



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report

Tacoma School District No. 10

Pierce County

For the period September 1, 2014 through August 31, 2015

Published May 23, 2016

Report No. 1016661





Washington State Auditor's Office

May 23, 2016

Board of Directors
Tacoma School District No. 10
Tacoma, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Tacoma School District No. 10's financial statements and compliance with federal laws and regulations.

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

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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FEDERAL SUMMARY

Tacoma School District No. 10 Pierce County September 1, 2014 through August 31, 2015

The results of our audit of Tacoma School District No. 10 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the financial statements of the governmental activities, each major fund and the aggregate remaining fund information.

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

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

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
84.010	Title I Grants to Local Educational Agencies
84.027	Cluster – Special Education – Grants to States (IDEA, Part B)
84.173	Cluster – Special Education – Preschool Grants (IDEA, Preschool)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$1,135,364.

The District qualified as a low-risk auditee under OMB Circular A-133.

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

**Tacoma School District No. 10
Pierce County
September 1, 2014 through August 31, 2015**

Board of Directors
Tacoma School District No. 10
Tacoma, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Tacoma School District No. 10, Pierce County, Washington, as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 26, 2016. Our report includes a reference to other auditors who audited the financial statements of The Sound Partnership, as described in our report on the District's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of The Sound Partnership were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with The Sound Partnership.

As discussed in Note 6 to the financial statements, during the year ended August 31, 2015, the District implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that

are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

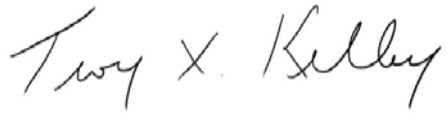
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

February 26, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**Tacoma School District No. 10
Pierce County
September 1, 2014 through August 31, 2015**

Board of Directors
Tacoma School District No. 10
Tacoma, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of Tacoma School District No. 10, Pierce County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015. The District's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance

with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

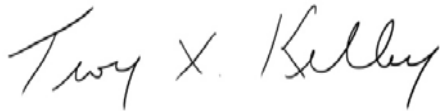
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

April 19, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Tacoma School District No. 10 Pierce County September 1, 2014 through August 31, 2015

Board of Directors
Tacoma School District No. 10
Tacoma, 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 Tacoma School District No. 10, Pierce County, Washington, as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 16.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 did not audit the financial statements of The Sound Partnership, which represents 94 percent, 94 percent and 100 percent, respectively, of the assets, net assets and revenues of the aggregate remaining fund information. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Sound Partnership, is based solely on the report of the other auditors. 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.

The financial statements of the Sound Partnership were not audited in accordance with *Government Auditing Standards*.

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, based on our audit and the report of other auditors, 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 Tacoma School District No. 10, as of August 31, 2015, and the respective changes in financial position and, where applicable, cash flows 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 6 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. 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 on pages 18 through 28, budgetary comparison information on pages 69 through 70, information on postemployment benefits other than

pensions on page 71, Schedule of the District's proportionate share of the Net Pension Liability on page 72 and Schedule of District Contribution information on page 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

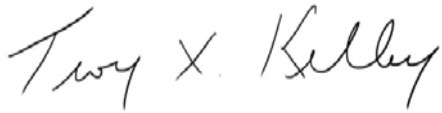
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

February 26, 2016

FINANCIAL SECTION

Tacoma School District No. 10 Pierce County September 1, 2014 through August 31, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position –
2015

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds –
2015

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in
Fund Balance to the Statement of Activities – 2015

Statement of Net Position – Proprietary Fund (The Sound Partnership) – 2015

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund (The
Sound Partnership) – 2015

Statement of Cash Flows – Proprietary Fund (The Sound Partnership) – 2015

Statement of Fiduciary Net Position – Fiduciary Funds – 2015

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2015

Notes to Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund – 2015

Budgetary Comparison Schedule – Special Revenue Fund (Associated Student Body Fund) –
2015

Actuarial Valuation of Postemployment Benefits Other Than Pension – Schedule of Funding
Progress – 2015

Schedule of the District's Proportionate Share of the Net Pension Liability – 2015

Schedule of District Contribution – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Tacoma School District's financial performance provides an overview of the district's financial activities for the fiscal year ended August 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information presented in the financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The district's total net position for governmental activities as of August 31, 2015, was \$385.6M, a decrease of \$164.9M from 2013-14. The district implemented Governmental Accounting Standards Board (GASB) Statement 68, which created the new category of Net Pension Liability which generated an initial \$168.3M liability on the district's Statement of Net Position.
- During the year, the district had revenues of \$418.9M and expenses of \$396.9M incurred for all governmental activities, resulting in a corresponding increase in the district's net position by \$22.1M. A \$187.6M negative adjustment to the beginning Net Position on Schedule 2 reflects the change in accounting principle with the implementation of GASB 68.
- At the end of the current fiscal year, the district's governmental funds reported a combined ending fund balance of \$191.6M; an increase of \$69.3 M from the prior year. The general fund's total fund balance was \$40.8M; an increase of \$8.2M from the previous year. Approximately \$21.5M is available for spending at the district's discretion (assigned fund balance).
- The district issued \$152.6M in Unlimited Tax General Obligation bonds in November, 2014, to refinance its Bond Anticipation Note into permanent debt and issued \$80M in new bonds for capital construction projects. The premium on the bond sale was \$22.4M.

USING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

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

- The first two statements (*statement of net position and statement of activities*) are *district-wide financial statements* that provide both short-term and long-term information about the district's overall financial status as a whole.
- The *governmental fund financial statements* focus on *individual* parts of the district, and report the district's operations in more detail than the district-wide statements. These governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- The remaining statements provide financial information about activities for which the district acts solely as a trustee for the benefit of those outside of the district.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of fund activity to the district's budget for the year, the OPEB schedule of funding progress, the district's proportional share of the net pension liability, and the district's schedule of pension contributions.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

Our analysis of the district as a whole begins in the *government-wide financial statement* section. Is the district as a whole better off or worse off as a result of the year's activities? The *statement of net position* and the *statement of activities* report information about the district as a whole and about its activities in a way that helps answer this question. The financial statements of the district present a decline in financial position from the prior year as reflected in the *statement of net position*. This was caused by the inclusion of \$168M in net pension liabilities from the implementation of GASB 68. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash was received or paid.

These statements report the district's net position and changes in them. The district's net position (the difference between assets/deferred outflows and liabilities/deferred inflows) may be viewed as one way to measure the district's financial health, or financial position. Over time, increases or decreases in the district's net position are one indicator of whether its financial health is improving or deteriorating. One should consider other non-financial factors however, such as changes in the district's property tax base and the student enrollment to assess the overall health of the district.

In the *statement of net position* and the *statement of activities*, governmental activities are presented. The district's basic services, including the general, associated student body, debt service, and capital projects funds are reported here.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Governmental Fund Financial Statements

Our analysis of the district's major funds begins in the Governmental Fund Financial Statements section. The governmental fund financial statements provide detailed information about the most significant funds, not the district as a whole. Some funds are required to be established by state law. The district has governmental funds and a proprietary fund, The Sound Partnership.

Governmental funds, presented in the Governmental Fund Financial Statement section of this report, focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the district's general education and support operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliations on Schedule 3A and Schedule 4A of the basic financial statements and in Note 10 of the notes to the financial statements.

Proprietary Fund – The Sound Partnership is accounted for in the internal service fund in conformity with GASB Statement No. 10 (Risk Financing).

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The district is the trustee, or fiduciary, for individuals, private organizations and other governments, for scholarships, and other specific purposes. All of the district's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position under the fiduciary financial statement section. These activities are excluded from the district's other financial statements because the district cannot use these assets to finance its operations. The district is responsible for ensuring the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE (Government-Wide Financial Statements)

Net position may serve as a useful indicator of a government's financial position. The Tacoma School District's assets exceeded liabilities by \$385.6M at the end of the fiscal, August 31, 2015.

The largest portion of the net position at \$492.7M is net investment in capital assets (e.g., land, building, and equipment), less any related outstanding debt used to acquire those assets. The remainder consists of an amount restricted for capital projects, debt services, associated student body fund, and other proposes, with a negative \$150.9M unrestricted. The district's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The decrease in total net position for the year was \$164.9M and includes current period increase of \$22.1M and a decrease of \$187.6M from the cumulative change in accounting principle due to the GASB 68 implementation and the inclusion of the Net Pension Liability on the government-wide statements. Key elements of this decrease are shown below:

Tacoma School District's Net Position As of August 31

	Governmental Activities		
	2015	2014	Changes
ASSETS & DEFERRED OUTFLOWS OF RESOURCES			
Current and Other Assets	\$ 301,818,941	\$ 228,261,324	\$ 73,557,617
Capital Assets	748,657,608	739,140,558	9,517,050
Deferred Outflows - Pension Plan	9,319,651	-	9,319,651
Total Assets & Deferred Outflows	1,059,796,200	967,401,882	92,394,318
LIABILITIES & DEFERRED INFLOWS OF RESOURCES			
Long-Term Debt Outstanding	615,092,672	382,210,156	232,882,516
Other Liabilities	34,294,786	33,265,586	1,029,200
Unavailable Revenue	870,755	846,160	24,595
Deferred Inflows - Pension Plan	23,954,685	-	23,954,685
Total Liabilities & Deferred Inflows	674,212,898	416,321,902	257,890,996
NET POSITION			
Net Investment in Capital Assets	492,723,196	489,838,116	2,885,080
Restricted	43,728,518	28,833,686	14,894,832
Unrestricted	(150,868,412)	32,408,178	(183,276,590)
TOTAL NET POSITION	\$ 385,583,302	\$ 551,079,980	\$ (165,496,678)

The restricted net position represents resources that are subject to external restrictions on how they may be used.

Governmental Activities

The 2014-15 revenues of \$418.9M exceeded expenses by \$22.1M. The 2013-14 revenues exceeded the expenses by \$5.3M. A \$187.6M adjustment to the previous year was made to reflect the implementation of GASB 68 and includes the 2013-14 Net Pension Liability which was provided by the Department of Retirement for the 2014-15 school district financial statements. Key elements of the increases in revenues and decreases in expenditures are as follows.

Governmental Activities Changes in Net Position

PRIMARY GOVERNMENT

As of August 31

	2015	2014	Changes
REVENUES			
Program Revenues:			
Charges for Services	\$ 10,062,083	\$ 11,284,377	\$ (1,222,294)
Operating Grants and Contributions	197,464,102	115,572,241	81,891,861
Capital Grants and Contributions	412,640	1,653,062	(1,240,422)
General Revenues:			
Property Taxes	141,198,835	134,008,007	7,190,828
Interest and Investment Earnings	474,073	245,630	228,443
Unallocated Revenues	69,361,658	129,796,551	(60,434,893)
TOTAL REVENUES	418,973,391	392,559,868	26,413,523
PROGRAM EXPENSES:			
Regular Instruction	204,605,892	202,869,927	1,735,965
Federal Stimulus	12,901	176,527	(163,626)
Special Instruction	48,295,312	46,538,041	1,757,271
Career & Technical Instruction	11,890,668	11,320,711	569,957
Compensatory Instruction	34,220,184	31,392,881	2,827,303
Other Instructional Programs	6,555,962	5,545,242	1,010,720
Community Services	569,669	536,295	33,374
Support Services	75,439,637	76,924,636	(1,484,999)
Extracurricular Activities	1,871,077	2,018,381	(147,304)
Debt Payment	13,429,084	9,925,834	3,503,250
TOTAL EXPENSES	396,890,383	387,248,476	9,641,911
INCREASE (DECREASE) IN NET POSITION	22,083,008	5,311,394	16,771,614
NET POSITION - 9/1/14	551,079,980	545,768,586	5,311,394
Cumulative Change in Accounting Principle			
Pensions	(187,579,682)	-	(187,579,682)
NET POSITION - 8/31/15	\$ 385,583,302	\$ 551,079,980	\$ 22,083,008

The following table presents the cost of each of the district's largest programs – regular instruction, special instruction, career & technical instruction, compensatory instruction, other instructional programs, and support services - as well as each program's net cost (total cost less revenues generated by the activities). The Net Cost of Services column shows the financial impact by each of these functions.

Governmental Activities				
	Total Cost of Services		Net Cost of Services	
	2014-15	2013-14	2014-15	2013-14
Regular Instruction	204,605,892	202,869,927	(113,822,340)	(183,791,269)
Federal Stimulus	12,901	176,527	(9,961)	(30,494)
Special Instruction	48,295,312	46,538,041	(9,344,431)	(9,321,377)
Career & Tech Instruction	11,890,668	11,320,711	710,038	1,194,313
Compensatory Instruction	34,220,184	31,392,881	583,320	(599,402)
Other Instructional Programs	6,555,962	5,545,242	(3,730,285)	(2,664,827)
Community Services	569,669	536,295	194,988	269,184
Support Services	75,439,636	76,924,636	(50,102,262)	(53,841,721)
Extracurricular Activities	1,871,077	2,018,381	(1,544)	(27,369)
Debt payments	13,429,084	9,925,834	(13,429,084)	(9,925,834)
TOTALS	\$ 396,890,383	\$387,248,476	\$(188,951,560)	\$(258,738,796)

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The focus of the district's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Thus, unreserved fund balance may serve as a useful measure of the district's net resources available for spending at the end of the fiscal year.

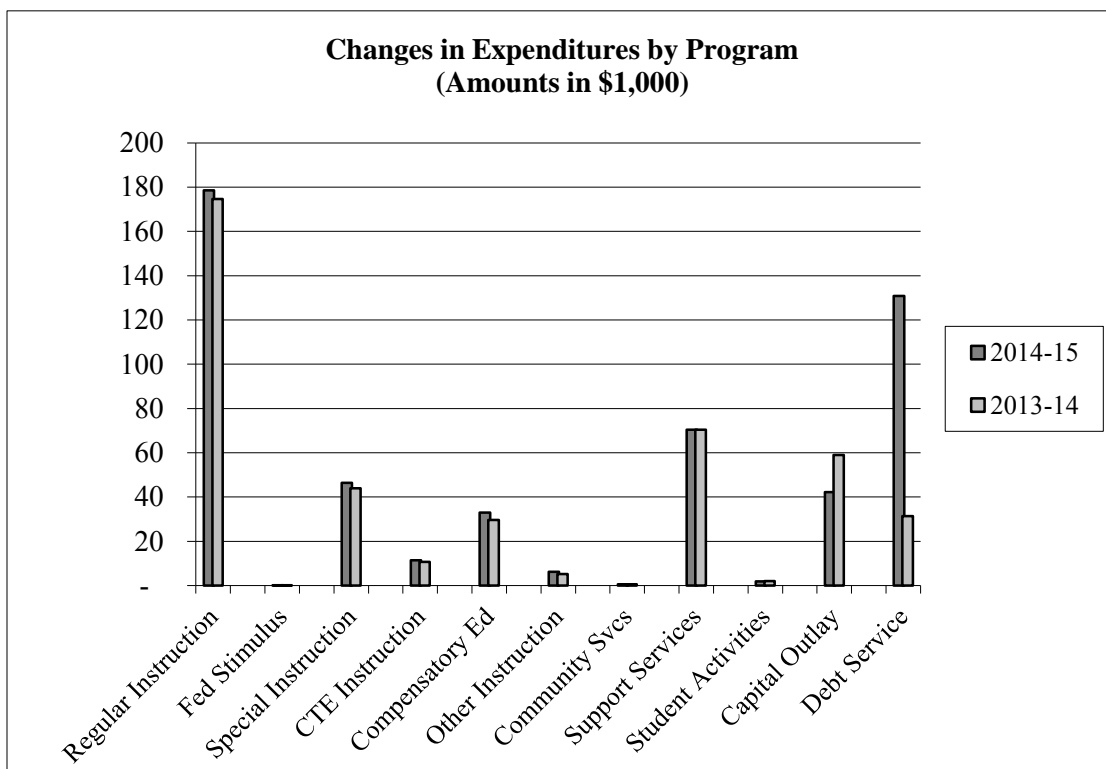
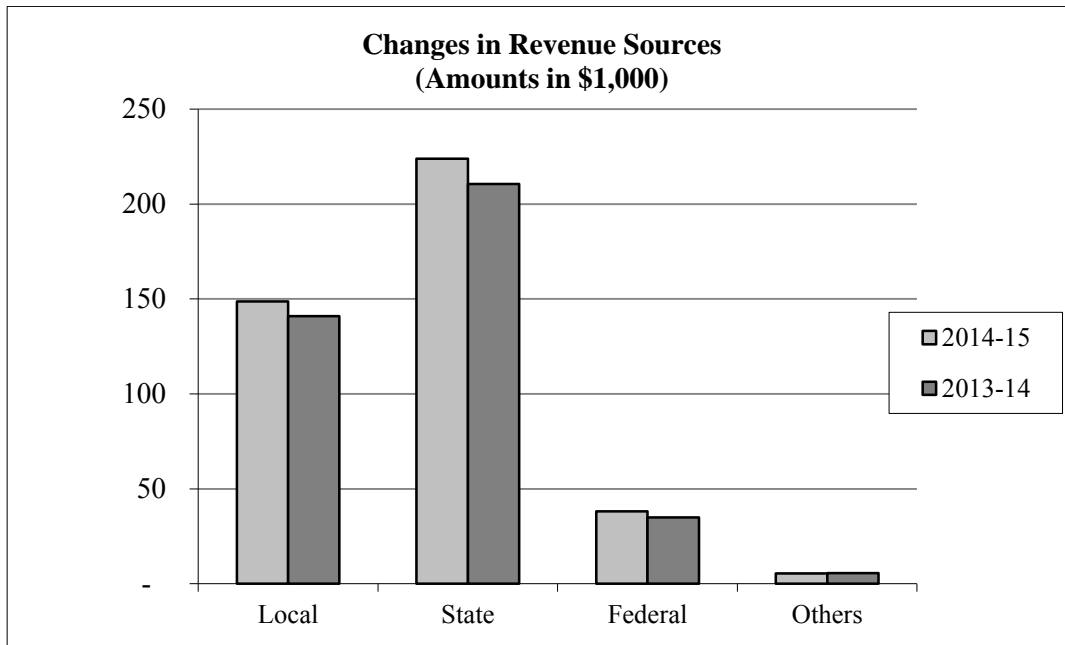
As the district completed the fiscal year, its governmental funds (as presented in the balance sheets under the governmental financial statement section) reported a combined fund balance of \$191.7M, an increase of \$69.3M over the prior year. This change is the result of the following factors:

- The fund balance in the General Fund increased by \$8.2M. While the district had budgeted for its reserves to drop, additional revenues (above budget) were recorded in property taxes, regular state apportionment, and state local levy assistance (LEA). The regular state apportionment revenue increase was due to student enrollment coming in above projections, and property tax collections were more favorable than original assumptions. Labor (salaries and benefits) costs and spending for supplies and materials were much lower than anticipated. The combination of increased revenues and expenditures below forecast caused the fund balance to be above the amount forecast for the year. Twelve percent of the fund balance is in the nonspendable, restricted, or committed categories; \$14.2M (or 35 percent of the fund balance) is categorized as Unassigned for Minimum Fund Balance Policy which was previously reported as a committed fund balance category.
- The fund balance in the Special Revenue Fund (ASB) increased by \$6K. All secondary schools and most elementary schools had activity in their ASB funds in 2014-15.
- The fund balance in the Debt Service Fund increased by \$6.1M from the prior year. The expenditure amounts are set by the payment schedules on the district's outstanding bonds. Revenues are generated by setting an annual property tax rate at a level which will generate enough funds to repay the debt. The ending fund balance is higher than the prior year, and the district's cash flow projections indicate this reserve is adequate to meet future needs.
- The fund balance in the Capital Projects Fund increased by \$55.8M. The district issued bonds in November, 2014, and an additional \$80M in bond revenues were received in this fund to pay for capital construction projects. Virtually all of the fund balance is in restricted categories.

- The fund balance in the Transportation Vehicle Fund decreased by \$938K. Thirteen new buses were purchased during 2014-15. Funding for these buses is provided from the state through its bus depreciation schedule and interest earnings.

The following table presents a summary of the governmental fund's revenues and expenditures for 2014-15 and the amounts and percentages of increases and decreases in relation to the prior year.

Changes in Revenues and Expenditures				
Governmental Funds				
Revenue Source	2014-15 Amount	Percent of Total	Increase (Decrease) Over 2013-14	Percent Increase (Decrease)
Local Taxes & Non-taxes	148,654,356	35.74%	7,718,799	5.48%
State Revenues	223,786,261	53.81%	13,277,053	6.31%
Federal Revenues	38,091,289	9.16%	3,239,057	9.29%
Others	5,361,047	1.29%	(285,715)	-5.06%
Total	415,892,953	100.00%	23,949,194	6.11%
Expenditures				
Regular Instruction	178,604,394	34.23%	4,015,255	2.30%
Federal Stimulus	2,818	0.00%	(151,737)	0.00%
Special Instruction	46,461,341	8.91%	2,502,566	5.69%
Career & Tech Instruction	11,399,640	2.19%	723,022	6.77%
Compensatory Instruction	32,905,572	6.31%	3,261,596	11.00%
Other Instructional Programs	6,288,925	1.21%	1,063,020	20.34%
Community Services	553,050	0.11%	36,017	6.97%
Support Services	70,460,303	13.51%	(5,044)	-0.01%
Extracurricular Activities	1,869,533	0.36%	(148,848)	-7.37%
Capital Outlay	42,276,676	8.10%	(16,781,473)	-28.42%
Debt Service	130,891,410	25.09%	99,481,981	316.73%
Total	\$ 521,713,662	100.00%	\$ 93,996,355	21.98%



General Fund Budgetary Highlights

Appropriations are a prerequisite to expenditures in the governmental funds. Appropriations lapse at the end of the fiscal year. The Board may adopt a revised or supplemental budget appropriation after a public hearing anytime during the fiscal year. There were no budget revisions during 2014-15.

The general fund's beginning fund balance in 2014-15 was \$32.5M as reported in the Required Supplemental Information, Schedule A-1.

Revenues were \$2.2M above budget, and expenditures were \$16.9M under budget. Washington State statutes establish expenditure budgets as absolute expenditure limits, encouraging contingency budgeting.

Property tax revenues came in over \$1.4M above budget, and local tax collections were \$3.1M above the prior year. The district received \$171.7M in general state apportionment revenues in 2014-15, an increase of \$8.1M over 2013-14. The State's school funding model formula was adjusted as the legislature copes with the McCleary ruling compliance targets set by the courts, and this resulted in increased funds flowing to school districts. The average annual student enrollment came in 717 FTE above budget, and that was another factor contributing to the increase in state apportionment revenues. Federal revenues from grant sources were \$1.9M below budget, but \$3.3M more than the prior year. Federal grant revenues that were larger than the prior year include: IDEAB for special education up \$300K, Title I for disadvantaged students up \$4.2M; grant revenues that were smaller than the prior year include: Title II for teacher and principal professional development down \$880K, and Head Start for early learners down by \$174K.

Expenditures in the general fund were less than planned. While spending in all categories except for capital outlay were above the prior year, expenditures were well below budget. Certificated and classified salaries and benefits were underspent as a result of unfilled or late-filled positions. Supply and material expenditures were \$5M under budget – this category included unused budget capacity for grants and carryover allocations from prior years. Purchased services and travel costs were slightly above budget; and capital outlay costs were below budget as plant equipment replacement expenditures came in below expectations. The district had also budgeted capacity (both revenue and expenditure) for state and federal grants that did not materialize.

Other financing sources were \$391K, \$1.1M below budget. The district had a planned transfer of \$1.5M from the capital projects fund to the general fund for district-wide technology software licenses as permitted under state statute, however only \$360K in eligible software licenses was transferred between the funds. The remaining amount represents surplus equipment proceeds (\$30K).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2014-15, the district had \$748.7 invested in a broad range of capital assets, including technology equipment and school buildings. This amount represents a net increase (including additions and deletions) of \$9.5M over last year.

Capital Assets As of August 31, 2015

Asset Type	2014-15 Governmental Activities		
	Historical Cost	Accumulated Depreciation	NET
Land	42,745,423	-	42,745,423
Building and Improvements	979,375,690	(308,059,708)	671,315,982
Equipment	41,600,675	(36,692,446)	4,908,229
Construction-in-progress	29,687,974	-	29,687,974
TOTALS	\$ 1,093,409,762	\$ (344,752,154)	\$ 748,657,608

Several schools listed for replacement or modernization with the 2013 capital bond issue were in design phase in 2014-15. Additional information can be found in the Notes to the Financial Statements, Note 4.

Construction in Progress - Changes from Prior Year:

Elementary Schools	\$ (17,754,968)
Middle Schools	6,065,229
High Schools	5,438,516
	<u>\$ (6,251,223)</u>

The district's 2014-15 fiscal year budget for capital projects fund expenditures was set at \$84.1M. Planning and design are underway for the Science & Math Institute, Wainwright Intermediate School, Arlington Elementary, Browns Point Elementary, and Mary Lyon Elementary. Construction is in full swing at Wilson High School – this project has been expanded and its budget increased by \$60M to include the music building and track and field upgrades. Construction also began at Stewart Middle School and McCarver Elementary School in the summer of 2015. McCarver and Stewart are both historical buildings; McCarver is scheduled to reopen in the fall of 2016, and Stewart will reopen in the fall of 2017.

These projects and others are financed through the 2013 (\$500M) capital bonds approved by voters. Additional information on capital assets is included in the Notes to the Financial Statements, Note 5.

The district maintains a fleet of 73 yellow buses to serve its Special Education routes, and these buses are purchased from the Transportation Vehicle Fund. In 2000, the district began a long-term bus replacement plan which was meant to be self-supporting through the use of state bus depreciation payments. In 2014-15, the district received \$627K in bus depreciation payments from the state. The district purchased 13 buses for \$1.6M in 2014-15 in an effort to catch up on its bus replacement plan and keep its fleet of yellow buses current.

Debt

At year end, the district owed \$335.7M in outstanding bonds, versus \$300.3M last year – an increase of \$35.4M. This debt is secured by a pledge of the full faith and credit of the district. On September 23, 2015, Moody's Investors Services confirmed the district's underlying rating of Aa2 and enhanced rating of Aa1. Standard & Poor's confirmed its AA- unenhanced rating to the district on September 25, 2015; and confirmed a long term rating of AA+. The credit ratings for the district haven't changed since the last review in October, 2014. More detailed information on the district's debt can be found in Note 7 of the notes to the financial statements.

Outstanding Debt at Year-End

Governmental Activities	2014-15	2013-14	Increase/(Decrease)	
2005 Refunding of 2001 UTGO	110,515,000	122,965,000	(12,450,000)	-10.12%
2012 Refunding of the 03, 05, 05A UTGO's	72,570,000	78,475,000	(5,905,000)	-7.52%
2013 Bond Anticipation Note	-	98,865,000	(98,865,000)	-100.00%
2014 UTGO	152,625,000	-	152,625,000	100.00%
TOTALS	335,710,000	300,305,000	35,405,000	11.79%

NEXT YEAR'S BUDGET AND RATES

The district's 2015-16 expenditure budgets for governmental funds were set at over \$746M. The 2015 property tax rate decreased from \$7.76 (2014) to \$7.69 (2015) per thousand dollars of assessed value for the amounts collected in the general fund, capital projects fund, and debt service fund. Total assessed value

increased by over 7 percent between 2014 and 2015, and property values increased from \$17.44B to \$18.83B over the calendar year. Property values continue to improve in 2016, and the increased assessed value was at a point that the district could move the Bond Anticipation Note into permanent debt and still maintain its targeted rates per \$1,000 of assessed valuation.

ECONOMIC FACTORS

The district serves the City of Tacoma and small outlying areas in Pierce County. Pierce County's economy is expected to continue to grow slowly, as it has for the last several consecutive quarters. The Pierce County Economic Index is forecast to end 2015 up by 1.9 percent for the year, and forecasts for 2016 show annualized gains of 1.8 percent.

Two uncertainties in the Pierce County economy have been resolved. Troop drawdowns at Joint Base Lewis McChord (JBLM) are limited to 1,250 soldiers – substantially less than the 11,000 reduction in force that was announced as possible. In Tacoma, voters passed implementation of a graduated increase to the city's minimum wage to \$12 by 2018.

Employment growth continues to be sluggish, as compared to the rest of Washington and to Pierce County's own economic history. A 3.5 percent increase in employment from year to year saw increases in healthcare, education, finance, professional services, retail and transportation. The leisure and tourist industry was most noticeable in its relative growth, though the actual numbers in this area are small. Weaker performance continues in manufacturing and construction. Public jobs remain the second largest source of employment for county residents, and government employment is unlikely to grow going forward.

The King County labor market continues to be an important source of employment for Pierce County residents. Twenty percent of the Pierce County's total personal income in 2014 came from commuters. Employment growth is expected at about 3.6 percent in 2015, or about 10,000 jobs. In 2016, growth is expected to be about 3.4 percent, for a total of 309,000 jobs at the end of the year. The unemployment rate has fallen from a peak of 10.7 percent in the second quarter of 2010, to an average of 6.8 percent in 2015. Unemployment is expected to drop slightly by about 0.8 percent from 2015 to 2016.

Pierce County's retail spending has seen a strong resurgence since 2013. Retail sales have continued their positive trend through the end of 2015, with evidence of strong holiday retail sales. Retail sales in 2016 are expected to grow to 5.1 percent and should reach \$6.6B in 2009 dollars.

Home foreclosures are up as of October, 2015 as compared with 2014. Personal bankruptcy filings have declined about 17 percent as compared with 2014. At best, it is forecast that the local housing market won't regain 2003 pre-bubble levels until late in 2016. Home prices increased by 8.3 percent in 2015, and a 4.2 percent gain is forecast for 2016. Negative equity rates have improved to 14.2 percent of houses at the end of the third quarter, 2015. Pierce County housing continues to remain relatively inexpensive as compared to King County.

In September 2014, the court ruled the state was in contempt of court for failing to comply with a previous court order, which required the state to submit a plan for fully implementing funding for the prototypical school model for the current year through 2017-18. The court has retained jurisdiction of this McCleary case to monitor the state's progress. In August, 2016, the courts fined the state \$100,000 per day for non-compliance.

In January, 2017, the state House passed a bill instructing the 2017 Legislature to finish repairing the way the state pays for public schools; the state Senate has yet to approve this measure. The measure would setup a task force to find a solution to the state's overreliance on local levies to pay for basic education and

related questions concerning teacher pay. The governor remains optimistic the Legislature will reach a bipartisan agreement on education funding reform.

For 2014-15, state apportionment revenues increased as a result of the McCleary court decision directing the state to fully fund basic education. State apportionment revenues increased by almost \$7M from the prior year – a combination of student enrollment up 310 FTE from the prior year, and the increase in the prototypical school funding model. Additional funding for student transportation, all-day kindergarten, smaller class sizes, and classroom supplies were included with the increase in the state apportionment revenues.

The district will continue to monitor enrollment trends and actions taken by the state legislature as well as the effect of a slow local economy.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the funding it receives. If you have questions about this report or need additional financial information, visit www.tacoma.k12.wa.us or contact:

Marianne Bigelow
Accounting Services Manager
Tacoma School District No. 10
601 S. 8th Street
Tacoma, WA 98405

TACOMA SCHOOL DISTRICT No. 10
STATEMENT OF NET POSITION
August 31, 2015

			Primary Government
	Note No.		Governmental Activities
ASSETS			
Cash and Cash Equivalents	1.F.1	\$	9,115,774
Investments	2.A		213,446,000
Property Tax Receivable	1.F.2		70,148,084
Receivables, Net	1.F.3		196,043
Due From Other Governments	1.F.5		5,481,206
Inventories	1.G		2,699,973
Prepaid Items	1.G		731,861
Capital Assets, net of accumulated depreciation, where applicable:	4		
Land			42,745,423
Buildings & Improvements			671,315,982
Equipment			4,908,229
Construction-in-Progress			29,687,974
TOTAL ASSETS			1,050,476,549
DEFERRED OUTFLOW OF RESOURCES			
Pension Plan Experience Difference	6		5,771,782
Pension Plan Assumption Changes	6		37,027
Pension Plan Contributions	6		3,510,842
TOTAL DEFERRED OUTFLOW OF RESOURCES			9,319,651
LIABILITIES			
Accounts Payable			20,506,490
Accrued Wages & Benefits Payable			13,662,142
Deferred Revenue			126,154
Net Pension Liability	7.A		168,271,443
Long-Term Liabilities	7.A		
Due within one year			37,778,382
Due in more than one year			409,042,847
TOTAL LIABILITIES			649,387,458
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	1.J		870,755
Pension Plan Changes in Proportions	6		497,997
Pension Plan Investment Earnings & Changes in Proportion(net difference)	6		23,456,688
TOTAL DEFERRED INFLOWS OF RESOURCES			24,825,440
NET POSITION			
Net Investment in Capital Assets			492,723,196
Restricted for:			
Associated Student Body			1,941,337
Capital Projects			18,073,268
Debt Service			15,553,166
The Sound Partnership Employee Benefit Trust			7,444,100
State Grants			716,647
Unrestricted			(150,868,412)
TOTAL NET POSITION		\$	385,583,302

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

TACOMA SCHOOL DISTRICT No. 10
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
					PRIMARY GOVERNMENT
Functions/Programs	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
Regular Instruction	\$ 204,605,892	\$ 1,769,244	\$ 89,013,987	\$ 323	\$ (113,822,340)
Federal Stimulus	12,901	-	2,940	-	(9,961)
Special Instruction	48,295,312	2,254,024	36,695,918	938	(9,344,431)
Career & Technical Instruction	11,890,668	137,817	12,370,970	91,919	710,038
Compensatory Instruction	34,220,184	8,042	34,763,768	31,694	583,320
Other Instructional Programs	6,555,962	961,123	1,848,786	15,768	(3,730,285)
Community Services	569,669	640,639	122,889	1,129	194,988
Support Services	75,439,636	2,421,661	22,644,844	270,869	(50,102,262)
Extracurricular Activities (ASB)	1,871,077	1,869,533	-	-	(1,544)
Interest Payment on Long-Term Debt	13,429,084	-	-	-	(13,429,084)
Total Governmental Activities	\$ 396,890,383	\$ 10,062,083	\$ 197,464,102	\$ 412,640	\$ (188,951,560)

General Revenues:

Taxes:

Property taxes, levies for maintenance and operations	85,484,428
Property taxes, levies for debt service	42,648,706
Property taxes, levies for capital projects	13,065,701
Unallocated State Apportionment & Others	69,361,658
Interest and Investment earnings	474,073

Total General Revenues**211,034,566****Changes in Net Position****22,083,008****Net Position - Beginning**

551,079,980

Cumulative Effect of Change in Accounting Principle (Pensions)

(187,579,682)

Adjusted Net Position-Beginning

363,500,298

Net Position - Ending**\$ 385,583,302**

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

TACOMA SCHOOL DISTRICT No. 10
FUND BALANCE SHEETS
GOVERNMENTAL FUNDS
August 31, 2015

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND	CAPITAL PROJECT FUND	TRANSPORTATION VEHICLE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash on Hand and in Bank	\$ 1,241,947	\$ 48,263	\$ 200,583	\$ 67,480	\$ 1,009	\$ 1,559,281
Investments	52,764,000	2,079,000	15,316,000	141,037,000	2,250,000	213,446,000
Property Tax Receivable	42,077,928	-	23,016,437	5,053,718	-	70,148,084
Accounts Receivable, Net	147,792	6,672	-	-	-	154,465
Interest Receivable	201	8	59	41,302	8	41,578
Interfund Receivable	1,364,185	2,577	-	-	-	1,366,762
Due From Other Government Units	4,720,746	75	-	760,385	-	5,481,206
Inventories at Cost	2,682,181	17,792	-	-	-	2,699,973
Prepaid Items	654,034	-	-	-	-	654,034
TOTAL ASSETS	105,653,014	2,154,387	38,533,080	146,959,885	2,251,018	295,551,384
LIABILITIES:						
Accounts Payable	8,287,215	107,676	-	9,326,185	-	17,721,076
Accrued Wages & Benefits Payable	13,633,271	-	-	28,871	-	13,662,142
Interfund Payable	2,487	4,126	-	1,360,149	-	1,366,762
Unearned Revenue - Other	126,154	-	-	-	-	126,154
TOTAL LIABILITIES	22,049,127	111,802	-	10,715,205	-	32,876,135
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Revenue	769,507	101,248	-	-	-	870,755
Unavailable Revenue - Property Taxes	42,077,928	-	23,016,437	5,053,718	-	70,148,084
TOTAL DEFERRED INFLOWS OF RESOURCES	42,847,435	101,248	23,016,437	5,053,718	-	71,018,838
FUND BALANCES						
Nonspendable	3,336,215	-	-	-	-	3,336,215
Restricted						
Restricted for C/over of Restricted Revenues	716,647	-	-	-	-	716,647
Restricted for Construction	-	-	-	119,003,450	-	119,003,450
Restricted for Debt Service	36,523	-	15,516,643	-	-	15,553,165
Restricted to Fund Purposes	-	1,941,337	-	-	2,251,018	4,192,355
Restricted for Technology	-	-	-	11,521,293	-	11,521,293
Committed						
Committed to Other Purposes	1,000,000	-	-	-	-	1,000,000
Assigned						
Assigned to Encumbrances	627,218	-	-	-	-	627,218
Assigned to Budget Carryover	4,177,037	-	-	-	-	4,177,037
Assigned to Future Operations	11,356,471	-	-	-	-	11,356,471
Assigned to Curriculum & Instruction	5,322,060	-	-	-	-	5,322,060
Assigned to Fund Purposes	-	-	-	666,219	-	666,219
Unassigned						
Unassigned for Minimum Fund Balance Policy	14,184,280	-	-	-	-	14,184,280
TOTAL FUND BALANCES	40,756,452	1,941,337	15,516,643	131,190,962	2,251,018	191,656,411
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 105,653,014	\$ 2,154,387	\$ 38,533,080	\$ 146,959,885	\$ 2,251,018	\$ 295,551,384

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

TACOMA SCHOOL DISTRICT No. 10
RECONCILIATION
BALANCE SHEET/STATEMENT OF NET POSITION
August 31, 2015

	Total Governmental Funds	Long-Term Assets, Liabilities *	Internal Service Fund *	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS					
Cash on Hand and in Bank	\$ 1,559,281	\$ -	\$ 7,556,493	\$ -	\$ 9,115,774
Investments	213,446,000	-	-	-	213,446,000
Property Tax Receivable	70,148,084	-	-	-	70,148,084
Receivables, Net	196,043	-	-	-	196,043
Interfund Receivable	1,366,762	-	-	(1,366,762)	-
Due From Other Governments	5,481,206	-	-	-	5,481,206
Inventories	2,699,973	-	-	-	2,699,973
Prepaid Items	654,034	-	77,827	-	731,861
Capital Assets, Net (land, bldg, eqmt)	-	748,657,608	-	-	748,657,608
TOTAL ASSETS	295,551,382	748,657,608	7,634,320	(1,366,762)	1,050,476,549
DEFERRED OUTFLOWS OF RESOURCES					
Pension Plan Experience, Assumption Changes & Plan Contributions	-	9,319,651	-	-	9,319,651
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	9,319,651	-	-	9,319,651
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	295,551,382	757,977,259	7,634,320	(1,366,762)	1,059,796,200
LIABILITIES					
Accounts Payable	17,721,076	2,595,194	190,220	-	20,506,490
Wages, Benefits & Other Payables	13,662,142	-	-	-	13,662,142
Interfund Payable	1,366,762	-	-	(1,366,762)	-
Unearned Revenue	126,154	-	-	-	126,154
Long-Term Liabilities - Pension	-	168,271,443	-	-	168,271,443
Long-Term Liabilities - Not Pension	-	446,821,229	-	-	446,821,229
TOTAL LIABILITIES	32,876,134	617,687,866	190,220	(1,366,762)	649,387,458
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	870,755	-	-	-	870,755
Unavailable Revenue - Property Taxes	70,148,084	(70,148,084)	-	-	-
Pension Plan Investment Earnings & Changes in Proportions	-	23,954,685	-	-	23,954,685
TOTAL DEFERRED INFLOWS OF RESOURCES	71,018,838	(46,193,399)	-	-	24,825,440
NET POSITION					
Total Fund Balances	191,656,411	186,482,792	7,444,100	-	385,583,302
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 295,551,384	757,977,259	\$ 7,634,320	\$ (1,366,762)	\$ 1,059,796,200

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

TACOMA SCHOOL DISTRICT No. 10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TRANSPORTATION VEHICLE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Local	\$ 92,325,013	\$ -	\$ 42,668,905	\$ 13,657,646	\$ 2,792	\$ 148,654,356
State	221,087,202	-	-	2,072,302	626,757	223,786,261
Federal	38,091,289	-	-	-	-	38,091,289
Miscellaneous	3,423,513	1,875,430	-	62,104	-	5,361,047
TOTAL REVENUES	354,927,017	1,875,430	42,668,905	15,792,052	629,548	415,892,953
EXPENDITURES						
Current Operating:						
Regular Instruction	178,604,394	-	-	-	-	178,604,394
Federal Stimulus	2,818	-	-	-	-	2,818
Special Instruction	46,461,341	-	-	-	-	46,461,341
Career & Technical Instruction	11,399,640	-	-	-	-	11,399,640
Compensatory Instruction	32,905,572	-	-	-	-	32,905,572
Other Instructional Programs	6,288,925	-	-	-	-	6,288,925
Community Services	553,050	-	-	-	-	553,050
Support Services	70,460,303	-	-	-	-	70,460,303
Student Activities	-	1,869,533	-	-	-	1,869,533
Debt Service:						
Principal	-	-	117,220,000	-	-	117,220,000
Interest and Other Charges	-	-	13,671,410	-	-	13,671,410
Capital Outlay:						
Other	412,640	-	-	40,293,016	1,571,020	42,276,676
TOTAL EXPENDITURES	347,088,682	1,869,533	130,891,410	40,293,016	1,571,020	521,713,662
Excess (Deficiency) of Revenues Over Expenditures	7,838,335	5,897	(88,222,505)	(24,500,964)	(941,472)	(105,820,709)
OTHER FINANCING SOURCES (USES)						
Bonds, Sales	-	-	-	80,000,000	-	80,000,000
Bonds, Premium on Sales	-	-	-	671,616	-	671,616
Bonds, Deposit to Refunding Account	-	-	94,365,000	-	-	94,365,000
Proceeds from Sale of Real Property	-	-	-	-	-	-
Proceeds from Sale of Surplus Equipment	30,245	-	-	-	3,954	34,199
Transfers	360,331	-	-	(360,331)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	390,576	-	94,365,000	80,311,285	3,954	175,070,815
NET CHANGE IN FUND BALANCE	8,228,912	5,897	6,142,495	55,810,321	(937,518)	69,250,106
Fund Balance - Beginning	32,527,540	1,935,440	9,374,148	75,380,640	3,188,536	122,406,304
Fund Balance - Ending	40,756,452	1,941,337	15,516,643	131,190,962	2,251,018	191,656,410

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

TACOMA SCHOOL DISTRICT No. 10
RECONCILIATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
For the Fiscal Year Ended August 31, 2015

	Total Governmental Funds	Long-Term Revenue, Expenses *	Capital Related items *	Internal Service Fund *	Long-Term Debt Transactions *	Statement of Activities Totals
REVENUES AND OTHER SOURCES						
Property Taxes	\$ 141,198,835	\$ 3,046,239	\$ -	\$ -	\$ -	\$ 144,245,074
Local Non-Taxes	7,455,521	-	-	-	-	7,455,521
State	223,786,261	-	-	-	-	223,786,261
Federal	38,091,289	-	-	-	-	38,091,289
Miscellaneous	5,361,047	-	-	-	-	5,361,047
Other Sources:						
Bonds, Sales	80,000,000	-	-	-	(80,000,000)	-
Bonds, Premium on Sale	671,616	-	-	-	(671,616)	-
Bonds, Deposit to Refunding Account	94,365,000	-	-	-	(94,365,000)	-
Proceeds from Sale of Surplus Eqmt	34,199	-	-	-	-	34,199
TOTAL	590,963,768	3,046,239	-	-	(175,036,616)	418,973,391
EXPENDITURES/EXPENSES						
Current:						
Regular Instruction	178,604,394	1,610,882	18,367,723	(481,264)	-	198,101,735
Federal Stimulus	2,818	26	9,655	(8)	-	12,491
Special Instruction	46,461,341	419,047	4,872	(125,194)	-	46,760,066
Career & Technical Instruction	11,399,640	102,817	40,939	(30,717)	-	11,512,679
Compensatory Instruction	32,905,572	296,784	18,680	(88,667)	-	33,132,369
Other Instructional Programs	6,288,925	56,722	18,855	(16,946)	-	6,347,556
Community Services	553,050	-	-	(1,490)	-	551,560
Support Services	70,460,303	640,489	2,167,099	(189,861)	(36,523)	73,041,507
Student Activities	1,869,533	-	1,544	-	-	1,871,077
Debt Service:						
Principal	117,220,000	-	-	-	(117,220,000)	-
Interest and Other Charges	13,671,410	-	-	-	(242,326)	13,429,084
Capital Outlay **	42,276,676	-	(30,146,417)	-	-	12,130,260
Other Uses:						
Bonds, Deposit to Refunding Account	-	-	-	-	-	-
TOTAL EXPENDITURES/EXPENSES	521,713,662	3,126,767	(9,517,050)	(934,147)	(117,498,849)	396,890,384
NET CHANGE FOR THE YEAR	\$ 69,250,106	\$ (80,528)	\$ 9,517,050	\$ 934,147	\$ (57,537,767)	\$ 22,083,008

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

TACOMA SCHOOL DISTRICT No. 10
PROPRIETARY FUND (The Sound Partnership)
STATEMENT OF NET POSITION
August 31, 2015

		Governmental Activities
		Internal Service Fund
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$	7,556,493
Prepaid Insurance		77,827
TOTAL ASSETS		7,634,320
LIABILITIES		
Current Liabilities		
Accounts Payable		190,220
TOTAL LIABILITIES		190,220
NET POSITION		
Unrestricted		7,444,100
TOTAL NET POSITION	\$	7,444,100

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

TACOMA SCHOOL DISTRICT No. 10
PROPRIETARY FUND (The Sound Partnership)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

	Governmental Activities	Internal Service Fund
OPERATING REVENUES		
Premium Contributions	\$ 41,319,690	
Other Income	419	
TOTAL OPERATING REVENUES	41,320,109	
OPERATING EXPENSES		
Insurance Premiums	37,276,508	
Benefit Claims	2,395,128	
Administrative Expenses	696,097	
Working on Wellness	18,229	
TOTAL OPERATING EXPENSES	40,385,962	
OPERATING INCOME (LOSS)	934,147	
CHANGE IN NET POSITION	934,147	
NET POSITION - BEGINNING	6,509,953	
NET POSITION - ENDING	\$ 7,444,100	

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

TACOMA SCHOOL DISTRICT No. 10
PROPRIETARY FUND (The Sound Partnership)
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Premium Contributions	\$ 41,319,690
Miscellaneous Receipts	419
Prepaid Insurance	33,366
Benefits Claims	(2,403,212)
Insurance Premium Payments	(37,379,466)
Administrative	(696,097)
Miscellaneous Payments	(18,229)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	856,471
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	856,471
BALANCES - BEGINNING OF THE YEAR	6,700,022
BALANCES - END OF THE YEAR	\$ 7,556,493
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ 934,147
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
(Increase) Decrease in Prepaid Expenses	33,366
Increase (Decrease) in Liabilities	(111,042)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 856,471

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

TACOMA SCHOOL DISTRICT No. 10
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
August 31, 2015

	Private-Purpose Trusts
ASSETS	
Cash and Cash Equivalents	\$ 4,044
Investments at Fair Value	440,000
Accounts Receivable	35,018
TOTAL ASSETS	479,061
LIABILITIES	
Accounts Payable	(5,874)
TOTAL LIABILITIES	(5,874)
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue	2,705
TOTAL DEFERRED INFLOWS OF RESOURCES	2,705
NET POSITION	
Held in Trust for Scholarships and Student Aid	482,231
TOTAL NET POSITION	\$ 482,231

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

TACOMA SCHOOL DISTRICT No. 10
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

	Private-Purpose Trusts
ADDITIONS	
Donations	\$ 264,654
TOTAL ADDITIONS	264,654
DEDUCTIONS	
Scholarships	59,206
Tuition and Fees	2,168
Supplies & Materials	60,292
Field Trips	33,808
Purchased Services	1,566
Salaries & Benefits	5,752
TOTAL DEDUCTIONS	162,792
CHANGE IN NET POSITION	101,862
Net Position, Beginning of the year	380,368
Net Position, End of the year	\$ 482,231

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

TACOMA SCHOOL DISTRICT No. 10
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 1, 2014 through August 31, 2015

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tacoma School District's financial reports, as reflected by the accompanying financial statements, conform to 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. The more significant accounting policies of the district are described below:

A. REPORTING ENTITY

The Tacoma School District is a municipal corporation organized pursuant to Title 28A *Revised Code of Washington* (RCW) for the purpose of providing public school services to students in preschool – grade 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 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 Tacoma School District's financial statements include all funds and organizations that are controlled by or dependent on the district's board of directors. Control by or dependence on the district was determined on the basis of budget adoption, taxing authority, outstanding debt secured by the general credit of the district, obligation of the district to finance any deficits that may occur, or receipt of significant subsidies from the district. The component unit discussed below is included in the Tacoma School District reporting entity because of the significance of its operational or financial relationships with the district.

Blended Component Unit. The Sound Partnership is a health and welfare trust fund (a separate legal entity) administered by a joint board of five management and five labor trustees. The participants of the Trust are all employees of the Tacoma School District. The Tacoma School District retains complete governing control (appoints board of trustees, and is accountable for financial matters) over the Sound Partnership which provides medical, dental, vision, disability, and life insurance benefits to district employees and their eligible dependents. The Trust is required to purchase fiduciary liability insurance and any other insurance as they deem proper to cover any potential losses. There were no settlements resulting from losses that exceed the insurance coverage. The component unit's fund is blended into those of the district by appropriate activity type to compose the *primary government* presentation. The Sound Partnership is reported in the internal service fund in accordance with GASB Statement No.10 (Risk Financing). The Sound Partnership financial statements are available from:

The Sound Partnership
601 South 8th Street
Tacoma, Washington 98405

B. BASIS OF PRESENTATION

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

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

Overall governmental activities are reported here without displaying individual funds or fund types and display information about the district as a whole. They include the primary government and its component unit (The Sound Partnership), however, they do not contain the fiduciary activity or fund.

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. Capital assets (land, land improvements, building, building improvements, vehicles, and equipment) are reported at historical cost, net of accumulated depreciation.
- b. **Statement of Activities** – The operations of the district are presented net of the applicable program revenues. General revenues are divided into property taxes, interest, and investment earnings. The expenses and revenues are reported as follows:

Expenses – Expenses are reported by function/program and include direct and indirect expenses. Depreciation expenses are allocated to direct expenses if they can be specifically identified with a function/program. Interest expenses may be considered direct (interest on long-term debt, when borrowing is essential to the creation or continuing existence of a program) or indirect expenses (interest on long-term liabilities).

Revenues – The revenues are divided into program revenues and general revenues. Program revenues are derived directly from the program itself or from parties outside the district's taxpayers, as a whole. They reduce the net cost of the function to be financed from the district's general revenues. Program-specific grants and contributions include revenues arising from mandatory and voluntary non-exchange transactions with federal, state governments, organizations, or individuals that are restricted for use in a particular program.

General revenues are revenues that are not required to be reported as program revenues such as property tax levies for a specific purpose and all non-tax revenues (interest and investment earnings).

The fiduciary fund is not presented in the government-wide financial statements. It is presented separately in Schedules 8 and 9.

2. FUND FINANCIAL STATEMENTS

The governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. It includes the General Fund, special revenue fund (Associated Student Body Fund), Capital Projects Fund, Transportation Vehicle Fund, and Debt Service Fund. Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and the district considers all revenues available if they are collected within 60 days after year-end to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for the unmatured principal and interest, which is recorded when due. Financial resources usually are appropriated in other funds for transfer to a Debt Service Fund in the period in which maturing debt principal must be paid. Such amounts thus are not current liabilities of the Debt Service Fund. Long-term liabilities are not recognized in governmental fund liabilities.

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. The revenues of the General Fund are derived primarily from the State of Washington, local property taxes, and federal grants. In keeping with the principle of as few funds as necessary, nutrition services, maintenance, technology services, printing and graphics, and pupil transportation activities are included in this fund.

Special Revenue Fund (Associated Student Body Fund)

These funds account for the proceeds of specific revenue sources that are legally restricted for specific purposes. The Associated Student Body Fund (ASB Fund) is the only fund of this type. This fund is accounted for as a special revenue fund since the financial resources belong to the district.

Revenues include the extracurricular fees and resources collected in fundraising events for students. Allowable expenditures include extra-curricular activities for students that are of a cultural, athletic, recreational, or social nature. Disbursements require the joint approval of the appropriate student body organization and the district's board of directors.

Debt Service Fund

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

Capital Projects Funds

The capital projects fund type consists of the Capital Projects Fund and the Transportation Vehicle Fund.

The Capital Projects Fund accounts for financial resources that are to be used for the construction or acquisition of major capital assets. This fund must be used when projects are financed wholly or in part by bond issues, local levies, intergovernmental resources, major private donations, or insurance recoveries. Expenditures in this fund may also be for major technology implementation projects, energy capital improvements to existing buildings, and the purchase of certain initial equipment for existing buildings.

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

PROPRIETARY FUNDS

The Sound Partnership (a blended component unit) is reported in the internal service fund, using the accrual basis of accounting.

The internal service fund distinguishes *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing and delivering services (health, dental, vision, disability, etc.) to the Tacoma School District's employees. The effect of internal activities have been eliminated from the government-wide financial statements, however, interfund services provided and used are not eliminated in the process of consolidation.

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 funds in its fiduciary capacity as trustee or agent.

Private Purpose Trust Fund

This fund is used to account for resources legally held in trust by the district where principal and income benefit individuals, private organizations, or other governments. The trust agreement details whether principal and interest may both be spent, or whether only interest may be spent. Money from a Private-Purpose Trust Fund may not be used to support the district's programs. These trusts are primarily used for post-secondary scholarships, and to assist needy students with the purchase of uniforms, ASB memberships, etc.

MAJOR AND NON-MAJOR FUNDS

The district considers all governmental funds "major funds".

C. BUDGETS AND BUDGETARY ACCOUNTING

GENERAL BUDGET POLICIES

The Tacoma School District budgets its funds in accordance with the Revised Code of Washington Chapter 28A.505 and Chapter 392-123 of the Washington Administrative Code (WAC). The board adopts the budget after public hearings. An appropriation is a prerequisite to expenditure. Appropriations lapse at the end of the fiscal period. Annual appropriated budgets are adopted at the fund level. Each governmental fund's total expenditures cannot, by law, exceed its formal fund appropriation. Management is authorized to modify specific accounts within the overall fund appropriation. However, only the board has the authority to increase or decrease a given fund's annual budget. The board may adopt a revised or supplemental budget appropriation after public hearings anytime during the fiscal year. There were no revisions at the fund level during fiscal year 2014-15.

In June, 2015 the Debt Service Fund interest payments exceeded the budgeted amount by \$3,656,921, and this overspent the entire 2014-15 Debt Service Fund's budget by \$3,157,085. The district refunded bonds in November, 2014 which caused a change in the scheduled interest payments from what was originally budgeted. While there was plenty of cash in the Debt Service Fund to make these increased payments, the budget wasn't amended to reflect the change.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders) outstanding at year end are reported as assigned fund balances in the general fund and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. No encumbrances are assigned in the other governmental funds as any encumbrances are included in other categories of fund balance, e.g. assigned to fund purposes, restricted to fund purposes, etc.

BUDGETARY BASIS OF ACCOUNTING

For budget and accounting purposes, revenues and expenditures are accounted for on a modified accrual basis of accounting as prescribed in laws for all governmental funds. Fund balance is budgeted as available resources and, under statute, may not be negative.

ENCUMBRANCES

Encumbrance accounting is employed in governmental funds. Purchase orders and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. General Fund encumbrances in the amount of \$627,218 were re-encumbered on September 1, 2015.

Significant encumbrances in the general fund include summer maintenance and repairs that weren't quite complete at August 31st, furniture and equipment backorders, incomplete contracts for services, and supply orders placed late in the year.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

MEASUREMENT FOCUS

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

Governmental fund financials are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred,

as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The private-purpose trust fund is reported on the accrual basis of accounting.

BASIS OF ACCOUNTING

In the government-wide financial statements, governmental activities are presented using the accrual basis of accounting under which revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this method, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which is reported when due. The district considers revenues derived from property taxes available when they are collected within 60 days after year end.

E. ELIMINATIONS AND RECLASSIFICATIONS

In the process of aggregating data for the government-wide Statements of Net Position and the Statement of Activities, the interfund receivables and payables within governmental funds, except those with fiduciary funds, were eliminated. Interfund services are not eliminated from the government-wide presentation.

F. ASSETS, LIABILITIES AND NET POSITION/RESERVES/DESIGNATIONS

1. Cash, Cash Equivalents, and Investments

The Tacoma School 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.

The Pierce 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.

The district uses the US Bank as its fiscal agent for bond principal and coupon interest redemption. Short-term investments are shown on the Statement of Net Position and on the Fund Balance Sheets at cost, net of amortized premium or discount, and the long-term investments are stated at fair value. The investments in governmental funds are held by the Pierce County Treasurer which reports investments at amortized cost. Gains or losses on long-term investments are recognized at year end. The district intends to hold the time deposits and securities until maturity.

2. Property Taxes

Property tax revenues are collected as the result of special levies passed by the voters in the district. Per Revised Code of Washington 84.60.020 the tax assessment date is January 1 of the calendar year of collection. The tax lien date is January 1 of the year of collection and taxes receivable are recognized as of that date. Current year taxes are due in full as of April 30, and are delinquent after that date. However, without incurring penalty, the taxpayer may elect to pay one-half of the taxes due by April 30, with the remaining one-half taxes due October 31, and are delinquent after that date. Typically, a little more than half of the taxes due are collected on the April 30 date. In accordance with state law, Pierce County may begin foreclosure proceedings following the third year of delinquency. In governmental fund financial statements, property tax revenues which are measurable but not available (taxes that are not expected to be collected within 60 days after the current period) are recorded as receivables and unearned revenues on the governmental funds statements. In government-wide financial statements, property tax revenues are accrued at year-end.

3. Accounts Receivable

This account represents amounts due for services rendered by the district, net of allowance for doubtful accounts. The district considers receivables collected within 60 days after year end to be available and recognizes them as revenues of the current year.

4. Interfund Receivables/Payables

Interfund receivables and payables and the associated revenues and expenditures/expenses are recorded in the respective funds in *government fund financial statements*. Interfund receivables and payables are eliminated in *government-wide financial statements*, except those with fiduciary finds, which are reclassified as a third-party receivable or payable.

5. Due From Other Governments

This account represents receivables for federal, state, and local governments. Grant revenues are recorded in the year in which the related expenditures are incurred.

G. INVENTORIES AND PREPAID ITEMS

The warehouse inventory is valued at cost using the weighted average method perpetual inventory system. The “consumption method” of inventory is used, which charges the inventory accounts when inventory is received and charges the appropriate department as expenditures when consumed. The Nonspendable – Inventory & Prepaid Items fund balance categorization reflects the district’s recorded inventories and prepaid items on the balance sheet. These are assets of the district that are not in spendable form.

United States Dept. of Agriculture (USDA) commodities consist 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 the commodities, and are included in the general fund inventory. At August 31, 2015, the value of the USDA commodities included in this district’s inventory was \$1,048,244.

Prepaid items consist of software licenses and other prepayments made late in 2014-15 for the new school year. Inventory amounts also include expendable supplies and equipment, generally purchased over the summer, and held for consumption until school begins in the fall. The costs are recorded as expenditures at the time individual inventory items are consumed.

H. BOND DISCOUNT, BOND PREMIUMS & ISSUANCE COSTS

In governmental fund types, bond discounts, premium and issuance costs are recognized in the period of issuance. In government-wide financial statements, bond premium and discounts are amortized over the life of the bonds.

I. CAPITAL ASSETS

Capital assets, which include property, buildings and improvements, and equipment, are reported in the applicable governmental activities in the government-wide financial statements. The district’s equipment capitalization policy includes items where the individual cost of the asset is \$5,000 or more, and the asset has a useful life of longer than one year. Such assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair 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 life are not capitalized, and are charged as expenditures in the current period. In the governmental fund financial statements, capital assets are accounted for as expenditures upon acquisition, and no depreciation is recorded. On the government-wide financial statements, capital assets are included and depreciation expense is charged and allocated to various functions/programs in compliance with GASB statement No. 34 (see Note 4).

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Buildings, building and site improvements, vehicles, and equipment owned by the district are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Building & Site Improvements	20 years
Portable Buildings	25 years
Equipment & Vehicles	4-13 years

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

In addition to assets and liabilities, the statement of financial position will report separate sections for deferred outflows and inflows of resources. As separate financial statement elements, *deferred inflows and outflows of resources*, represent flows of resources into and out of the district that apply to future period(s) and so will not be recognized as an inflow of resources (revenue) or outflow of resources (expenditures) until that time.

Unavailable revenues from prepayments on tuition, fees, and grants, and from property taxes are reported as a deferred inflow on the government fund statements; only the unavailable revenues from non-property tax sources are included on the government-wide statements. This amount is deferred and recognized as an inflow of resources in the period the amounts become available.

The new GASB 68 reporting requirements shows both deferred inflows and outflows of resources related to pensions on the government-wide statements. Please refer to Note 6 for more details.

K. COMPENSATED ABSENCES

1. Sick Leave

Under the provisions of RCW 28A.400.210, sick leave accumulated by district employees is paid at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buyout of an amount up to the maximum annual accumulation of twelve days for active employees. For buyout purposes, employees may accumulate such leave to a maximum of 195 days, including the annual accumulation, as of December 31st of each year. To qualify for the annual sick leave buy-back, the employee must have accumulated in excess of 60 days of sick leave as of January 1.

The annual estimated sick leave buyout expenditures are accrued each pay cycle, and paid out of a liability account. Accrued sick leave is paid out upon death, retirement, or termination provided the employee is at least 55 years of age and has sufficient years of service. Vested sick leave was computed using the vesting method.

Sick leave is reported under long-term liabilities in the *Statement of Net Position*. For reporting purposes, 25 percent of the sick leave liability (up to 180 days) for those eligible for retirement is considered accrualable. The amount of accrued sick leave as of August 31, 2015 was \$15,228,191 and reported as long-term liabilities in government-wide financial statements.

2. Vacation Leave

For the employees that receive vacation, vacation leave is accrued according to the particular bargaining agreement. Vacation pay, including benefits, that is expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the government fund that will pay it. It is computed at 100 percent of the accrued amount. The amount accrued for vacation leave as of August 31, 2015 was \$7,284,436 and reported as long-term liabilities in government-wide financial statements.

The sick leave and vacation liabilities reflect all salary related payments to employees.

L. NET POSITION (Government-wide Financial Statements)

The “Net Investment in Capital Assets” component consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that

are attributable to the acquisition, construction, or improvement of those assets. The “Restricted Net Position” component reports the assets with constraints placed on net position by external laws, regulations, or legislation. Therefore, they are available for disbursements only for specific purposes (e.g. debt service, capital projects, and others). The “Unrestricted Net Position” are assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

M. GOVERNMENTAL FUND BALANCES

Minimum Fund Balances. The district’s Debt and Fiscal Board Policy 6015, and Fiscal Management Board Regulation 6015.1R provide the overall framework for fiscal management. To maintain reserves for cash flow, emergencies, and overall sound fiscal management, the district maintains fund balance reserves that are equal to 5 percent of the annual General Fund revenues, excluding other financing sources. The debt and fiscal reserves in the General Fund include: Assigned to Encumbrances, Non-spendable – Inventory & Prepaids, and Unassigned Fund Balance accounts. When resources meeting more than one of the classifications (excluding nonspendable) are comingled in an account, assuming an expenditure meets the constraints of the classification, the assumed order of spending is restricted first, committed second, assigned, and unassigned last.

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

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

Restricted Fund Balance. Amounts that are reported as Restricted are those resources of the district that have had a legal restriction placed on their use either from statute, WAC, or other legal requirements that are beyond the control of the board of directors. Restricted fund balance includes anticipated recovery of revenues that have been received but are restricted as to their usage. Outstanding encumbrances for the Associated Student Body Fund are included in the Restricted to Fund Purposes reserve; in the Capital Projects Fund, those outstanding encumbrances are included in the Restricted for Construction or the Restricted for Technology reserves.

Committed Fund Balance. Amounts that are reported as Committed are those resources of the district that have had a limitation placed upon their usage by formal action of the district’s board of directors. Commitments are made either through a formal adopted board resolution or are related to a school board policy. Commitments may only be changed when the resources are used for the intended purpose or the limitation is removed by a subsequent formal action of the board of directors. Included in this category is the Committed to Other Purposes which is a reserve for contingencies.

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

In other governmental funds, Assigned Fund Balance represents a positive ending spendable fund balance once all restrictions and commitments are considered. These resources are only available for expenditure in that fund and may not be used in any other fund without formal action by the district’s board of directors and as allowed by statute. In the General Fund, assigned fund balance designations include Assigned to Encumbrances which is the remaining amount on purchase orders from prior years, Assigned to Budget Carryover for carryover commitments, Assigned to Future Operations, and Assigned to Curriculum & Instruction for textbook adoptions.

The superintendent or the chief financial officer have the authority to create Assignments of Fund Balance, per Board Regulation 6015.1R.

Unassigned Fund Balance. In the General Fund, amounts 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 2014-15, a change was made to present the General Fund’s Committed to Minimum Fund Balance Policy reserve as an unassigned fund balance. This change was a recommendation based on GAAP interpretation, and a new unassigned fund balance account – Unassigned for Minimum Fund Balance Policy was created to present those reserves.

In other governmental funds, Unassigned Fund Balance represents a deficit ending spendable fund balance once all restrictions and commitments are considered.

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

N. Summary of Significant Accounting Policies Changes for 2014-15

Pensions – for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, 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.

Note 2. DEPOSITS AND INVESTMENTS

The district's investment policy requires funds be invested with the objective of producing the greatest return consistent with prudent business practice. The Pierce County Treasurer is the ex-officio treasurer for the district. In this capacity, the county treasurer receives, deposits, and transacts investments on the district's behalf.

A. DEPOSITS

At year end, the carrying amounts of the district's deposits and investments with financial institutions and with the Pierce County Treasurer were:

Distribution	Cash on Hand and in Bank	Investments
Governmental Funds	\$ 1,559,281	\$ 213,446,000
Sound Partnership	7,556,493	-
Total Government-Wide	9,115,774	213,446,000
Fiduciary Funds	4,044	440,000
Total Deposits & Investments	\$ 9,119,818	\$ 213,886,000

In addition to FDIC insurance, the district's deposits are protected by the Washington Public Deposit Protection Commission, a multiple financial institution collateral pool. The provision for guaranteed coverage against loss applies not only to demand deposits, but also to certificates of deposit, money market deposit accounts, and savings deposits as well as accrued interest through the date of repayment.

As of August 31, 2015, the total carrying amount of the district's investments was \$213,886,000 and this amount approximates fair value as defined by GASB Statement No. 31. Following is the composition of the investments held by the Pierce County Treasurer on behalf of the district:

Investment Type	Total Fair Value	Investment Maturities (in months)	
		Less than 1	More than 12
Local Government Investment Pool	\$ 146,886,000	\$ 146,886,000	\$ -
Federal Home Loan Bank	30,000,000	-	30,000,000
Federal Home Loan Mortgage Corp	37,000,000	-	37,000,000
Total	\$ 213,886,000	\$ 146,886,000	\$ 67,000,000

Interest Rate Risk – The Pierce County Treasurer's investment policy does not specifically address management of interest rate risk. The exposure to fair value losses arising from increasing interest rates is managed by limiting the weighted average maturity of the portfolio to between six months and one year. The district's investment strategy limits the district's investment portfolio with the county to maturities of less than three years. Because of the extremely low

interest rates, the district has the majority of its investments maturing on a short term basis (maturing in less than one year), except in the capital projects fund where longer term investments were made based on construction cash flow needs. When interest rates improve, the district will revisit making longer term investments in its non-capital funds.

Credit Risk – Washington State 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 savings 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 district's objective is to invest with the goal of producing the greatest return consistent with Washington State statutes. The district places no limit on the amount it may invest with any one issuer.

Through the county investment policy, credit risk is managed by restricting county investments (which include the district's funds) to obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities; bankers acceptances; primary certificates of deposit issued by qualified public depositories designated by the Washington Public Deposit Protection Commission; the Washington State Local Government Investment Pool (LGIP); municipal bonds issued by the state or its local governments; and repurchase agreements collateralized by any previously authorized investments. Bankers' acceptances must be ranked in either of the two highest rating categories by Moody's Investor Service or Standard & Poor's. With the exception of U.S. Treasuries, Government agencies, instrumentalities, and the LGIP, no more than 20 percent of investments shall be from any single issuer. The credit quality distribution for securities with credit exposure are presented as a percentage of total investments is as follows:

Investment Type	Moody's Investor Service	Standard & Poor's
Local Government Investment Pool	Not rated	Not rated
Federal Home Loan Bank	Aaa	AA+
Federal Home Loan Mortgage Corp	Aaa	AA+

The LGIP is a voluntary investment vehicle operated by the Washington State Treasurer and was established in 1986 to provide safe, liquid, and competitive investment options for local governments pursuant to RCW 43.250. The LGIP is comparable to an SEC regulated Rule 2a-7 money market fund. The portfolio is managed to maintain a stable net asset value at \$1.00, like 2a-7 funds, however, maintenance of a stable net asset value at \$1.00 is not guaranteed. Additional information is available from the Washington State Treasurer's Office: <http://www.tre.wa.gov/lqip/>

B. CASH WITH FISCAL AGENT/TRUSTEES

The repayments of the bond interest and principal are made through the district's fiscal agent (US Bank). Cash held by the fiscal agent due to the outstanding coupons is reported as an asset of the district.

Note 3. INTERFUND TRANSACTIONS

As of August 31, 2015, short-term interfund receivables and payables in governmental funds that resulted from various interfund transactions in governmental fund financial statements were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 1,364,185	\$ 2,487
Capital Projects Fund	-	1,360,149
Special Revenue Fund	2,577	4,126
Total	\$ 1,366,762	\$ 1,366,762

Interfund balances result from the time lag between the dates that interfund goods and services are provided and reimbursable expenditures occur, or when transactions are recorded in the accounting system and payments are made between funds. These balances are liquidated on a monthly basis.

Planned transfers between funds are included in the budgeting process. A transfer from the Capital Projects Fund to the General Fund for district-wide technology transactions (\$360,331) was made in August.

Note 4. CHANGES IN CAPITAL ASSETS

Purchases of equipment with a unit cost over \$5,000 are capitalized and depreciated in *government-wide financial statements*. The district's property valuation of buildings and contents for insurance purposes was \$794,047,588 on August 31, 2015.

In 2014-15, it was discovered that transportation buses were being depreciated on a 4-year equipment basis, rather than the longer 13 year basis the state uses as its depreciation schedule for these vehicles. That depreciation schedule has been updated for this class of vehicle, and the 13 year schedule was applied to all buses in the asset system before these capital asset calculations were completed. The depreciation schedule change was minor and the amount was immaterial. The system adjusted the depreciation on the buses in 2014-15 and on forward.

	Primary Government			
	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 42,745,423	\$ -	\$ -	\$ 42,745,423
Construction-in-Progress	35,939,196	23,173,017	(29,424,239)	29,687,974
Total Capital Assets, not being depreciated	78,684,619	23,173,017	(29,424,239)	72,433,397
Capital Assets, being depreciated:				
Building and Improvements	945,965,003	34,259,871	(849,184)	979,375,690
Equipment	39,923,964	2,517,506	(840,795)	41,600,675
Total Capital Assets, being depreciated:	985,888,967	36,777,378	(1,689,979)	1,020,976,365
Less Accumulated Depreciation for:				
Building and Improvements	(289,448,421)	(19,100,643)	489,356	(308,059,708)
Equipment	(35,984,607)	(1,528,724)	820,884	(36,692,446)
Total Accumulated Depreciation	(325,433,028)	(20,629,367)	1,310,240	(344,752,154)
Total Capital Assets Being Depreciated, Net	660,455,939	16,148,011	(379,739)	676,224,211
Governmental Activities Capital Assets, Net	\$739,140,558	\$ 39,321,028	\$ (29,803,978)	\$ 748,657,608

Depreciation expense was charged to governmental activities as follows:

	Current Year Total
Regular Instruction	\$ 18,367,723
Special Instruction	4,872
Career & Technical Instruction	40,939
Compensatory Instruction	18,680
Other Instruction Programs	18,855
Support Services	2,167,099
ARRA	9,655
Extracurricular Activities (ASB)	1,544
	\$ 20,629,367

Note 5. CONSTRUCTION IN PROGRESS

School	Project	Project Authorization	Accumulated Expenditures to 8/31/2015
Elementary Schools			
McCarver	Modernization	39,000,000	6,366,451
Wainwright	New School	35,000,000	3,053,958
Arlington	New School	28,000,000	496,079
Browns Point	New School	31,000,000	9,055
Lyon	New School	29,000,000	416
Total Elementary Schools		162,000,000	9,925,959
Middle Schools			
Stewart	Modernization	58,000,000	7,184,503
Hunt	New School	48,000,708	2,270,094
Total Middle Schools		106,000,708	9,454,597
High Schools			
Science & Math Institute (SAMI)	New School	10,000,000	1,601,248
Wilson Phase 2	Modernization	52,500,000	8,706,170
Total High Schools		62,500,000	10,307,417
GRAND TOTAL		\$ 330,500,708	\$ 29,687,973

Note 6. PENSIONS**GENERAL INFORMATION**

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

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

Detailed information about the pension plans' fiduciary net position is available in the separately issued DRS CAFR. Copies of the report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

Or, the online version is available here: www.drs.wa.gov/administrations/annual-report

For the year ended August 31, 2015, the district implemented Governmental Accounting Standards Board Pronouncement 68 (GASB 68). GASB 68 requires, among other provisions, that the district recognize its proportionate share of the DRS plans underfunded status. Within these financial statements, the district recognizes a charge against the August 31, 2014 of \$187,579,682 for prior year pension liability. This amount was decreased to \$168,271,443 at August 31, 2015.

MEMBERSHIP PARTICIPATION

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

Membership participation by retirement plan as of June 30, 2015, was as follows:

Retirement Plan	Active Members	Inactive Vested Members	Retired Members
PERS 1	4,782	1,178	51,070
SERS 2	22,950	5,357	5,796
SERS 3	30,832	6,963	4,825
TRS 1	1,824	323	35,639
TRS 2	13,632	2,357	3,894
TRS 3	51,837	7,655	6,094

Data is as of last actuarial valuation date of June 30, 2014.

Source: Washington State Office of the State Actuary

MEMBERSHIP & PLAN BENEFITS

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

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

TRS is comprised of three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefit 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 be 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 AFC for Plan 3 members. The AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit. Members are eligible for normal retirement at the age of 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. TRS Plan 2/3 members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

The benefit is reduced by a factor that varies according to age, for each year before age 65. TRS Plan 2/3 members who have 30 or more years of service credit, were hired prior to May 1, 2013, and are at least 55 years old, can retire under one

of two provisions: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

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

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

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

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

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

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

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

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

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

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

PLAN CONTRIBUTIONS

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2 and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The methods

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

The employer and employee (member) 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 2015 were as follows:

	7/1/15 Rate	7/1/14 Rate	
PERS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	11.18%	9.21%	
TRS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	13.13%	10.39%	
TRS 2			
Member Contribution Rate	5.95%	4.96%	
Employer Contribution Rate	13.13%	10.39%	
TRS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.13%	10.39%	**
SERS 2			
Member Contribution Rate	5.63%	4.64%	
Employer Contribution Rate	11.58%	9.82%	
SERS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	11.58%	9.82%	**

Note: The DRS administrative rate of .0018 is included in the employer rate.

*Variable from 5% to 15% based on rate selected by the member.

**Defined benefit portion only.

THE COLLECTIVE NET PENSION LIABILITY

The collective net pension liability for the pension plans school districts participated in are reported in the following table.

The Net Pension Liability as of June 30, 2015 (dollars in thousands):

	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total Pension Liability	\$12,789,242	\$4,473,428	\$9,237,730	\$11,220,833
Plan fiduciary net position	\$(7,558,312)	\$(4,067,277)	\$(6,069,588)	\$(10,377,031)
Participating employers' net pension liability	\$5,230,930	\$406,151	\$3,168,142	\$843,802
Plan fiduciary net position as a percentage of the total pension liability	59.10%	90.92%	65.70%	92.48%

THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (NPL)

At June 30, 2015, the district reported a total liability of \$168,271,443 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, 2015, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2015	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	\$131,435	\$5,192,860	\$549,512	\$15,337,818
Proportionate Share of the Net Pension Liability	\$25,000,282	\$12,201,867	\$104,008,565	\$27,060,729

At June 30, 2015, the school district's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below.

Allocation %	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	\$25,000,282	\$12,201,867	\$104,008,565	\$27,060,729
Prior year proportionate share of the Net Pension Liability	\$22,847,190	\$6,468,881	\$98,308,281	\$10,434,903
Net difference %	9.42%	88.62%	5.80%	159.33%

ACTUARIAL ASSUMPTIONS

Capital Market Assumptions (CMAs) are 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, 2014, with the results rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

MORTALITY RATES

Mortality rates used in the plans were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the 2007-2012 Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2014 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 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 allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen-year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015, are summarized in the following table:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20.00%	1.70%
Tangible Assets	5.00%	4.40%
Real Estate	15.00%	5.80%
Global Equity	37.00%	6.60%
Private Equity	23.00%	9.60%

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

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.50 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

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, 2015, 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	-	(1,367,788)
Changes in Assumptions or other inputs	-	-
Changes in the school 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	23,543	-

SERS 2/3	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	1,488,225	-
Net difference between projected and actual earnings on pension plan investments	-	(3,891,820)
Changes in Assumptions or other inputs	13,519	-
Changes in the school district's proportion and differences between the district contributions and proportionate share of contributions	-	(291,379)
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	782,466	-

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	-	(7,698,324)
Changes in Assumptions or other inputs	-	-
Changes in the school 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	53,292	-

TRS 2/3	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	4,283,558	-
Net difference between projected and actual earnings on pension plan investments	-	(10,498,755)
Changes in Assumptions or other inputs	23,507	-
Changes in the school district's proportion and differences between the district contributions and proportionate share of contributions	-	(206,618)
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	2,651,541	-

\$3,510,842 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, 2016.

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

Pension Amortization By Plan

	PERS 1	SERS 2/3	TRS 1	TRS 2/3	PERS 2/3
2016	(530,108)	(1,118,908)	(2,985,812)	(3,199,102)	-
2017	(530,108)	(1,118,908)	(2,985,812)	(3,199,102)	-
2018	(530,108)	(1,118,908)	(2,985,779)	(3,199,134)	-
2019	222,535	675,269	1,259,078	2,743,437	-
2020	-	-	-	455,591	-
Thereafter	-	-	-	-	-

PENSION EXPENSE

The district recognizes a pension expense for its proportionate share of the collective pension expense. This is determined by using the district's proportional share of the collective net pension liability. For the year ending August 31, 2015, the district recognized a total expense as follows:

Plan	Pension Expense
PERS 1	\$ 25,000,282
SERS 2/3	12,201,867
TRS 1	104,008,565
TRS 2/3	27,060,729
Total	<u>\$ 168,271,443</u>

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

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

Sensitivity of the net pension liability to changes in the discount rate:			
Participating Plans for TRS, PERS, and SERS			
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS1	\$ 6,368,671,000	\$ 5,230,930,000	\$ 4,252,577,000
%NPL	0.477932%	0.477932%	0.477932%
District's PERS1	\$ 30,437,908.9	\$ 25,000,281.9	\$ 20,324,421.1
SERS2/3	\$ 1,282,039,000	\$ 406,151,000	\$ (273,474,000)
%NPL	3.004269%	3.004269%	3.004269%
District's SERS2/3	\$ 38,515,895	\$ 12,201,867	\$ (8,215,894)
TRS1	\$ 3,982,571,000	\$ 3,168,142,000	\$ 2,467,801,000
%NPL	3.282951%	3.282951%	3.282951%
District's TRS1	\$ 130,745,874	\$ 104,008,565	\$ 81,016,710
TRS2/3	\$ 3,570,229,000	\$ 843,802,000	\$ (1,183,066,000)
%NPL	3.207000%	3.207000%	3.207000%
District's TRS2/3	\$ 114,497,238	\$ 27,060,729	\$ (37,940,925)

Note 7. LONG-TERM DEBT

A. CHANGES IN LONG-TERM LIABILITIES

Bonds payable on August 31, 2015 include the following: 2005 Refunded Bond Issue, 2012 Refunded Bond Issue, and the 2014 Unlimited Tax General Obligation Bond (UTGO). Interest on the Bonds is payable on June 1 and December 1.

In February 2013, the district passed a \$500M bond authority measure for construction projects. An 18-month, \$100M Bond Anticipation Note (BAN) was issued in June, 2013 to fund the first phase of construction. The BAN was due in December, 2014. The 2014 UTGO bond was issued for \$152.6M, and included funds to pay off the BAN as well as provide new money for the next phase of construction. Interest rates on the bonds are fixed at 1.0 to 5.0 percent. The 23 year bonds will be fully paid off in December, 2038.

Construction projects include replacement and new construction of Hunt and Stewart Middle Schools, Arlington, Mary Lyon, Grant, Wainwright, Downing, Browns Point, Birney, and Boze Elementary schools; modernization of Washington and McCarver Elementary schools; modernization or replacement of Wilson High School; construction of new facilities at the Science and Math Institute; and district-wide health and safety upgrades.

In prior years, the district defeased other general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on these old bonds. Accordingly, the trust account assets and the liability for the bonds defeased in prior years are not included in the district's financial statements.

In 2011-12, the district entered into an agreement with Daktronics Sports Marketing to design, manufacture, install, and market electronic scoreboards at Mt. Tahoma Stadium and Foss, Lincoln, Mt. Tahoma, Stadium and Wilson high school gymnasiums. The initial cost of the equipment was \$362,608, and a down payment of \$180,000 was made leaving a balance of \$182,608 to be financed. A financing plan with equal payments of \$43,792.30 will be made over the next five years with 10 percent interest charged. In 2014-15, the advertising revenue generated from the scoreboards provided enough funding to cover the interest and principal payments on the equipment.

The debt service fund is established to redeem the outstanding bonds. Compensated absences and other liabilities are primarily liquidated in the general fund. Besides the long-term liabilities, the district also has short-term liabilities such as general accounts payable, wages and benefits payable, and unearned revenues. Those are on-going liabilities and will liquidate within one year. The district does not have conduit debt or hold demand bonds.

Net Pension Liabilities is a new section on the Schedule of Long Term Liabilities. The district's share of the State of Washington's pension liability for the plans it participates in is included in the schedule. As the information was only provided to the district this year, the entire amount is listed as an addition to the schedule. More details are provided in Note 6 – Pensions.

During the year ended August 31, 2015, the following changes occurred in liabilities reported in the government-wide financial statements.

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due In One Year
GOVERNMENT ACTIVITIES					
Bonds and Contracts Payable:					
2005 Refunding of 2001 UTGO	122,965,000	-	12,450,000	110,515,000	13,470,000
2012 Refunding of '03,05,05A UTGO's	78,475,000	-	5,905,000	72,570,000	5,785,000
2013 Bond Anticipation Note	98,865,000	-	98,865,000	-	-
2014 UTGO	-	152,625,000	-	152,625,000	16,025,000
Long-Term Financing (Daktronics)	73,045	-	36,523	36,522	36,522
Total Bonds and Contracts Payable	300,378,045	152,625,000	117,256,523	335,746,522	35,316,522
Net Pension Liabilities:					
PERS Plan 1	-	25,000,282	-	25,000,282	-
SERS Plans 2/3	-	12,201,867	-	12,201,867	-
TRS Plan 1	-	104,008,565	-	104,008,565	-
TRS Plans 2/3	-	27,060,729	-	27,060,729	-
Total Net Pension Liabilities	-	168,271,443	-	168,271,443	-
Other Liabilities:					
Unamortized Bond Premium	14,150,500	22,411,616	968,993	35,593,124	451,603
Net OPEB Obligation	46,851,919	11,779,160	5,662,122	52,968,957	-
Compensated Absences	20,829,693	3,693,191	2,010,257	22,512,627	2,010,257
Total Other Liabilities	81,832,112	37,883,967	8,641,372	111,074,707	2,461,860
GRAND-TOTAL	\$ 382,210,157	\$358,780,410	\$ 125,897,895	\$ 615,092,672	\$ 37,778,382

B. BOND PREMIUM

The district sold Unlimited Tax General Obligation Bonds at a premium for the bond sales in 2012 and 2014. The Bond Anticipation Note in June, 2013 also sold at a premium. The premiums are being amortized over the life of the bonds. Below is a schedule showing the current year's change in unamortized premium costs:

Descriptions	Unamortized Premium Costs			
	Beginning Balance	Increase	Decrease	Ending Balance
2012 Unlimited Tax GO Bonds	\$ 13,368,578	\$ -	\$ 187,070	\$ 13,181,508
2013 Bond Anticipation Note	781,923	-	781,923	-
2014 Unlimited Tax GO Bonds	-	22,411,616	-	22,411,616
	<u>\$ 14,150,500</u>	<u>\$ 22,411,616</u>	<u>\$ 968,993</u>	<u>\$ 35,593,123</u>

C. DEBT SERVICE REQUIREMENT TO MATURITY

Year Ending August 31,	UTGO Bonds & Bond Anticipation Note		
	Principal	Interest	Total
2016	35,280,000	15,283,037	50,563,037
2017	19,435,000	14,342,012	33,777,012
2018	30,000,000	13,306,137	43,306,137
2019	30,220,000	11,891,112	42,111,112
2020	29,260,000	10,372,562	39,632,562
2021	13,065,000	9,113,412	22,178,412
2022	6,850,000	8,612,612	15,462,612
2023	10,795,000	8,198,787	18,993,787
2024	11,705,000	7,720,787	19,425,787
2025	12,500,000	7,215,162	19,715,162
2026	3,045,000	6,841,538	9,886,538
2027	3,195,000	6,685,538	9,880,538
2028	3,355,000	6,521,788	9,876,788
2029	3,520,000	6,349,913	9,869,913
2030	3,700,000	6,169,413	9,869,413
2031	8,955,000	5,853,038	14,808,038
2032	9,390,000	5,394,413	14,784,413
2033	9,855,000	4,913,288	14,768,288
2034	10,000,000	4,416,913	14,416,913
2035	14,755,000	3,798,038	18,553,038
2036	15,495,000	3,041,788	18,536,788
2037	16,270,000	2,247,663	18,517,663
2038	17,085,000	1,392,431	18,477,431
2039	17,980,000	471,975	18,451,975
TOTAL	<u>\$ 335,710,000</u>	<u>\$ 170,153,357</u>	<u>\$ 505,863,357</u>

D. ARBITRAGE REBATE

The Tax Reform Act of 1986 requires the district to rebate the earnings on the investment of bond and revenue anticipation note proceeds, in excess of their yield, to the federal government. Ninety percent of the rebate is due and payable five years from the date bonds were issued and at five-year intervals thereafter. The remaining 10 percent is payable 60 days after the bonds are retired. Because positive arbitrage can offset negative arbitrage, the rebate amount fluctuates each year and may or may not be owed at the payment intervals.

The district uses a contractor to provide these arbitrage rebate calculations. At the last check in period, the district had no arbitrage rebate liability.

Note 8. COMMITMENTS UNDER LEASES

The district is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the district's financial statements.

The district entered into a five-year lease agreement to rent space in downtown Tacoma for the expansion of the School of the Arts on September 1, 2012. Another five year property lease is also listed – the lease for additional parking space next to the Buildings & Grounds Department began in 2011, and will end in 2016. The following is a schedule of future minimum rental payments required under operating leases with initial or remaining non-cancellable lease terms of one year or more as of August 31, 2015.

Year Ended August 31	Amount
2015	\$243,942
2016	244,104
2017	216,996
Minimum payments required	\$705,042

Note 9. RISK MANAGEMENT

A. UNEMPLOYMENT

The district self-insures for unemployment compensation for all of its eligible employees. Actual employee claims are paid by the State of Washington, Department of Employment Security and then reimbursed by the district. This self-insurance program is more cost-effective for the district than full participation in the state unemployment compensation program.

Fiscal Year	Beg. Balance	Unemployment		End. Balance
		Additions	Reductions	
2014	\$ 669,910	357,421	468,108	\$ 559,223
2015	559,223	222,829	408,860	373,192

B. INDUSTRIAL INSURANCE

On January 1, 2002, the district joined the Puget Sound Workers' Compensation Trust, an intergovernmental risk sharing pool, approved by statute, for the purposes of group self-insuring school employee workers' compensation claims. The district forfeited its self-insurance certification at that time, and all self-insured claims prior to January 1, 2002 remain a liability for the district and are being managed by the Puget Sound Workers' Compensation Trust. The Trust pays the self-insured claims, and the district reimburses the Trust for those claims on an as incurred basis, until such time as the self-insured claims are closed. Claims occurring on or after January 1, 2002, are "Trust" claims which are managed and paid by the Trust. The district pays the trust workers' compensation premium based on employee hours worked, according to job classification codes as developed by the State's Department of Labor & Industries. In addition, the district reimburses the Trust for quarterly assessments provided by Labor & Industries to self-insured employers and self-insured groups. The Trust pays the assessments to Labor & Industries. Assessments include Supplemental Pension Fund, Asbestos Fund, Administrative Fund, Second Injury Fund, and Insolvency Trust Fund.

The industrial insurance payable includes reimbursement to the Trust for self-insured claim costs (including incurred but not reported [IBNR] claims), workers' compensation premiums to the Trust for group self-insured claims costs, and reimbursement to the Trust for Labor & Industry assessments.

Fiscal Year	Beg. Balance	Industrial Insurance		End. Balance
		Additions	Reductions	
2014	\$ 4,022,445	3,601,693	4,270,717	\$ 3,353,421
2015	3,353,421	3,124,411	4,313,530	2,164,302

C. RISK MANAGEMENT POOL

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

The Pool allows members to jointly purchase insurance coverage, establish a plan of self-insurance, and provide related services, such as risk management. The Pool provides the following coverages for its members: Property, liability, vehicle, public official liability, crime, employment practices, machinery breakdown and network security.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance from unrelated underwriters that are subject to a per-occurrence self-insured retention of \$1 million. Members are responsible for varied deductibles for both liability and property claims. Insurance carriers cover losses over \$1 million to the maximum limits of each policy. Since the Pool is a cooperative program, there is a joint liability among the participating members.

Members contract to remain in the Pool for a minimum of three years and must give notice two and one half years before terminating participation. The Cooperative Risk Management Pool Account Agreement is renewed automatically each year after the initial three-year period. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Cooperative Risk Management Pool Account Agreement if the assets of the Pool were exhausted.

The Pool is fully funded by its member participants. The district paid \$1,947,279 for its annual premium contribution to WSRMP for its property and liability insurance coverage in 2014-15. The district had no significant reductions in insurance coverage from coverage in the prior year in any of its major risk categories. There were no insurance settlements that exceeded the district's insurance coverage.

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 Pool is audited independently by the Washington State Auditor's Office and the audit report is available on their website: <http://wsrmp.com>.

D. EMPLOYEE BENEFITS

The district made payments totaling \$41,137,166 in 2014-15 to the Sound Partnership which is a health and welfare benefit trust fund. The Sound Partnership was established in 1984 to provide comprehensive medical, dental, vision, life, and long-term disability coverage for the district's qualified employees and dependents. The Board of Trustees consists of five management members appointed by the Tacoma School District and five labor members appointed by the Tacoma Education Association. In addition to all powers and authorities under common laws, statutory authority, and other provisions of the agreement between Tacoma School District and the Trust, the board has the power to manage, acquire and dispose of the assets of the Trust. The board also appoints a "plan administrator" designated as Executive Director who oversees the Trust's day-to-day operations.

The Sound Partnership moved from a self-insured health insurance plan to a premium-based health insurance plan on January 1, 2010. This change provided comparable health care coverage at more competitive rates for the Trust's membership. The Trust remains self-insured for dental and vision coverage. Because of the change in the self-insurance model, there is no longer a need to maintain such large reserves in the Trust.

The district's monthly contributions to the Sound Partnership are based on the state funding model amount for health benefits calculated on an FTE (full time equivalent) basis. Additional costs for coverage are paid by the district's employees through payroll deductions. Employee and employer contributions are remitted to the Sound Partnership on a monthly basis.

The Sound Partnership maintains its financial records using the accrual basis of accounting. The total self-insured claims reported and approved for payments were \$2,403,212 and insurance premium payments were \$37,379,466 for the year; the total contributions from participants were \$41,319,690.

The total assets and liabilities of the Sound Partnership at August 31, 2015 were respectively \$7,634,320 and \$145,254.

The Sound Partnership		
Statement of Changes in Plan's Benefit Obligations		
	Year Ended	
	8/31/2015	8/31/2014
Amounts Currently Payable for Claims Participants		
Balance at beginning of year	\$ 47,150	\$ 118,878
Claims reported & approved for payment	2,398,844	2,447,631
Claims Paid	(2,401,028)	(2,519,359)
Balance at End of Year	<u>44,966</u>	<u>47,150</u>
Other Obligations for Current Benefit Coverage at Estimated Amounts		
Balance at beginning of year	124,300	109,400
Net Change during the year	(5,900)	14,900
Balance at End of Year	<u>118,400</u>	<u>124,300</u>
Plan's Total Benefit Obligation at End of Year	<u>\$ 163,366</u>	<u>\$ 171,450</u>

E. POST-EMPLOYMENT HEALTH CARE BENEFITS

All eligible district employees may participate in the health care insurance programs offered by the Sound Partnership after their separation from the district due to early retirement or termination. The COBRA program is a continuation of the health care benefits from the district. Eligible employees (former employees) and dependents may be on this plan for only 18 months. COBRA offers group rates, but the monthly cost of the continuation of the health care benefits is the responsibility of the former employee. There were 37 participants in the COBRA program as of August 31, 2015.

F. OTHER POST-EMPLOYMENT BENEFITS

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

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

Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), 66 of the state's K-12 schools and educational service districts (ESDs), and 227 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 245 K-12 school districts and ESDs. The district's retirees are eligible to participate in the PEBB plan under this arrangement.

The Tacoma School District provides its retirees employer-provided subsidies associated with post-employment medical and life insurance benefits available through the PEBB. According to State law, the Washington State Treasurer collects a

fee from all school district entities which are not current 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 \$66.64 per month per full-time equivalent employee in the 2014-15 fiscal year to support the program. This assessment to the district is subject to change annually. Participation in the PEBB is limited to the district's retirees.

Plan Description

Eligibility

District members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plan 2 or 3 of TRS or SERS. Retirees with 5 years or more of service who are age 65 or more and retirees with 20 years or more of service who are 55 or older are eligible for post-employment benefits.

Former members 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. Retirees pay the following monthly rates for pre-65 Medical coverage for 2015:

Descriptions	Employee	Employee & Spouse	Full Family
Group Health Classic	\$ 610.78	\$ 1,215.53	\$ 1,669.09
Group Health CDHP	522.80	1,034.28	1,374.14
Group Health SoundChoice	538.09	1,070.15	1,469.20
Group Health Value	573.99	1,141.95	1,567.92
Kaiser Permanente Classic	637.32	1,268.61	1,742.08
Kaiser Permanente CDHP	530.09	1,048.36	1,393.32
Uniform Medical Plan Classic	576.78	1,147.53	1,575.59
Uniform Medical Plan CDHP	522.47	1,033.62	1,373.24

The implicit rate subsidy is the difference between the total cost of pre-65 medical benefits for retirees and pre-65 contributions paid by retirees. Per member health costs vary depending on age, number of dependents, and expected morbidity.

Retirees who are enrolled in Medicare Parts A and B receive an explicit subsidy in the form of reduced premiums on Medicare supplemental plans. The final amount is approved by the state legislature. In calendar years 2014 and 2015, the explicit subsidy amount was up to \$150 per member per month.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The district's annual OPEB cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (UAAL) over a period not to exceed thirty years as of September 1, 2008. The following table shows the components of the district's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the district's net OPEB.

	<u>8/31/13</u>	<u>8/31/14</u>	<u>8/31/15</u>
Determination of Annual Required Contribution			
Normal Cost at Year End	\$ 4,406,843	\$ 4,955,144	\$ 4,955,144
Amortization of UAAL	<u>4,256,577</u>	<u>5,067,069</u>	<u>5,067,069</u>
Annual Required Contribution (ARC)	8,663,420	10,022,213	10,022,213
Determination of Net OPEB Obligation			
Annual required Contribution	8,663,420	10,022,213	10,022,213
Interest on PY Net OPEB Obligation	1,352,417	1,532,817	1,756,947
Adjustment to ARC	<u>(1,442,578)</u>	<u>(1,703,130)</u>	<u>(2,037,040)</u>
Annual OPEB Cost	8,573,259	9,851,900	9,742,120
Less Contributions Made*	<u>(3,762,602)</u>	<u>(3,875,090)</u>	<u>(3,625,082)</u>
Increase in Net OPEB Obligation	4,810,657	5,976,810	6,117,038
Net OPEB Obligation - End of Year	\$ 40,875,109	\$ 46,851,919	\$ 52,968,957

* Estimated based on retiree benefit amounts.

The district's annual OPEB costs, the percentage of OPEB costs contributed to the plan, and the net OPEB obligations for 2015 were as follows:

	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
8/31/2013	\$ 8,573,259	43.89%	\$ 40,875,109
8/31/2014	\$ 9,851,900	39.33%	\$ 46,851,919
8/31/2015	\$ 9,742,120	37.21%	\$ 52,968,957

Funded Status and Funding Progress

As of August 31, 2014, the most recent actuarial valuation date, the plan was 0 percent funded. The accrued liability for benefits was \$121.6 million, and the actuarial value of assets was \$0, resulting in a UAAL of \$121.6 million.

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 health care 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. The schedule of funding progress, included as required supplemental information on Schedule A-3, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

Significant methods and assumptions were as follows:

Actuarial Valuation Date	August 31, 2014
Actuarial Cost Method	Projected Unit Credit (PUC)
Amortization Method	Closed, level percentage of projected payroll amortization method
Remaining Amortization Period	24 years
Asset Valuation Method	N/A - no assets
Actuarial Assumptions:	
Investment rate of return	3.75%
Projected salary increases	3.75%
Health care inflation rate	5.6% initial rate, 4.9% ultimate rate after 2091
Inflation rate	3.75%

The UAAL (\$121,609,645) as a percentage of the covered payroll (\$187,350,086) at August 31, 2015 is 64.9 percent.

For further information on the results the actuarial valuation of the employer provided subsidies associated with the state's PEBB plan, refer to: http://osa.leg.wa.gov/Actuarial_services/OPEB/OPEB.htm. The plan does not issue a separate report, however, additional information is included in the State of Washington's CAFR, which is available on this site: <http://www.ofm.wa.gov/cafr/2015>.

G. POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS

457 Plan – Deferred Compensation Plan

District employees have the option of participating in a deferred compensation plan as defined in SS457 of the Internal Revenue Code that is administered by the state deferred compensation plan.

403(b) Plan – Tax Sheltered Annuity (TSA)

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

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

Note 10. RECONCILIATION BETWEEN GOVERNMENTAL-WIDE FINANCIAL STATEMENTS AND GOVERNMENT FUND FINANCIAL STATEMENTS

A. BALANCE SHEETS/STATEMENT OF NET POSITION (SCHEDULE 3A)

When capital assets (land, building, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the district as a whole.

- | | |
|---------------------------|-----------------|
| 1. Cost of capital assets | \$1,093,409,762 |
| Accumulated Depreciation | (344,752,154) |
| Net | \$ 748,657,608 |
2. Long-term liabilities of **\$615,092,672** (due within one year: \$37,778,382 due more than one year: \$577,314,290) applicable to the district's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities – both current and long-term – are reported in the Statement of Net Position.
3. Deferred Inflows of Resources for Pension Plan Investment Earnings and Changes in Proportions of **\$23,954,685** (\$23,456,688 for net difference in Pension Plan Investment Earnings plus \$497,997 in Pension Plan Changes in Proportions).

\$9,319,651 – Deferred Outflows of Resources for the pension plan experience, assumption changes, and plan contributions. Both are new categories for 2014-15 GASB 68 compliance.

4. Property tax levies (**\$70,184,084**) that will not be collected for several months after year-end and are not considered “available.” Therefore, they are reported as unearned revenue in governmental funds.
5. Interfund Receivables and Payables (**\$1,366,762**) – Internal transfers between governmental funds were eliminated in government-wide statements to avoid the “doubling-up” effect.
6. Internal service fund (The Sound Partnership) is used to provide medical, dental, and life insurances for the district’s employees and their dependents. The assets and liabilities (respectively **\$7,634,320** and **\$190,220**) of the internal service fund are included in governmental activities in the Statement of Net Position.
7. Accrued interest payable on long-term debt is not reflected in fund financial statements. **\$2,595,194** of accrued interest on long-term debt is recorded in the Statement of Net Position.

B. STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES /STATEMENT OF ACTIVITIES (SCHEDULE 4A)

1. **\$3,046,239** – The amount of property tax levies that do not provide current financial resources are reported as unearned revenue in Governmental Funds, and as revenues in Government-Wide Financial Statements.
2. The net amount of **\$3,126,767** represents the current year increases in compensated absences (\$1,682,934), other post-employment benefits (\$6,117,038), and the initial amount for net pension liability (-\$4,673,206) which are not reported in governmental funds. This amount is reported in the Statement of Activities as expenditures, allocated to various applicable programs.
3. a. When capital assets (land, buildings, equipment) are purchased or constructed to be used in Governmental Activities, the cost of those assets are reported as expenditures in Governmental Funds. The Statement of Net Position includes those capital assets among the assets of the district as a whole.

Capital Outlay	\$30,146,417
Depreciation Expense	<u>(20,629,367)</u>
Difference	\$ 9,517,050

- b. Governmental Funds Financial Statements report capital outlay as expenditures while Government-Wide Financial Statements report depreciation expense (\$20,629,367) allocated to various applicable programs.
4. **\$117,256,523** - Repayment of bond principal amounts (\$117,220,000) and the long-term financing principal payment on the Daktronics scoreboards (\$36,523) were reported as expenditures in governmental funds, and thus have the effect of reducing fund balance. For the district as a whole, however, the principal payments reduce the liabilities in the Statement of Net Position.
5. **\$175,036,616** – new 2014 unlimited tax general obligation bond (UTGO) and bond premium on the sales are recorded as other financing sources.
6. **\$242,326** – The bond premium reductions and the accrued interest payable increase on the long term debt (from July 1 – August 31) are charged to expenditures in Government-Wide Financial Statements. Below is a breakdown of the net amount.

Current year bond premium reduction	\$ 968,995
Accrued interest payable increase	<u>(726,669)</u>
	\$ 242,326

7. Internal service fund (The Sound Partnership) is used to provide medical, dental, and life insurances for the district’s employees. The adjustments for the internal service fund “close” the fund by allocating the net gain (**\$934,147**).

Note 11. FUND EQUITY (GOVERNMENTAL FUNDS)

Fund balance as of August 31, 2015 is comprised of:

	Fund Equity (Governmental Funds)				
	General Fund	Special Revenue Fund (ASB)	Debt Service	Capital Projects Fund	Trans Vehicle Fund
Nonspendable - Inventory & Prepaid Items	3,336,215	-	-	-	-
Restricted for C/Over of Restricted Revenues	716,647	-	-	-	-
Restricted for Construction	-	-	-	119,003,450	-
Restricted for Debt Service	36,523	-	15,516,643	-	-
Restricted to Fund Purposes	-	1,941,337	-	-	2,251,018
Restricted for Technology	-	-	-	11,521,293	-
Restricted Fund Balance	753,170	1,941,337	15,516,643	130,524,743	2,251,018
Committed to Other Purposes	1,000,000	-	-	-	-
Committed Fund Balance	1,000,000	-	-	-	-
Assigned to Encumbrances	627,218	-	-	-	-
Assigned to Budget Carryover	4,177,037	-	-	-	-
Assigned to Future Operations	11,356,471	-	-	-	-
Assigned to Curriculum & Instruction	5,322,060	-	-	-	-
Assigned to Fund Purposes	-	-	-	666,219	-
Assigned Fund Balance	21,482,786	-	-	666,219	-
Unassigned for Minimum Fund Balance	14,184,280	-	-	-	-
Unassigned Fund Balance	14,184,280	-	-	-	-
Total Fund Balance	40,756,451	1,941,337	15,516,643	131,190,962	2,251,018

Note 12. CONTINGENT LIABILITIES

The district receives federal and state grants for specific programs. Both types of grants are subject to audit by the Washington State Auditor's Office. Such audits could result in request for reimbursement to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, the district believes that such allowances, if any, will be immaterial.

Note 13. LITIGATION

The district is defending against several suits and claims, which are routine in nature and common to school districts. Possible losses from these suits and claims are provided for by coverage through the Washington Schools Risk Management Pool.

Based on the recommendations of counsel, the district has provided an adequate amount for possible liabilities that management considers adequate for any uninsured losses which arise from such claims.

Note 14. SUBSEQUENT EVENTS

On October 21, 2015 the district issued \$320M in new bonds to fund construction projects through the next several years, and refunded the remaining balance on its 2005B bond issue to take advantage of favorable interest rates.

REQUIRED SUPPLEMENTARY INFORMATION
TACOMA SCHOOL DISTRICT No. 10
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

	BUDGETED AMOUNTS		ACTUAL AMOUNT	VARIANCE WITH FINAL BUDGET POSITIVE(NEGATIVE)
	ORIGINAL *	FINAL *		
REVENUES				
Local	\$ 90,230,977	\$ 90,230,977	\$ 92,325,013	\$ 2,094,036
State	219,649,226	\$ 219,649,226	221,087,202	1,437,976
Federal	39,960,512	\$ 39,960,512	38,091,289	(1,869,223)
Other	2,916,376	\$ 2,916,376	3,423,513	507,137
Total Revenues	352,757,091	352,757,091	354,927,017	2,169,926
EXPENDITURES				
Current				
Regular Instruction	188,595,538	188,595,538	178,604,394	9,991,144
Federal Stimulus	-	-	2,818	(2,818)
Special Education	46,329,032	46,329,032	46,461,341	(132,309)
Career & Technical Education	10,678,860	10,678,860	11,399,640	(720,780)
Compensatory Education	33,534,671	33,534,671	32,905,572	629,099
Other Instructional Programs	13,676,170	13,676,170	6,288,925	7,387,245
Community Services	443,293	443,293	553,050	(109,757)
Support Services	70,013,367	70,013,367	70,460,303	(446,936)
Capital Outlay		-		
Other	688,082	688,082	412,640	275,442
Total Expenditures	363,959,013	363,959,013	347,088,682	16,870,331
Excess of Revenues (Under) Expenditures	(11,201,922)	(11,201,922)	7,838,335	19,040,257
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	-	-	30,245	30,245
Transfers	1,500,000	1,500,000	360,331	(1,139,669)
Total Other Financing Sources	1,500,000	1,500,000	390,576	(1,109,424)
Changes in Fund Balance	(9,701,922)	(9,701,922)	8,228,912	17,930,834
FUND BALANCE-September 1	32,527,540	32,527,540	32,527,540	-
FUND BALANCE -August 31	\$ 22,825,618	\$ 22,825,618	\$ 40,756,452	\$ 17,930,834

* The budgetary basis of accounting is modified accrual, the same as the fund basis of accounting.

REQUIRED SUPPLEMENTARY INFORMATION
TACOMA SCHOOL DISTRICT No. 10
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND (ASSOCIATED STUDENT BODY FUND)
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL *	FINAL *		
REVENUES				
General	\$ 1,344,127	\$ 1,344,127	\$ 767,245	\$ (576,882)
Athletics	330,800	330,800	223,342	(107,458)
Classes	432,980	432,980	247,730	(185,250)
Clubs	2,403,745	2,403,745	629,531	(1,774,214)
Private Monies	153,875	153,875	7,582	(146,293)
Total Revenues	4,665,527	4,665,527	1,875,430	(2,790,097)
EXPENDITURES				
General	1,443,453	1,443,453	835,860	607,593
Athletics	312,777	312,777	159,352	153,425
Classes	327,012	327,012	244,241	82,771
Clubs	2,122,566	2,122,566	624,289	1,498,277
Private Monies	153,875	153,875	5,790	148,085
Total Expenditures	4,359,683	4,359,683	1,869,533	2,490,150
Changes in Fund Balance	305,844	305,844	5,897	(299,947)
FUND BALANCE - September 1	1,935,440	1,935,440	1,935,440	
FUND BALANCE - August 31	\$ 2,241,284	\$ 2,241,284	\$ 1,941,337	\$ (299,947)

* The budgetary basis of accounting is modified accrual, the same as the fund basis of accounting.

REQUIRED SUPPLEMENTARY INFORMATION
TACOMA SCHOOL DISTRICT No. 10
ACTUARIAL VALUATION OF POST EMPLOYMENT BENEFITS
OTHER THAN PENSION
SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended August 31	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL As a Percentage of Covered Payroll
2008	August 31, 2008	\$ -	\$ 85,466,774	\$ 85,466,774	0%	\$ 163,003,749	52%
2008	August 31, 2008*	\$ -	\$ 147,686,881	\$ 147,686,881	0%	\$ 163,003,749	91%
2009	August 31, 2008*	\$ -	\$ 147,686,881	\$ 147,686,881	0%	\$ 189,434,727	78%
2010	August 31, 2010	\$ -	\$ 166,482,728	\$ 166,482,728	0%	\$ 151,445,697	110%
2011	August 31, 2011	\$ -	\$ 166,482,728	\$ 166,482,728	0%	\$ 182,414,713	91%
2012	August 31, 2012	\$ -	\$ 110,671,006	\$ 110,671,006	0%	\$ 176,900,781	63%
2013	August 31, 2013	\$ -	\$ 110,671,006	\$ 110,671,006	0%	\$ 183,548,684	60%
2014	August 31, 2014	\$ -	\$ 121,609,645	\$ 121,609,645	0%	\$ 201,815,884	60%
2015	August 31, 2015	\$ -	\$ 121,609,645	\$ 121,609,645	0%	\$ 187,350,086	65%

*A revised actuarial study for August 31, 2008 was received on January 15, 2010.
 GASB 45 was implemented for the fiscal year ended August 31, 2008.

REQUIRED SUPPLEMENTARY INFORMATION
TACOMA SCHOOL DISTRICT No. 10
SCHEDULE OF THE DISTRICT'S PROPORTIONAL SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS *

Plan: PERS 1		2015	
District's proportion of the net pension liability (percentage)		0.477932%	
District's proportionate share of the net pension liability (amount)	\$	25,000,282	
District's covered employee payroll	\$	1,460,940	
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll		1711.25%	
Plan fiduciary net position as a percentage of the total pension liability		59.10%	
Plan: SERS 2/3			
District's proportion of the net pension liability (percentage)		3.004269%	
District's proportionate share of the net pension liability (amount)	\$	12,201,867	
District's covered employee payroll	\$	51,718,906	
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll		23.59%	
Plan fiduciary net position as a percentage of the total pension liability		90.92%	
Plan: TRS 1			
District's proportion of the net pension liability (percentage)		3.282951%	
District's proportionate share of the net pension liability (amount)	\$	104,008,565	
District's covered employee payroll	\$	5,368,779	
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll		1937.29%	
Plan fiduciary net position as a percentage of the total pension liability		65.70%	
Plan: TRS 2/3			
District's proportion of the net pension liability (percentage)		3.207000%	
District's proportionate share of the net pension liability (amount)	\$	27,060,729	
District's covered employee payroll	\$	150,091,121	
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll		18.03%	
Plan fiduciary net position as a percentage of the total pension liability		92.48%	

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

REQUIRED SUPPLEMENTARY INFORMATION
TACOMA SCHOOL DISTRICT No. 10
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST 10 FISCAL YEARS *

Plan: PERS 1	2015	
Contractually required contribution	\$ 2,196,565	
Contributions in relation to the contractually required contributions	<u>2,196,565</u>	
Contribution deficiency (excess)	-	
District's covered-employee payroll	\$ 1,460,940	
Contribution as a percentage of covered-employee payroll	150.35%	
Plan: SERS 2/3		
Contractually required contribution	\$ 2,920,801	
Contributions in relation to the contractually required contributions	<u>2,920,801</u>	
Contribution deficiency (excess)	-	
District's covered-employee payroll	\$ 51,718,906	
Contribution as a percentage of covered-employee payroll	5.65%	
Plan: TRS 1		
Contractually required contribution	\$ 7,346,486	
Contributions in relation to the contractually required contributions	<u>7,346,486</u>	
Contribution deficiency (excess)	\$ -	
District's covered-employee payroll	\$ 5,368,779	
Contribution as a percentage of covered-employee payroll	136.84%	
Plan: TRS 2/3		
Contractually required contribution	\$ 8,522,516	
Contributions in relation to the contractually required contributions	<u>8,522,516</u>	
Contribution deficiency (excess)	\$ -	
District's covered-employee payroll	\$ 150,091,121	
Contribution as a percentage of covered-employee payroll	5.68%	

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

TACOMA SCHOOL DISTRICT NO. 10
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending August 31, 2015

1	2	3	4	5	6	7	8	9
Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number	From Direct Awards	From Pass Through Awards	Total	Footnote
USDA	WA OSPi	National School Lunch Program	10.555	N/A		\$701,992	\$701,992	3,7
	WA OSPi	National School Lunch Program	10.555	N/A		\$137,991	\$137,991	7
	WA OSPi	National School Lunch Program	10.555	N/A		\$697,801	\$697,801	7
	WA OSPi	National School Lunch Program	10.555	N/A		\$6,621,531	\$6,621,531	7
	WA OSPi	National School Lunch Program	10.555	N/A		\$176,132	\$176,132	7
	WA OSPi	School Breakfast Program	10.553	N/A		\$16,038	\$16,038	7
	WA OSPi	School Breakfast Program	10.553	N/A		\$161,635	\$161,635	7
	WA OSPi	School Breakfast Program	10.553	N/A		\$2,073,030	\$2,073,030	7
	WA OSPi	National School Lunch Program	10.555	N/A		\$57,749	\$57,749	7
	WA OSPi	Summer Food Service Program for Children	10.559	N/A		\$124,018	\$124,018	7
	WA OSPi	Fresh Fruit and Vegetable Program	10.582	N/A		\$120,488	\$120,488	7
	WA OSPi	Schools and Roads - Grants to States	10.665	N/A		\$23,507	\$23,507	7
		SUBTOTAL US DEPARTMENT OF AGRICULTURE			\$0	\$10,911,912	\$10,911,912	
Dept. of Defense		JROTC - Army	12.WA030389/WA030390	WA030389/WA030390	\$104,572		\$104,572	7
		JROTC - Navy	12.JR0TC144S/12.JR0TC15XS	JR0TC144S/JR0TC15XS	\$67,931		\$67,931	7
		JROTC - Navy Startup	12.N3951715MJRTC	N3951715MJRTC	\$1,620		\$1,620	7
		JROTC - Navy Orientation/Uniform	12.N3951715MJRTC	N3951715MJRTC	\$7,997		\$7,997	7
		JROTC - Air Force	12.WA030941	WA030941	\$62,835		\$62,835	7
		JROTC - Air Force	12.WA030941	WA030941	\$162		\$162	7
		JROTC - Marines	12.WA030237	WA030237	\$66,311		\$66,311	7
		JROTC - Marines	12.WA030237	WA030237	\$7,498		\$7,498	7
		JROTC - Navy	12.N3951714MJRTC	N3951714MJRTC	\$1,343		\$1,343	7
		SUBTOTAL DEPARTMENT OF DEFENSE			\$320,270	\$0	\$320,270	
U.S. Dept. of the Interior	National Park Service	National Park Service Conservation, Protection, Outreach and Education	15.954	N/A		\$1,221	\$1,221	7
		SUBTOTAL U.S. DEPT. OF THE INTERIOR			\$0	1,221	\$1,221	

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

1	2	3	4	5	6	7	8	9
Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number	From Direct Awards	From Pass Through Awards	Total	Footnote
U.S. Dept. of Ed	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0201434		\$78,895	\$78,895	5
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0201710		\$9,839,970	\$9,839,970	5
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0224380		(\$205)	(\$205)	7
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0222467		\$952	\$952	7
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0222490		\$94,797	\$94,797	
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0228376		\$22,496	\$22,496	
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0228722		\$14,848	\$14,848	
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0228387		\$29,965	\$29,965	
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0228375		\$23,620	\$23,620	
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0228381		\$21,520	\$21,520	
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0228723		\$19,649	\$19,649	
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0228378		\$16,271	\$16,271	
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0228721		\$16,889	\$16,889	
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0228399		\$30,000	\$30,000	
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0228724		\$17,380	\$17,380	
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0228397		\$18,725	\$18,725	
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0228398		\$18,461	\$18,461	
	WA OSPI	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	#0223031		\$696	\$696	7
	WA OSPI	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	#0223046		\$119,352	\$119,352	
	WA OSPI	Special Education Grants to States	84.027	#0304679		\$63,744	\$63,744	7
	WA OSPI	Special Education Grants to States	84.027	#0305191		\$6,272,466	\$6,272,466	
	WA OSPI	Special Education Grants to States	84.027	#0337677		\$15,610	\$15,610	7
	WA OSPI	Special Education Grants to States	84.027	#0337779		\$704,916	\$704,916	
		Impact Aid	84.041	01000	\$1,242		\$1,242	7
		Impact Aid	84.041	21000	\$556		\$556	7
	WA OSPI	Career and Technical Education-Basic Grants to States	84.048	#0173369		\$238,734	\$238,734	
		Indian Education Grants to Local Educational Agencies	84.060	S060A141118	\$121,374		\$121,374	
		Indian Education Grants to Local Educational Agencies	84.060	S060A151118	\$38,981		\$38,981	7
	WA OSPI	Special Education Preschool Grants	84.173	#0364678		\$2,844	\$2,844	7
	WA OSPI	Special Education Preschool Grants	84.173	#0363191		\$254,173	\$254,173	
	WA OSPI	Education for Homeless Children and Youth	84.196	#0456177		\$35,612	\$35,612	
	WA OSPI	English Language Acquisition State Grants	84.365	#0402128		\$248,943	\$248,943	
	UW Tacoma	English Language Acquisition State Grants	84.365	756188		\$13,160	\$13,160	7
	UW Tacoma	English Language Acquisition State Grants	84.365	756188		\$30,400	\$30,400	7
	WA OSPI	Improving Teacher Quality State Grants	84.367	#0523226		\$16,708	\$16,708	7
	WA OSPI	Improving Teacher Quality State Grants	84.367	#0523531		\$993,687	\$993,687	
	WA OSPI	School Improvement Grants	84.377	#0225346		\$2,273,823	\$2,273,823	7
	WA OSPI	School Improvement Grants, Recovery Act	84.388	#0225033		\$2,940	\$2,940	7
	PSESD	Race to the Top - Early Learning Challenge	84.412	PO #7171400013		\$22,750	\$22,750	7
		SUBTOTAL US DEPARTMENT OF EDUCATION			\$162,152	\$21,572,791	\$21,734,943	

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

Tacoma School District No. 10
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ending August 31, 2015

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 – PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the Tacoma School District's local matching share, may be more than shown.

NOTE 3 – NONCASH AWARDS

The amount of commodities reported on the schedule is the value of commodities distributed by the Tacoma School District during the current year and priced as prescribed by the USDA.

NOTE 4 – SCHOOLWIDE PROGRAMS

The Tacoma School District operates a "schoolwide program" in twenty-one elementary schools, six middle schools, one high school, and two alternative high schools. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the Tacoma School District in its schoolwide program. Title I (84.010) expended \$5,152,358.61.

NOTE 7 – FEDERAL INDIRECT RATE

The Tacoma School District used the federal restricted rate of 4.92%. The following CFDA numbers have a different rate set by the individual grant:

10.553 – 0%	84.367 – 4.34% or 4.92%
10.555 – 0%	84.377 – 0%
10.559 – 0%	84.388 – 4.34%
10.582 – 0%	84.412 – 0%
10.665 – 0%	93.500 – 4.92% or 0%
12.xxx – 0%	93.600 – 9% or 8%
15.954 – 0%	94.004 – 0%
84.010 – 4.92% or 4.34%	94.007 – 0%
84.013 – 4.92% or 4.34%	
84.027 – 4.92%, 3.34% or 0%	
84.041 – 0%	
84.048 – 4.92%	
84.060 – 4.92% or 4.89%	
84.173 – 4.92% or 4.34%	
84.196 – 4.92%	
84.365 – 2% or 0%	

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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