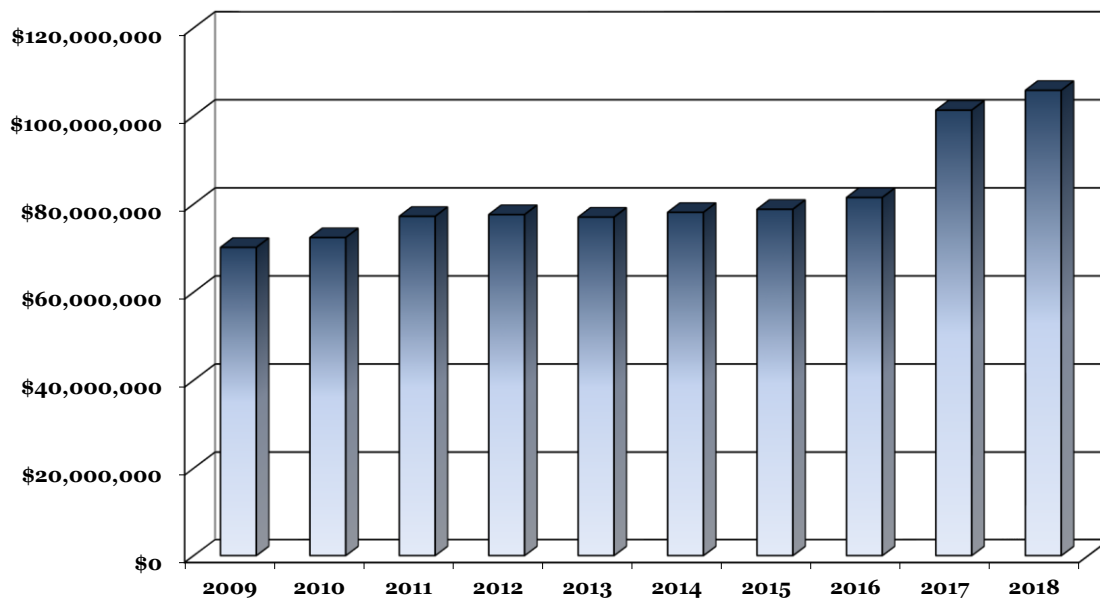
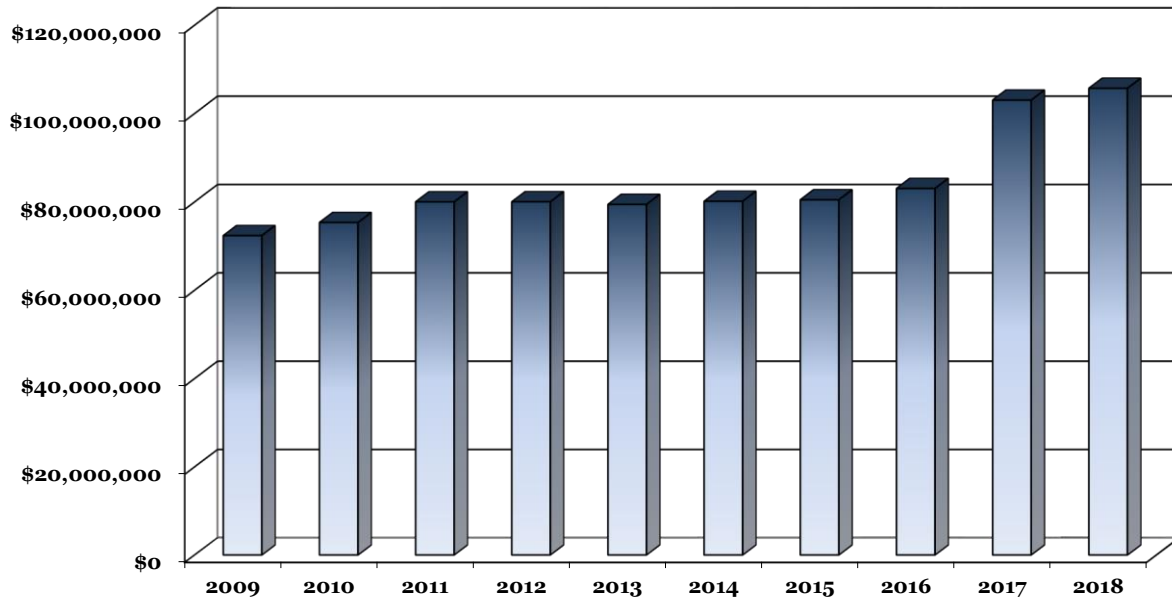


Table VIII
(Page 2 of 2)

DELINQUENT TAX COLLECTIONS	TOTAL TAX COLLECTIONS	% TAX COLL. TO CURRENT & DELINQUENT LEVY
1,310,337	69,759,933	96.4%
1,785,247	72,546,442	96.3%
1,035,729	77,630,017	97.0%
1,568,121	78,321,713	97.8%
1,780,852	78,487,816	98.8%
1,118,911	77,929,555	97.2%
930,828	79,198,143	98.4%
1,141,644	82,173,044	98.9%
1,086,718	101,204,269	98.2%
1,044,985	105,338,239	99.6%

PROPERTY TAX COLLECTIONS Last Ten Calendar Years



**EVERETT PUBLIC SCHOOLS
RATIOS OF NET GENERAL BONDED DEBT
LAST TEN FISCAL YEARS
(Unaudited)**

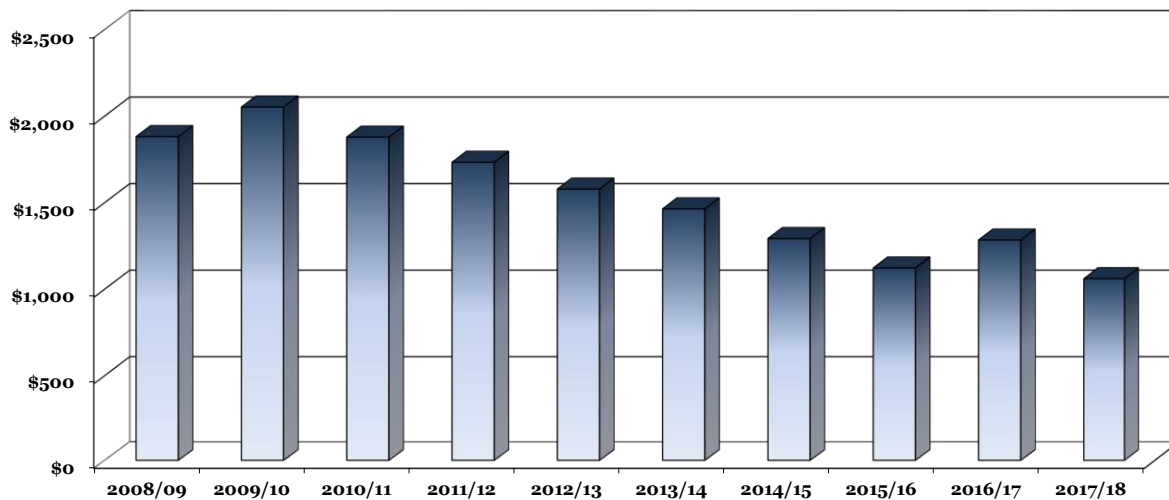
FISCAL YEAR	ESTIMATED POPULATION	ASSESSED VALUE	GROSS BONDED DEBT*	LESS AVAILABLE DEBT SERVICE FUNDS**	NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
2008/09	128,308	17,131,389,338	253,149,152	11,710,893	241,438,259	1.41%	1,882
2009/10	129,311	14,380,281,121	277,300,466	11,828,886	265,471,580	1.85%	2,053
2010/11	130,251	12,814,430,390	252,955,238	8,266,087	244,689,151	1.91%	1,879
2011/12	131,214	11,930,720,644	237,416,335	9,947,142	227,469,193	1.91%	1,734
2012/13	132,626	13,126,657,231	216,446,319	7,030,116	209,416,203	1.60%	1,579
2013/14	135,944	14,559,003,224	209,186,504	9,967,646	199,218,858	1.37%	1,465
2014/15	138,386	15,875,310,247	186,775,872	7,879,249	178,896,623	1.13%	1,293
2015/16	141,599	17,302,776,556	167,928,454	8,957,916	158,970,538	0.92%	1,123
2016/17	144,602	19,513,644,371	200,305,466	14,540,748	185,764,718	0.95%	1,285
2017/18	148,340	21,862,914,961	177,880,424	20,519,255	157,361,169	0.72%	1,061

*Gross Bonded Debt Includes Principal and Unamortized Bond Premium

**Resources Restricted to Repayment of the Principal of General Bonded Debt

Source Data: Snohomish County Assessor's Office and Economic Development Council

**DISTRICT NET BONDED DEBT PER CAPITA
Last Ten Fiscal Years**

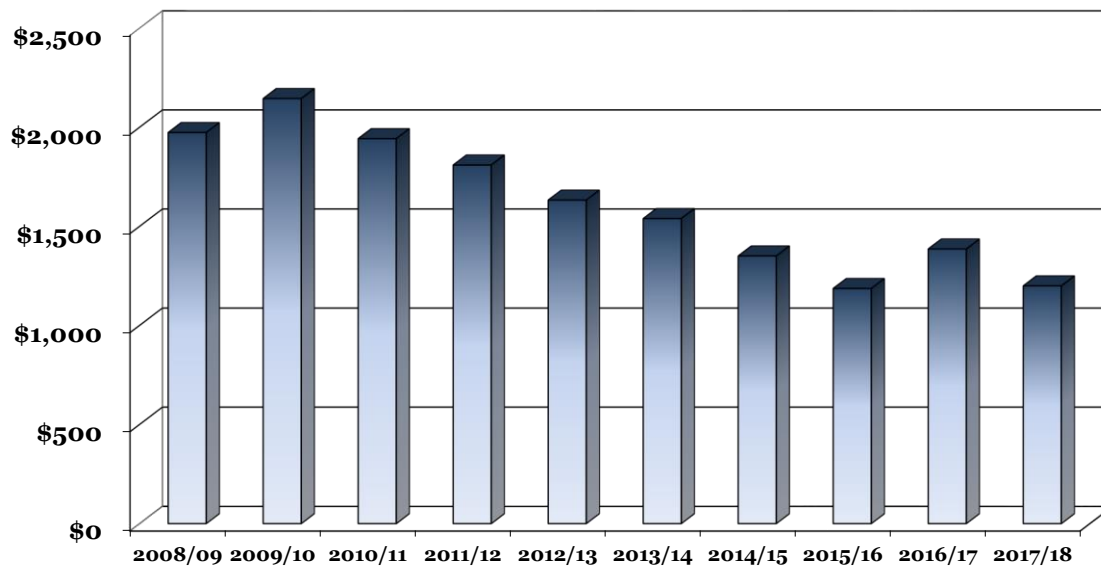


**EVERETT PUBLIC SCHOOLS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)**

FISCAL YEAR	GENERAL OBLIGATION BONDS OUTSTANDING	PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	ESTIMATED POPULATION	PERSONAL INCOME	PERCENTAGE OF PERSONAL INCOME TO OUTSTANDING DEBT*	GENERAL BONDED DEBT PER CAPITA
2008/09	253,149,152	1.48%	128,308	8,637,695	3.41%	1,973
2009/10	277,300,466	1.93%	129,311	8,221,593	2.96%	2,144
2010/11	252,955,238	1.97%	130,251	8,079,991	3.19%	1,942
2011/12	237,416,335	1.99%	131,214	8,225,412	3.46%	1,809
2012/13	216,446,319	1.65%	132,626	8,492,441	3.92%	1,632
2013/14	209,186,504	1.44%	135,944	8,969,721	4.29%	1,539
2014/15	186,775,872	1.18%	138,386	9,057,917	4.85%	1,350
2015/16	167,928,454	0.97%	141,599	10,066,556	5.99%	1,186
2016/17	200,305,466	1.03%	144,602	11,276,787	5.63%	1,385
2017/18	177,880,424	0.81%	148,340	11,953,089	6.72%	1,199

Source Data: Everett Public Schools Financial Statements and Snohomish County Planning Department

**GENERAL BONDED DEBT PER CAPITA
Last Ten Fiscal Years**



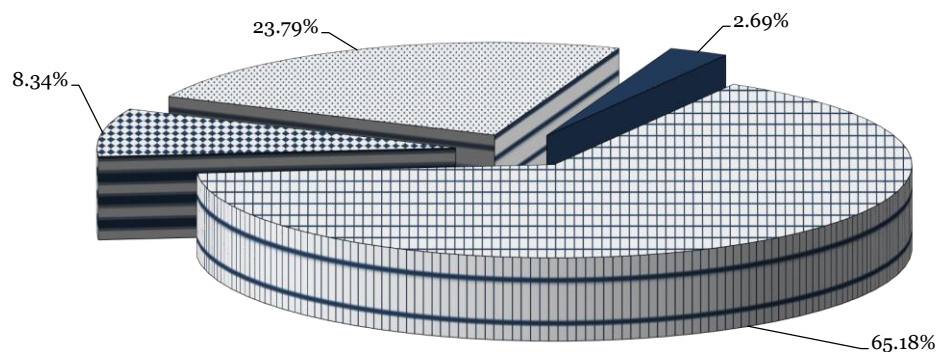
**EVERETT PUBLIC SCHOOLS
DIRECT AND OVERLAPPING NET BONDED DEBT
AUGUST 31, 2018
(Unaudited)**

<u>JURISDICTION</u>	<u>GENERAL OBLIGATION BONDED DEBT OUTSTANDING</u>	<u>ESTIMATED PERCENTAGE APPLICABLE TO EVERETT PUBLIC SCHOOLS*</u>	<u>AMOUNT APPLICABLE TO EVERETT PUBLIC SCHOOLS</u>
Everett School District	\$177,880,424	100.00%	<u>\$177,880,424</u>
Total District Direct Debt			\$177,880,424
Snohomish County	\$375,760,000	17.28%	\$64,931,328
City of Everett	42,355,000	53.71%	22,748,871
Snohomish Co. Fire District No. 7	7,166,834	1.05%	75,252
Hospital District No. 1	1,804,500	2.85%	51,428
Port of Everett	14,945,000	48.27%	<u>7,213,952</u>
Total Overlapping Debt			\$95,020,830
Total Direct and Overlapping Debt			<u>\$272,901,254</u>

*The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining taxable assessed value that is within the District's boundaries and dividing it by the District's total taxable assessed value.

Source Data: Everett Public Schools Financial Statements, City of Everett, Hospital District No. 1, Port of Everett and Snohomish County Treasurer's Office

**PERCENT OF OVERLAPPING DEBT
By Jurisdiction**



Everett Public Schools
 City of Everett
 Snohomish County
 Other Jurisdictions

**EVERETT PUBLIC SCHOOLS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

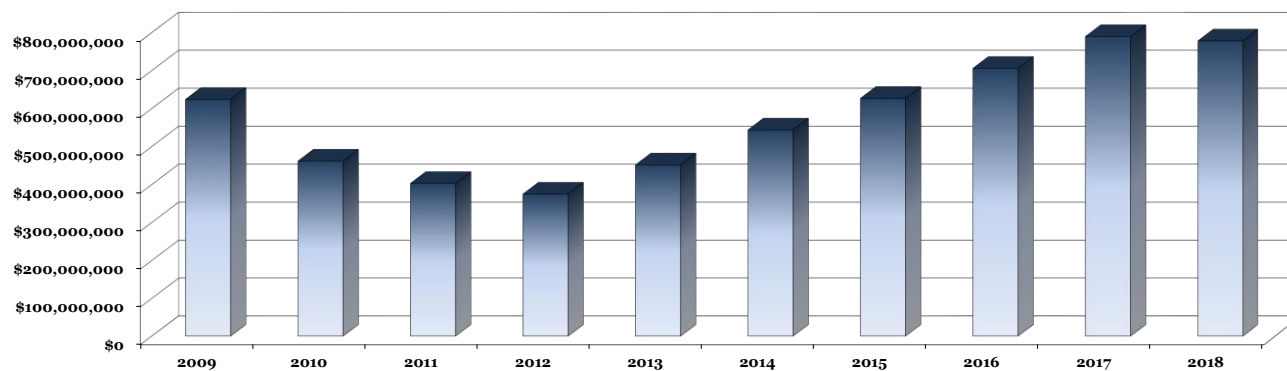
Legal Debt Margin Calculation for Fiscal Year 2018

Assessed Value	\$21,862,914,761
Debt Limit (5% of Assessed Value)	1,093,145,738
Debt Applicable to Limit:	
General Obligation Bonds Outstanding	177,880,424
Less Available Debt Service Funds	(20,519,255)
Total Net Debt Applicable to Limit	157,361,169
Legal Debt Margin	<u>\$935,784,569</u>

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Debt Limit	\$856,569,467	\$719,014,056	\$640,721,520	\$596,536,032	\$656,332,862	\$727,950,161	\$793,765,512	\$865,138,828	\$975,682,219	\$935,784,569
General Obligation Bonds Outstanding	243,935,000	268,945,000	245,875,000	231,490,000	211,585,000	194,140,000	174,600,000	167,928,454	200,305,466	177,880,424
Less Available Debt Service Funds	(11,710,893)	(11,828,886)	(8,266,087)	(9,947,142)	(7,030,116)	(9,967,646)	(7,879,249)	(8,957,916)	(14,540,748)	(20,519,255)
Total Net Debt Applicable to Limit	232,224,107	257,116,114	237,608,913	221,542,858	204,554,884	184,172,354	166,720,751	158,970,538	185,764,718	157,361,169
Legal Debt Margin	<u>\$624,345,360</u>	<u>\$461,897,942</u>	<u>\$403,112,607</u>	<u>\$374,993,174</u>	<u>\$451,777,978</u>	<u>\$543,777,807</u>	<u>\$627,044,761</u>	<u>\$706,168,290</u>	<u>\$789,917,501</u>	<u>\$778,423,400</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	27.11%	35.76%	37.08%	37.14%	31.17%	25.30%	21.00%	18.38%	19.04%	16.82%

Source Data: Everett Public Schools Financial Statements and Snohomish County Assessor's Office

LEGAL DEBT MARGIN



**EVERETT PUBLIC SCHOOLS
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
(Unaudited)**

GENERAL OBLIGATIONS BONDS				
FISCAL YEAR	TAX COLLECTIONS	DEBT SERVICE		COVERAGE
		PRINCIPAL	INTEREST AND TRANSFER FEES	
2008/09	34,628,637	24,895,000	12,454,424	0.93
2009/10	35,928,104	23,890,000	12,334,936	0.99
2010/11	30,921,622	23,070,000	11,751,621	0.89
2011/12	26,662,432	14,385,000	10,926,593	1.05
2012/13	26,894,877	19,905,000	10,224,271	0.89
2013/14	27,174,350	17,325,000	7,849,588	1.08
2014/15	25,323,110	19,540,000	8,178,346	0.91
2015/16	24,199,300	16,055,000	7,390,781	1.03
2016/17	27,700,385	14,915,000	7,578,710	1.23
2017/18	32,610,111	19,315,000	7,825,774	1.20

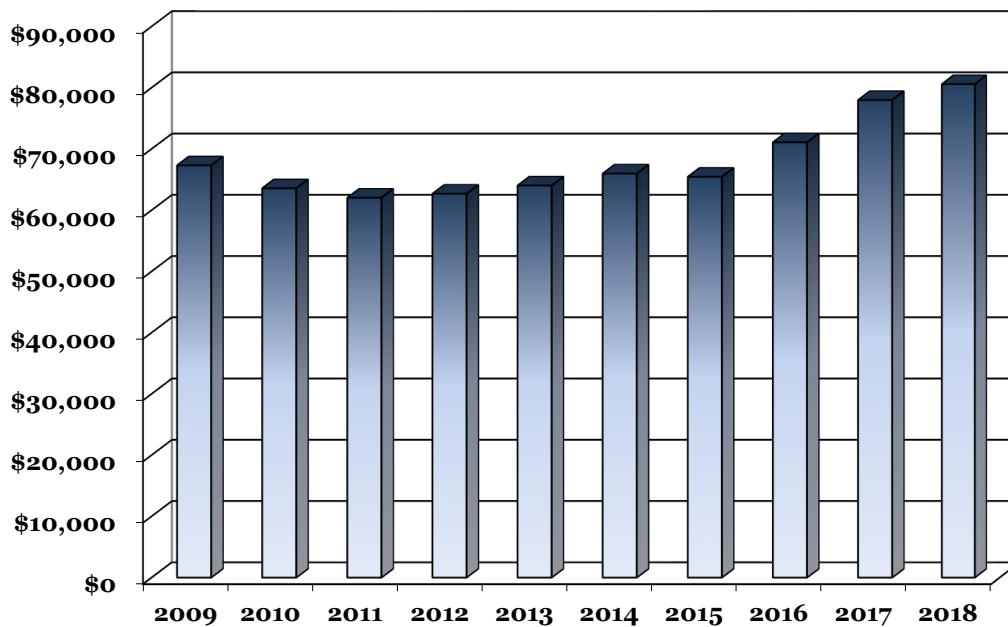
Source Data: Everett Public Schools Financial Statements

**EVERETT PUBLIC SCHOOLS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS
(Unaudited)**

<u>YEAR</u>	<u>ESTIMATED POPULATION</u>	<u>PERSONAL INCOME*</u>	<u>PER CAPITA PERSONAL INCOME</u>	<u>UNEMPLOYMENT RATE</u>
2009	128,308	8,637,695	67,320	10.3%
2010	129,311	8,221,593	63,580	9.8%
2011	130,251	8,079,991	62,034	8.2%
2012	131,214	8,225,412	62,687	6.7%
2013	132,626	8,492,441	64,033	5.3%
2014	135,944	8,969,721	65,981	4.5%
2015	138,386	9,057,917	65,454	5.0%
2016	141,599	10,066,556	71,092	3.9%
2017	144,602	11,276,787	77,985	4.0%
2018	148,340	11,953,089	80,579	3.6%

Source Data: Snohomish County Planning Department, State of Washington
Office of Financial Management and Employment Security Departments
*Dollars in Thousands

PER CAPITA PERSONAL INCOME

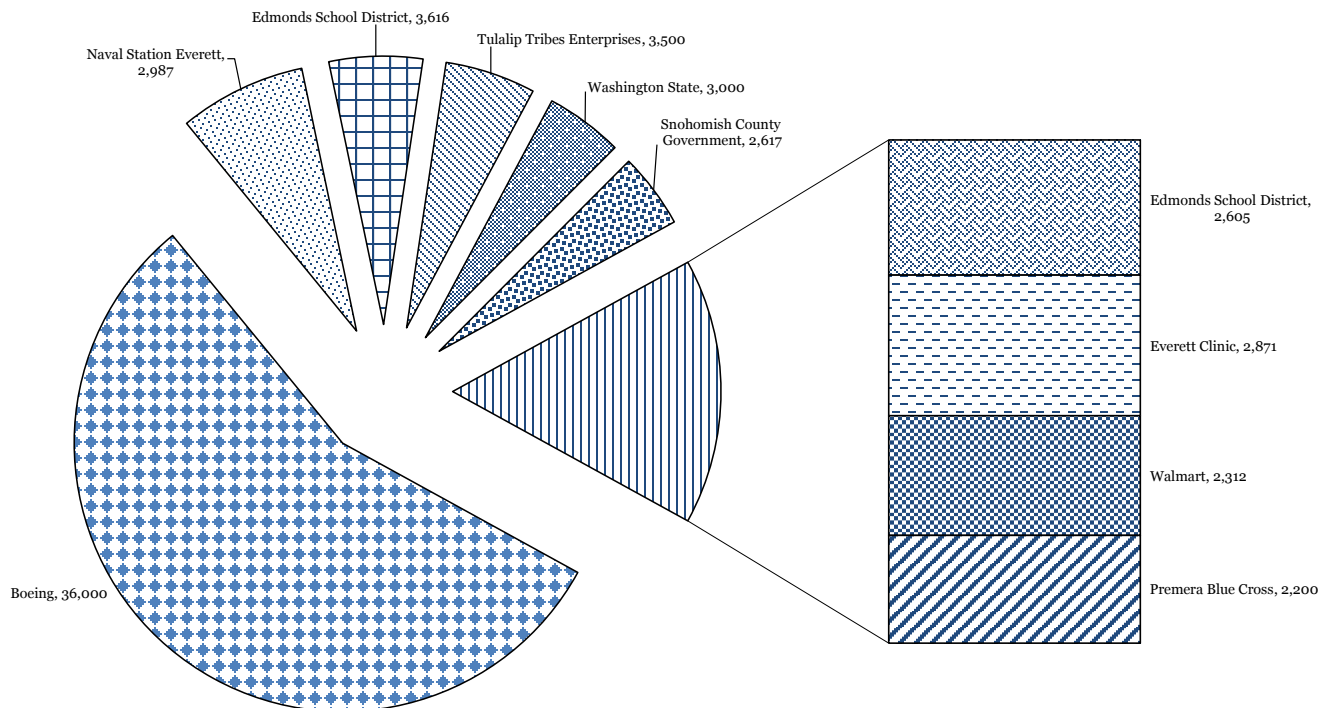


**EVERETT PUBLIC SCHOOLS
PRINCIPAL EMPLOYERS IN SNOHOMISH COUNTY
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)**

<u>EMPLOYER</u>	<u>2018</u>			<u>2009</u>		
	<u>EMPLOYEES</u>	<u>RANK</u>	<u>% OF TOTAL COUNTY EMPLOYMENT</u>	<u>EMPLOYEES</u>	<u>RANK</u>	<u>% OF TOTAL COUNTY EMPLOYMENT</u>
Boeing	36,000	1	8.97%	32,000	1	9.17%
Providence Everett Medical Center	4,906	2	1.22%	3,200	4	0.83%
Edmonds School District	3,616	3	0.90%	-	-	-
Tulalip Tribes Enterprises	3,500	4	0.87%	3,020	5	0.79%
Washington State	3,000	5	0.75%	2,800	7	0.73%
Naval Station Everett	2,900	6	0.72%	6,000	2	1.57%
Snohomish County Government	2,759	7	0.69%	2,965	6	0.77%
Everett Clinic	2,871	8	0.72%	-	-	-
Everett School District	2,443	9	0.61%	1,700	8	0.44%
Premiera Blue Cross	2,200	10	0.55%	3,200	3	0.83%
Philips Medical Systems	-	-	-	1,600	9	0.42%
Verizon Northwest	-	-	-	1,500	10	0.39%
Total	<u>64,195</u>		<u>15.99%</u>	<u>57,985</u>		<u>15.95%</u>

Source Data: Snohomish County Economic Development Council and Washington State Employment Security Department

**PRINCIPAL EMPLOYERS IN SNOHOMISH COUNTY
CURRENT YEAR**





EVERETT PUBLIC SCHOOLS
FULL-TIME EQUIVALENT EMPLOYEES BY PROGRAM/ACTIVITY
LAST TEN FISCAL YEARS
(Unaudited)

Program/Activity	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
<u>Basic Education</u>										
Supervision	24.6	23.9	22.8	23.1	24.1	27.3	27.2	24.6	27.0	28.1
Learning Resources	27.9	27.4	27.4	26.9	26.4	26.2	26.2	27.0	27.9	27.5
Principals	97.1	98.9	101.8	97.6	97.4	100.9	113.0	114.8	119.0	118.0
Guidance and Counseling	44.7	46.3	47.5	44.4	42.9	42.6	43.2	44.4	47.9	55.5
Pupil Management	26.0	24.8	23.2	26.8	29.1	27.0	32.1	28.0	34.1	41.7
Health Services	17.6	17.8	17.9	21.3	16.8	17.8	17.6	17.7	20.2	20.0
Teaching	771.7	780.1	780.7	747.4	724.9	745.5	777.9	803.1	841.2	865.1
Extracurricular	3.0	1.9	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Instructional Professional Development							1.7	2.6	4.0	6.0
Instructional Technology									0.8	0.8
Curriculum								2.7	5.0	3.4
<u>Alternative Learning Experience</u>										
Learning Resources				0.5	0.5	0.5	0.5	0.5	0.5	0.5
Principals			0.6	4.3	4.2	4.3	4.5	5.0	5.1	4.4
Guidance and Counseling									1.0	1.9
Pupil Management						0.8	0.8	0.9	0.9	0.8
Health Services								0.4	0.4	0.4
Teaching			3.6	18.1	17.2	22.5	19.3	27.6	21.8	21.4
Instructional Professional Development										1.0
<u>Basic Education, Dropout Reengagement</u>										
Principals									1.0	1.0
<u>Federal Stimulus</u>										
Supervision		1.3	3.8							
Teaching		41.6	31.4							
<u>Special Education, Basic, State</u>										
Supervision	10.2	8.2	7.3	8.3	7.7	6.5	7.5	8.5	7.5	7.4
Pupil Management			0.9		2.6	3.0	3.4	4.1	3.6	3.7
Health Services	62.7	61.6	62.3	63.9	66.0	46.2	47.3	49.3	48.6	53.9
Teaching	156.7	140.7	142.1	145.6	144.6	187.1	193.5	257.0	230.0	252.6
<u>Special Education, Infants and Toddlers, State</u>										
Health Services									1.3	1.3
Teaching										0.5
<u>Special Education, Supplemental, Federal</u>										
Supervision	0.6	0.5	2.6	2.6	2.6	4.0	3.8	3.0	3.0	2.7
Guidance and Counseling										1.0
Pupil Management		0.3								
Health Services	7.3	5.8	4.5	3.5	1.9	25.4	26.5	26.8	26.2	25.2
Teaching	29.0	27.8	25.7	39.5	41.4	10.0	3.0	1.9	1.9	2.0
<u>Vocational, Basic, State</u>										
Supervision	3.3	2.4	2.0	2.0	4.3	2.3	2.3	1.3	2.3	2.5
Learning Resources	1.1	0.9	0.9	0.9	1.1	1.2	1.2	1.1	5.6	0.5
Guidance and Counseling	7.5	5.6	5.5	5.2	6.4	6.4	6.6	6.1	6.0	5.0
Pupil Management		1.0	1.2	1.2	1.8	1.1	1.2	0.8	0.9	
Teaching	34.6	33.1	45.1	31.9	40.7	43.3	41.2	38.0	38.5	40.4
Instructional Professional Development								0.4	0.8	0.7
Curriculum								1.1		0.7
<u>Middle School Career & Tech Educ, State</u>										
Supervision					0.7	1.2	1.3	0.8	0.8	1.2
Learning Resources					0.5	0.6	0.6	0.3		
Guidance and Counseling					1.1	1.4	1.4	0.8		
Pupil Management					0.2					
Teaching					14.2	10.5	8.8	11.2	13.6	14.314
Instructional Professional Development								0.1	0.3	0.6
Curriculum								0.4		0.6
<u>Vocational, Federal</u>										
Teaching	0.5	0.5	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5
<u>Disadvantaged, Federal</u>										
Public Relations							0.5			
Supervision	3.1	2.4	2.9	2.8	2.5	5.7	2.0	2.7	2.2	2.5
Guidance and Counseling	0.7	0.4							0.8	1.5
Pupil Management										
Teaching	36.7	27.9	26.9	21.0	21.7	24.6	15.1	15.6	15.5	16.8
Instructional Professional Development				2.2	1.5	2.3	2.0	2.8	2.4	2.7
<u>School Improvement, Federal</u>										
Supervision	1.9	0.5	0.5	0.7	0.7					
Guidance and Counseling	1.5	0.8								
Teaching	5.0	7.0	7.0	4.0	1.0	1.6	1.6	1.6	1.6	1.6
Instructional Professional Development				4.0	4.0	0.4	3.8	3.0	3.0	3.0
<u>Learning Assistance, State</u>										
Supervision	0.5	0.5	0.5	0.7	1.4	1.6	2.4	1.4	2.1	2.1
Pupil Management										1.7
Teaching	17.5	15.9	20.0	16.2	16.9	14.4	32.4	31.9	37.3	33.8
Instructional Professional Development								1.0	2.5	3

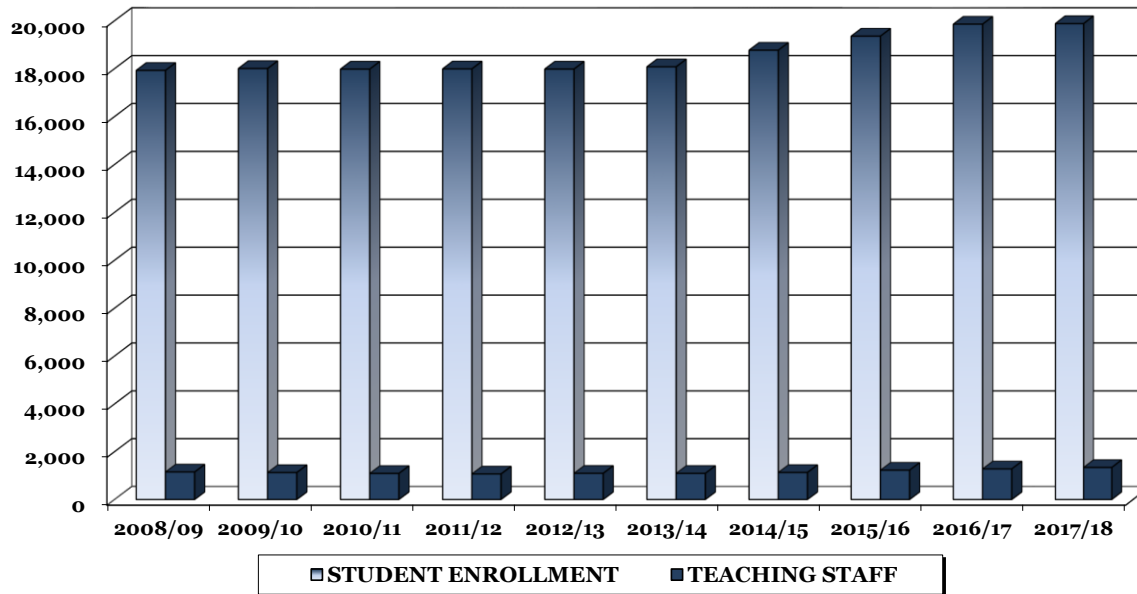
Program/Activity	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
<u>Inst. Cntr. & Homes for Delinquents, State</u>										
Supervision	0.9	0.9	0.9	0.8	0.8					
Principals										
Health Services										
Teaching	5.9	5.9	5.9	4.6	4.6					
<u>Special and Pilot Programs, State</u>										
Guidance and Counseling	1.7	1.5	1.5	1.6	1.5	0.8	0.8	0.8	0.8	0.8
Teaching	0.6									
Instructional Professional Development								0.5	0.5	1.5
<u>Better Schools, Staff</u>										
Teaching										
<u>Limited English Proficiency, Federal</u>										
Guidance and Counseling										1.408
Teaching		2.5	1.5	1.5		0.3			1.3	
Instructional Professional Development					1.5	1.5	1.8	1.5	1.8	1.8
<u>Transitional Bilingual, State</u>										
Supervision	1.0	1.0	1.0	1.0	1.0	1.0	1.2	1.2	1.2	1.2
Guidance and Counseling										0.4
Teaching	20.0	18.4	18.8	16.5	18.2	18.3	23.3	24.4	27.2	27.5
Instructional Professional Development									0.3	
<u>Student Achievement, State</u>										
Supervision	3.5									
Guidance and Counseling										
Teaching	72.4	11.1								
<u>Compensatory, Other</u>										
Teaching	2.0	2.0	2.0	2.0	2.0	0.5	1.0	1.0	1.0	1.0
<u>Highly Capable</u>										
Supervision	1.3	1.3	1.2	1.1	1.7	1.7	1.6	1.6	1.6	1.6
<u>Local Education Program Enhancement</u>										
Supervision	0.5									
<u>Professional Development, State</u>										
Teaching		2.0								
<u>Instructional Programs, Other</u>										
Supervision	1.0	1.5	1.5	1.4	2.1	2.2	2.8	2.6	2.1	2.1
Guidance and Counseling	0.7	0.5	0.5				0.9	2.4	2.1	4.0
Teaching	18.0	18.1	19.4	18.3	20.8	21.2	31.0	25.4	22.0	17.2
Instructional Professional Development								2.0	0.2	0.4
<u>Other Community Services</u>										
Extracurricular	2.5	2.0	2.0	2.0	2.0	2.2	2.2	2.4	2.4	2.4
Operation of Buildings	0.8									
<u>Districtwide Support</u>										
Board of Directors									0.4	
Superintendent	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Business Office	19.8	17.6	17.1	17.1	17.1	17.1	17.4	18.6	20.1	21.6
Human Resources	16.5	14.5	14.6	14.6	14.3	14.2	14.7	16.4	17.8	19.9
Public Relations	3.0	2.8	3.0	3.0	3.0	3.0	3.0	3.0	3.3	4.2
Supervision - Maint. & Operations	6.8	8.1	6.6	6.1	6.0	6.1	7.1	7.2	7.7	8.9
Grounds	11.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	14.5
Operation of Buildings	80.7	72.6	72.6	72.6	72.6	72.6	74.6	76.6	78.3	79.8
Maintenance	22.8	21.9	20.9	20.9	19.9	19.9	21.0	20.0	20.0	22.0
Utilities						0.8	0.8	0.7	1.0	1.0
Building and Property Security	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0
Information Systems	8.9	10.0	8.2	12.6	12.6	12.8	15.6	17.4	17.7	18.1
Printing	1.0	0.9	0.9	0.2						
Warehousing and Distribution	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0
Motor Pool	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
<u>School Food Services</u>										
Supervision	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.3	5.0
Operations	45.7	46.0	45.4	47.8	48.1	47.2	47.3	48.6	50.4	47.5
<u>Pupil Transportation</u>										
Pupil Management		0.6	0.3	2.9	2.7	2.9	2.2	2.5	3.2	3.1
Supervision	4.0	4.0	3.5	3.5	3.5	3.5	4.3	4.8	5.8	5.0
Operations	9.3	8.6	12.0	13.8	14.6	15.0	23.1	24.3	25.7	25.0
Totals	1770.3	1710.1	1707.0	1659.6	1668.6	1708.1	1798.2	1897.3	1957.8	2031.9

**EVERETT PUBLIC SCHOOLS
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)**

FISCAL YEAR	EXPENSES	STUDENT ENROLLMENT	COST PER PUPIL	% CHANGE	% FREE OR REDUCED LUNCH	TEACHING STAFF	PUPIL/ TEACHER RATIO	STUDENT ATTENDANCE PERCENTAGE
2008/09	210,106,708	17,934	11,716	0.68%	37.90%	1,153	15.6	94.40%
2009/10	214,688,086	18,012	11,919	0.43%	35.80%	1,129	16.0	95.00%
2010/11	219,500,930	17,988	12,203	-0.13%	35.30%	1,093	16.5	96.90%
2011/12	221,010,134	17,997	12,280	0.05%	40.90%	1,071	16.8	97.60%
2012/13	224,275,854	17,989	12,467	-0.04%	41.00%	1,098	16.4	97.00%
2013/14	236,834,956	18,083	13,097	0.52%	40.50%	1,096	16.5	96.00%
2014/15	238,843,952	18,777	12,720	3.84%	40.40%	1,133	16.6	96.00%
2015/16	260,719,024	19,364	13,464	3.13%	39.10%	1,230	15.7	96.00%
2016/17	276,183,075	19,864	13,904	2.58%	37.60%	1,283	15.5	93.00%
2017/18	303,023,367	19,887	15,237	0.12%	36.40%	1,343	14.8	93.50%

Source Data: Everett Public Schools Financial Statements, Office of Associate Superintendent, Finance & Operations and Washington State Office of Superintendent of Public Instruction

STUDENT ENROLLMENT TO TEACHING STAFF





**EVERETT PUBLIC SCHOOLS
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

SCHOOL	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Cedar Wood Elementary (1991)										
Square Feet	59,396	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454	55,454
Capacity (Students)	511	511	511	511	598	598	598	598	598	598
Enrollment	469	466	474	506	517	544	587	633	716	749
Emerson Elementary (1970)										
Square Feet	56,756	52,796	52,796	52,796	52,796	52,796	52,796	52,796	52,796	52,796
Capacity (Students)	546	546	546	546	552	552	552	552	552	552
Enrollment	551	531	547	550	536	624	605	604	633	641
Forest View Elementary (2007)										
Square Feet	62,156	62,156	62,156	62,156	62,156	62,156	62,156	62,156	62,156	62,156
Capacity (Students)	554	554	554	554	593	593	593	598	598	598
Enrollment	426	472	487	495	497	524	568	622	717	772
Garfield Elementary (1969)										
Square Feet	54,905	50,960	50,960	50,960	52,163	52,163	52,163	52,163	52,163	52,163
Capacity (Students)	436	423	423	423	441	441	441	441	441	441
Enrollment	360	369	336	331	364	374	377	386	428	406
Hawthorne Elementary (1952)										
Square Feet	76,355	72,395	72,395	72,395	72,395	72,395	72,395	72,395	72,395	72,395
Capacity (Students)	500	500	500	500	564	564	564	564	564	564
Enrollment	461	470	507	467	456	455	454	443	448	432
Jackson Elementary (1949)										
Square Feet	55,612	51,652	51,652	51,652	51,652	51,652	51,652	51,652	51,652	51,652
Capacity (Students)	341	341	341	341	360	360	360	360	360	360
Enrollment	313	329	300	319	321	363	376	369	351	337
James Monroe Elementary (1969)										
Square Feet	52,825	48,865	48,865	48,865	71,349	71,349	71,349	71,349	71,349	71,349
Capacity (Students)	511	511	511	511	610	610	610	610	610	610
Enrollment	544	528	461	431	488	494	493	551	559	575
Jefferson Elementary (1964)										
Square Feet	54,309	49,828	49,828	49,828	50,304	50,304	50,304	50,304	50,304	50,304
Capacity (Students)	480	480	480	480	551	551	551	551	551	551
Enrollment	464	464	459	491	483	505	506	558	577	542
Lowell Elementary (1951)										
Square Feet	62,650	58,690	58,690	58,690	58,690	58,690	58,690	58,690	58,690	58,690
Capacity (Students)	415	415	415	415	468	468	468	468	468	468
Enrollment	422	439	412	435	454	468	478	481	475	490
Madison Elementary (1946)										
Square Feet	62,023	58,063	58,063	58,063	58,063	58,063	58,063	58,063	58,063	58,063
Capacity (Students)	493	493	493	493	484	484	484	484	484	484
Enrollment	428	413	411	426	398	438	437	458	432	417
Mill Creek Elementary (1987)										
Square Feet	59,598	55,646	55,646	55,646	55,646	55,646	55,646	55,646	55,646	55,646
Capacity (Students)	542	542	542	542	583	583	583	583	583	583
Enrollment	633	625	651	635	608	604	623	611	672	664
Penny Creek Elementary (1998)										
Square Feet	68,135	64,882	64,882	64,882	64,191	64,191	64,191	64,191	64,191	64,191
Capacity (Students)	662	662	662	662	718	718	718	718	718	718
Enrollment	666	702	672	670	680	626	675	673	748	742
Silver Firs Elementary (1987)										
Square Feet	59,781	55,839	55,839	55,839	55,839	55,839	55,839	55,839	55,839	55,839
Capacity (Students)	476	497	497	497	540	540	540	540	540	540
Enrollment	441	479	509	477	473	486	486	451	461	477
Silver Lake Elementary (1937)										
Square Feet	57,794	54,846	54,846	54,846	52,924	52,924	52,924	52,924	52,924	52,924
Capacity (Students)	458	458	458	458	543	543	543	543	543	543
Enrollment	478	437	439	439	456	468	479	673	643	719
View Ridge Elementary (1954)										
Square Feet	80,810	76,032	76,032	76,032	79,927	79,927	79,927	79,927	79,927	79,927
Capacity (Students)	563	551	551	551	598	598	598	598	598	598
Enrollment	509	522	510	454	443	499	538	567	572	583
Whittier Elementary (1949)										
Square Feet	57,389	52,235	52,235	52,235	52,283	52,283	52,283	52,283	52,283	52,283
Capacity (Students)	441	441	441	441	434	434	434	434	434	434
Enrollment	390	375	357	381	356	364	404	467	490	483
Woodside Elementary (1980)										
Square Feet	57,355	53,395	53,395	53,395	53,395	53,395	53,395	53,395	53,395	53,395
Capacity (Students)	522	522	522	522	632	632	632	632	632	632
Enrollment	537	375	575	578	605	645	734	676	681	658

Note: Original year of construction is shown in parentheses.

Source Data: Everett Public Schools Facilities & Planning Department

SCHOOL	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017-18
Eisenhower Middle (1970)										
Square Feet	110,135	107,252	107,252	107,252	107,252	107,252	107,252	107,252	107,252	107,252
Capacity (Students)	936	935	935	935	925	925	925	925	925	925
Enrollment	851	892	885	877	866	824	817	835	861	913
Evergreen Middle (1958)										
Square Feet	119,508	116,526	116,526	116,526	116,526	116,526	116,526	116,526	116,526	116,526
Capacity (Students)	1,041	1,041	1,041	1,041	1,052	1,052	1,052	1,052	1,052	1,052
Enrollment	1,057	1,063	1,066	1,038	1,024	942	929	967	1,007	1,057
Gateway Middle (1992)										
Square Feet	114,400	110,181	110,181	110,181	110,101	110,101	110,101	110,101	110,101	110,101
Capacity (Students)	935	926	926	926	948	948	948	948	948	948
Enrollment	704	691	674	722	780	716	808	853	892	890
Heatherwood Middle (1990)										
Square Feet	120,183	117,051	117,051	117,051	117,051	117,051	117,051	117,051	117,051	117,051
Capacity (Students)	814	838	838	838	828	828	828	828	828	828
Enrollment	852	885	945	913	901	847	970	955	965	1,006
North Middle (1981)										
Square Feet	96,959	94,911	94,911	94,911	100,337	100,337	100,337	100,337	100,337	100,337
Capacity (Students)	978	978	978	978	1,021	1,021	1,021	1,021	1,021	1,021
Enrollment	706	695	680	672	672	622	658	685	722	765
Cascade High (1961)										
Square Feet	249,075	244,345	244,345	244,345	248,285	248,285	248,285	248,285	248,285	248,285
Capacity (Students)	1,866	1,842	1,842	1,842	1,849	1,849	1,849	1,849	1,849	1,849
Enrollment	1,808	1,751	1,823	1,810	1,795	1,748	1,723	1,748	1,728	1,743
Everett High (1909)										
Square Feet	280,459	280,459	280,459	280,459	280,459	280,459	280,459	280,459	280,459	280,459
Capacity (Students)	1,914	2,016	2,016	2,016	1,801	1,801	1,801	1,801	1,801	1,801
Enrollment	1,635	1,530	1,450	1,388	1,387	1,349	1,369	1,393	1,420	1,398
Henry M. Jackson High (1994)										
Square Feet	243,407	241,490	241,490	241,490	248,971	248,971	248,971	248,971	248,971	248,971
Capacity (Students)	1,767	1,776	1,776	1,776	1,783	1,783	1,783	1,783	1,783	1,783
Enrollment	1,947	1,906	1,862	1,877	1,875	1,958	2,033	2,076	2,061	2,137
Sequoia High School (1925)										
Square Feet	67,007	67,007	67,007	67,007	67,007	67,007	67,007	67,007	67,007	67,007
Capacity (Students)	480	480	480	480	456	456	456	456	456	456
Enrollment	282	366	300	392	296	389	296	250	205	180

EVERETT PUBLIC SCHOOLS
CERTIFICATED EMPLOYEE INFORMATION BY PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

PROGRAM	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Basic Education										
FTE	845.374	861.358	811.992	806.683	794.939	825.933	856.274	879.283	925.975	964.434
Total Base Salaries	\$50,851,158	\$52,184,040	\$49,233,001	\$49,210,654	\$48,577,426	\$51,254,479	\$52,576,761	\$55,033,618	\$59,126,581	\$63,075,520
Average Salary	\$60,152	\$60,583	\$60,632	\$61,004	\$61,108	\$62,056	\$61,402	\$62,589	\$63,853	\$65,402
Alternative Learning Experience										
FTE			18.254	18.473	19.447	20.057	22.956	22.297	22.567	23.867
Total Base Salaries			\$1,144,198	\$1,139,201	\$1,219,185	\$1,290,956	\$1,449,007	\$1,440,178	\$1,516,684	\$1,610,695
Average Salary			\$62,682	\$61,668	\$62,693	\$64,364	\$63,121	\$64,591	\$67,208	\$67,486
Dropout Reengagement										
FTE								0.836	1.000	0.308
Total Base Salaries								\$100,610	\$124,087	\$47,776
Average Salary								\$120,347	\$124,087	\$155,117
Federal Stimulus										
FTE		25.187	25.320							
Total Base Salaries		\$1,411,048	\$2,199,586							
Average Salary		\$56,023	\$86,871							
Special Education										
FTE	141.187	142.262	144.938	139.264	145.825	140.283	143.412	140.809	152.005	163.363
Total Base Salaries	\$7,963,110	\$8,091,142	\$8,288,201	\$7,906,259	\$8,210,764	\$7,972,807	\$8,340,674	\$8,486,080	\$9,289,832	\$10,068,305
Average Salary	\$56,401	\$56,875	\$57,184	\$56,772	\$56,306	\$56,834	\$58,159	\$60,267	\$61,115	\$61,631
Infants and Toddlers										
FTE								1.800	1.800	2.200
Total Base Salaries								\$121,359	\$119,116	\$145,083
Average Salary								\$67,422	\$66,176	\$65,947
Special Education - Federal										
FTE	17.825	12.750	12.836	15.500	14.688	25.600	27.098	29.312	28.295	28.405
Total Base Salaries	\$1,052,642	\$826,894	\$827,730	\$956,777	\$974,009	\$1,703,587	\$1,669,489	\$1,832,572	\$1,830,790	\$1,917,312
Average Salary	\$59,054	\$64,854	\$64,485	\$61,728	\$66,313	\$65,961	\$61,609	\$62,520	\$64,704	\$67,499
Vocational Education										
FTE	36.305	34.150	32.851	42.864	45.148	40.683	41.132	39.750	41.782	45.313
Total Base Salaries	\$2,078,566	\$1,955,655	\$1,948,497	\$2,540,411	\$2,703,322	\$2,415,189	\$2,435,429	\$2,443,756	\$2,645,358	\$2,938,154
Average Salary	\$57,253	\$57,267	\$59,313	\$57,916	\$59,877	\$59,366	\$59,210	\$61,478	\$63,313	\$64,841
Middle School Career & Tech Educ										
FTE					12.637	11.037	13.743	11.636	14.810	16.789
Total Base Salaries					\$781,133	\$682,231	\$832,073	\$738,064	\$953,994	\$1,100,860
Average Salary					\$61,813	\$61,813	\$60,545	\$63,429	\$64,416	\$65,570
Title 1										
FTE	22.150	16.617	14.850	12.437	14.496	10.293	8.350	9.254	8.450	10.348
Total Base Salaries	\$1,408,400	\$1,071,665	\$952,967	\$796,337	\$967,636	\$731,887	\$551,716	\$660,410	\$610,376	\$741,210
Average Salary	\$63,585	\$64,492	\$64,173	\$64,030	\$66,752	\$71,105	\$66,074	\$71,365	\$72,234	\$71,628
School Improvement										
FTE	6.500	7.167	7.200	5.200	5.600	5.400	5.400	4.600	4.600	3.600
Total Base Salaries	\$437,549	\$403,211	\$416,111	\$326,037	\$341,190	\$326,500	\$330,210	\$341,240	\$356,469	\$299,074
Average Salary	\$67,315	\$56,259	\$57,793	\$62,699	\$60,927	\$60,463	\$61,150	\$74,183	\$77,493	\$83,076
Learning Assistance										
FTE	12.950	12.600	13.367	9.815	13.326	16.842	15.706	18.250	16.668	22.063
Total Base Salaries	\$816,683	\$763,570	\$820,741	\$652,584	\$839,731	\$1,063,745	\$996,750	\$1,218,163	\$1,174,716	\$1,536,395
Average Salary	\$63,064	\$60,601	\$61,401	\$66,488	\$63,014	\$63,160	\$63,463	\$66,749	\$70,477	\$69,637
State Institutions										
FTE	4.000	4.000	4.000	3.500	3.500					
Total Base Salaries	\$222,245	\$225,582	\$228,160	\$197,786	\$201,585					
Average Salary	\$55,561	\$56,396	\$57,040	\$56,510	\$57,596					
Special and Pilot Programs										
FTE							0.450	0.450	0.450	1.500
Total Base Salaries							\$27,757	\$28,650	\$29,187	\$101,482
Average Salary							\$61,682	\$63,667	\$64,860	\$67,655
Limited English Proficiency										
FTE	1.500	2.500	1.500	1.100	1.500	1.800	1.500	1.500	1.750	1.800
Total Base Salaries	\$90,970	\$155,313	\$95,940	\$69,539	\$95,967	\$117,587	\$97,990	\$101,132	\$120,194	\$126,471
Average Salary	\$60,647	\$62,125	\$63,960	\$63,217	\$63,978	\$65,326	\$65,327	\$67,421	\$68,682	\$70,262
Transitional Bilingual										
FTE	5.000	5.900	9.401	7.580	8.308	8.300	8.106	9.133	10.983	11.233
Total Base Salaries	\$285,348	\$337,613	\$548,785	\$437,512	\$457,432	\$475,700	\$460,351	\$552,056	\$677,786	\$731,651
Average Salary	\$57,070	\$57,223	\$58,375	\$57,719	\$55,059	\$57,313	\$56,791	\$60,446	\$61,712	\$65,134
Student Achievement										
FTE	70.178									
Total Base Salaries	\$3,984,256									
Average Salary	\$56,774									
Compensatory - Other										
FTE	2.000	2.000	2.000	1.000	2.000	1.000	1.000	1.000	1.000	1.000
Total Base Salaries	\$79,293	\$82,303	\$85,378	\$47,671	\$89,723	\$43,688	\$44,529	\$46,829	\$49,077	\$52,229
Average Salary	\$39,647	\$41,152	\$42,689	\$47,671	\$44,862	\$43,688	\$44,529	\$46,829	\$49,077	\$52,229
Highly Capable										
FTE		0.500	0.500	0.400	0.400		0.400	0.400	0.400	0.400
Total Base Salaries		\$49,811	\$51,166	\$40,932	\$41,996		\$49,456	\$51,345	\$52,937	\$54,922
Average Salary		\$99,622	\$102,332	\$102,330	\$104,990		\$123,640	\$128,363	\$132,343	\$137,305
Math & Science Prof Dev										
FTE		2.000								
Total Base Salaries		\$119,027								
Average Salary		\$59,514								
Instructional Programs - Other										
FTE	8.733	9.259	9.132	10.027	10.066	10.238	17.116	9.802	4.200	2.200
Total Base Salaries	\$491,266	\$528,740	\$520,281	\$582,258	\$597,702	\$625,867	\$987,751	\$632,711	\$302,164	\$168,089
Average Salary	\$56,254	\$57,106	\$56,973	\$58,069	\$59,378	\$61,132	\$57,709	\$64,549	\$71,944	\$76,813
Support Services										
FTE	4.831	5.250	4.800	3.000	3.000	3.000	2.000	2.000	2.017	2.000
Total Base Salaries	\$675,226	\$624,401	\$638,332	\$440,909	\$447,713	\$459,260	\$311,161	\$326,697	\$343,793	\$356,629
Average Salary	\$139,769	\$118,934	\$132,986	\$146,970	\$149,238	\$153,087	\$155,581	\$163,349	\$170,448	\$178,315
Average Years of Experience	12.6	12.7	13.1	13.0	12.8	15.8	15.1	14.8	14.6	14.4
Percentage with Master's Degree	54.0%	57.1%	59.0%	60.3%	61.4%	60.4%	61.2%	61.0%	63.2%	59.1%

Source Data: Everett Public Schools Human Resources Department and Washington State Office of the Superintendent of Public Instruction