

**Washington State Auditor's Office**  
**Financial Statements and Federal Single Audit Report**

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**Tacoma School District No. 10**  
**Pierce County**

Audit Period  
**September 1, 2012 through August 31, 2013**

**Report No. 1011951**

Issue Date  
**May 27, 2014**



**Washington State Auditor**  
**Troy Kelley**

Independence • Respect • Integrity



## Washington State Auditor Troy Kelley

May 27, 2014

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

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**Pierce County**  
**September 1, 2012 through August 31, 2013**

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# Federal Summary

## Tacoma School District No. 10 Pierce County September 1, 2012 through August 31, 2013

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>
84.365	English Language Acquisition Grants
84.367	Improving Teacher Quality - Title II
84.388	ARRA - School Improvement Grants Cluster - School Improvement Grants (Recovery Act)
93.600	Head Start Cluster - Head Start

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$1,144,419.

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, 2012 through August 31, 2013**

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, 2013, 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 27, 2014. As discussed in Note 1 to the financial statements, during the year ended August 31, 2013, the District implemented Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

## ***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.

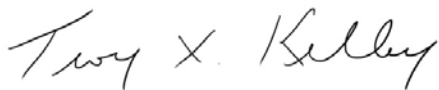
## ***COMPLIANCE AND OTHER MATTERS***

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.



**TROY KELLEY**  
STATE AUDITOR

February 27, 2014

# **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, 2012 through August 31, 2013**

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, 2013. 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, 2013.

### ***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

May 16, 2014

# **Independent Auditor's Report on Financial Statements**

## **Tacoma School District No. 10 Pierce County September 1, 2012 through August 31, 2013**

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 11.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Tacoma School District No. 10, as of August 31, 2013, 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 1 to the financial statements, in 2013, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. 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 12 through 21, budgetary comparison information on pages 61 through 62 and information on postemployment benefits other than pensions on page 63 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.

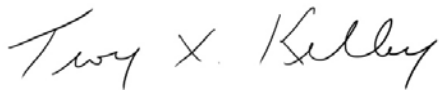
#### ***Supplementary and Other Information***

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 27, 2014 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.



**TROY KELLEY**  
STATE AUDITOR

February 27, 2014

## **Financial Section**

**Tacoma School District No. 10  
Pierce County  
September 1, 2012 through August 31, 2013**

### ***REQUIRED SUPPLEMENTARY INFORMATION***

Management's Discussion and Analysis – 2013

### ***BASIC FINANCIAL STATEMENTS***

Statement of Net Position – 2013

Statement of Activities – 2013

Fund Balance Sheets – Governmental Funds – 2013

Reconciliation Balance Sheet/Statement of Net Position – 2013

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental  
Funds – 2013

Reconciliation Statement of Revenues, Expenditures and Changes in Fund Balance/  
Statement of Activities – 2013

Statement of Net Position – Proprietary Fund (The Sound Partnership) – 2013

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund (The  
Sound Partnership) – 2013

Statement of Cash Flows – Proprietary Fund (The Sound Partnership) – 2013

Statement of Fiduciary Net Position – Fiduciary Funds – 2013

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2013

Notes to Financial Statements – 2013

### ***REQUIRED SUPPLEMENTARY INFORMATION***

Budgetary Comparison Schedule – General Fund– 2013

Budgetary Comparison Schedule – Special Revenue Fund (Associated Student Body  
Fund) – 2013

Actuarial Valuation of Postemployment Benefits Other Than Pensions – 2013

### ***SUPPLEMENTARY AND OTHER INFORMATION***

Schedule of Expenditures of Federal Awards – 2013

Notes to the Schedule of Expenditures of Federal Awards – 2013

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Tacoma School District No. 10's financial performance provides an overview of the district's financial activities for the fiscal year ended August 31, 2013. 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, 2013, was \$545.8M, an increase of \$1.59M from 2011-12. Capital assets decreased by \$5M, current and other assets increased by \$93.9M, total assets increased by \$88.9M, and liabilities increased by \$87.3M from the prior year.
- During the year, the district had revenues of \$370.65M and expenses of \$369.06M incurred for all governmental activities, resulting in a corresponding increase in the district's net position by \$1.59M.
- At the end of the current fiscal year, the district's governmental funds reported a combined ending fund balance of \$158.05M; an increase of \$94.8M from the prior year. The general fund's total fund balance was \$33.61M; a decrease of \$5.87M from the previous year. Approximately \$18.49M is available for spending at the district's discretion (assigned fund balance).
- A \$500M bond measure for district-wide capital improvements was approved by the voters in February, 2013. The district sold an 18 month, \$100M bond anticipation note in June, 2013 to fund the first set of projects.
- The district issued \$78.9M in new bonds to advance refund \$83.4M in existing bonds, which produced a net present value economic gain of \$9.77M to the entity. Principal payments on existing bonds of \$19.3M were made during the year. Its overall long-term liabilities increased by \$86.6M.

### 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.

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

These statements report the district's net position and changes in them. The district's net position (the difference between assets and liabilities) 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 \$545.8M at the end of the fiscal, August 31, 2013.

The largest portion of the net position is net invested in capital assets. The net invested in capital assets (e.g., land, building, and equipment), less any related outstanding debt used to acquire those assets, is \$376.9M. The remainder consists of an amount restricted for capital projects, debt services, associated student body fund, and other proposes, with \$40.8M 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 increase in total net position for the year was \$1,590,813. Key elements of this increase are as follows:

#### Tacoma School District's Net Position

As of August 31

	Governmental Activities		
	2013	2012	Changes
<b>ASSETS</b>			
Current and Other Assets	\$ 260,195,694	\$ 166,290,862	\$ 93,904,833
Capital Assets	712,793,344	717,801,042	(5,007,698)
<b>Total Assets</b>	<b>972,989,038</b>	<b>884,091,904</b>	<b>88,897,135</b>
<b>LIABILITIES</b>			
Long-Term Debt Outstanding	396,664,900	310,045,090	<b>86,619,810</b>
Other Liabilities	30,555,552	29,869,042	<b>686,510</b>
<b>Total Liabilities</b>	<b>427,220,452</b>	<b>339,914,132</b>	<b>87,306,320</b>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Debt	474,767,679	463,667,781	11,099,898
Restricted	30,228,711	24,314,115	5,914,596
Unrestricted	40,772,196	56,195,876	(15,423,680)
<b>TOTAL NET POSITON</b>	<b>\$ 545,768,586</b>	<b>\$ 544,177,772</b>	<b>\$ 1,590,813</b>

The restricted net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted *net position* may be used to meet the district's ongoing obligations to citizens and creditors.

## Governmental Activities

The 2012-13 revenues of \$370.65M exceeded expenditures by \$1.59M. The 2011-12 revenues exceeded the expenditures by \$19.74M. 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, 2012

	2013	2012	Changes
<b>REVENUES</b>			
Program Revenues:			
Charges for Services	\$ 10,753,010	\$ 10,237,870	15,140
Operating Grants and Contributions	109,133,062	108,030,433	1,102,629
Capital Grants and Contributions	671,852	1,208,706	(536,854)
General Revenues:			
Property Taxes	131,930,185	128,584,175	3,346,010
Interest and Investment Earnings	153,864	109,360	44,504
Unallocated Revenues	118,011,453	136,048,820	(18,037,367)
<b>TOTAL REVENUES</b>	<b>370,653,425</b>	<b>384,219,364</b>	<b>(13,565,938)</b>
<b>PROGRAM EXPENSES:</b>			
Regular Instruction	200,132,388	187,093,849	13,038,539
Federal Stimulus	2,712,607	3,595,817	(883,210)
Special Instruction	45,199,346	42,916,763	2,282,583
Career & Technical Instruction	11,199,076	10,897,908	301,168
Compensatory Instruction	26,882,336	30,504,519	(3,622,183)
Other Instructional Programs	4,285,329	4,366,029	(80,700)
Community Services	417,267	433,295	(16,028)
Support Services	73,960,390	69,686,722	4,273,668
Extracurricular Activities	2,033,416	2,001,607	31,809
Debt Payment	2,240,457	12,983,037	(10,742,580)
<b>TOTAL EXPENSES</b>	<b>369,062,612</b>	<b>364,479,546</b>	<b>4,583,066</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>1,590,813</b>	<b>19,739,818</b>	<b>(18,149,005)</b>
<b>NET POSITION - 9/1/12</b>	<b>544,177,772</b>	<b>524,437,954</b>	<b>19,739,818</b>
<b>NET POSITION - 8/31/13</b>	<b>\$ 545,768,586</b>	<b>\$ 544,177,772</b>	<b>\$ 1,590,813</b>

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 column shows the financial impact by each of these functions.

<b>Governmental Activities</b>				
	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2012-13</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2011-12</b>
Regular Instruction	200,132,388	187,093,849	(181,936,434)	(173,730,561)
Federal Stimulus	2,712,607	3,595,817	(67,295)	60,461
Special Instruction	45,199,346	42,916,763	(9,396,949)	(7,655,957)
Career & Tech Instruction	11,199,076	10,897,908	824,080	1,011,501
Compensatory Instruction	26,882,336	30,504,519	(1,297,681)	(832,457)
Other Instructional Programs	4,285,329	4,366,029	(1,452,834)	(1,306,440)
Community Services	417,267	433,295	256,660	312,615
Support Services	73,960,390	69,686,722	(53,263,020)	(49,856,824)
Extracurricular Activities	2,033,416	2,001,607	69,241	(21,838)
Debt payments	2,240,457	12,983,037	(2,240,457)	(12,983,037)
<b>TOTALS</b>	<b>\$369,062,612</b>	<b>\$364,479,546</b>	<b>\$(248,504,689)</b>	<b>\$(245,002,537)</b>

## GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

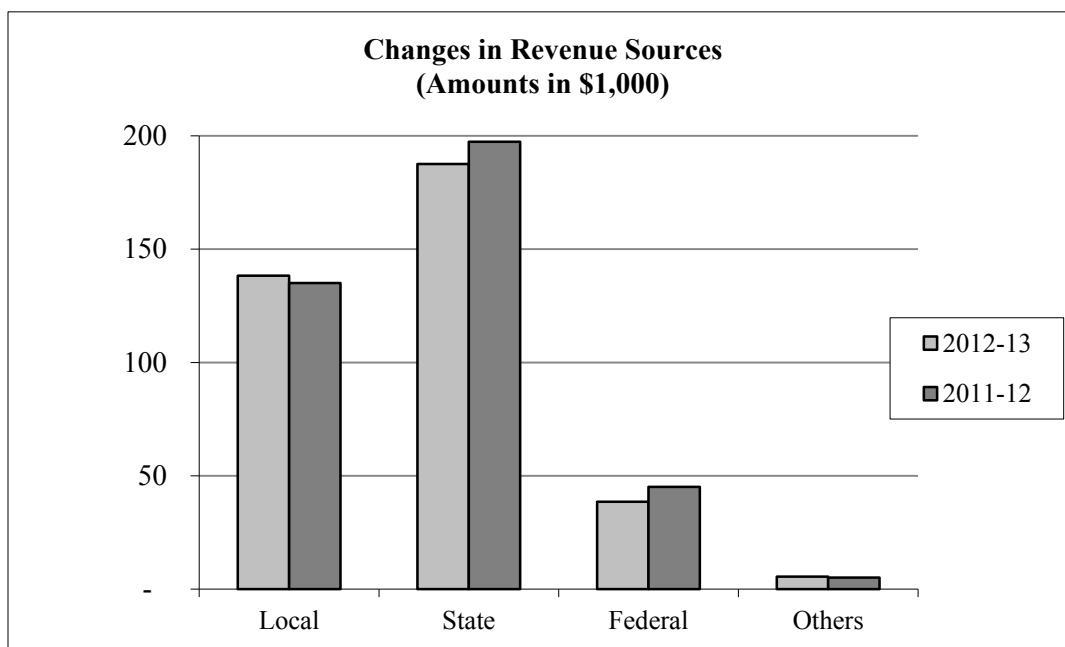
The focus of the district's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Thus, unreserved fund balance may serve as a useful measure of the district's net resources available for spending at the end of the fiscal year.

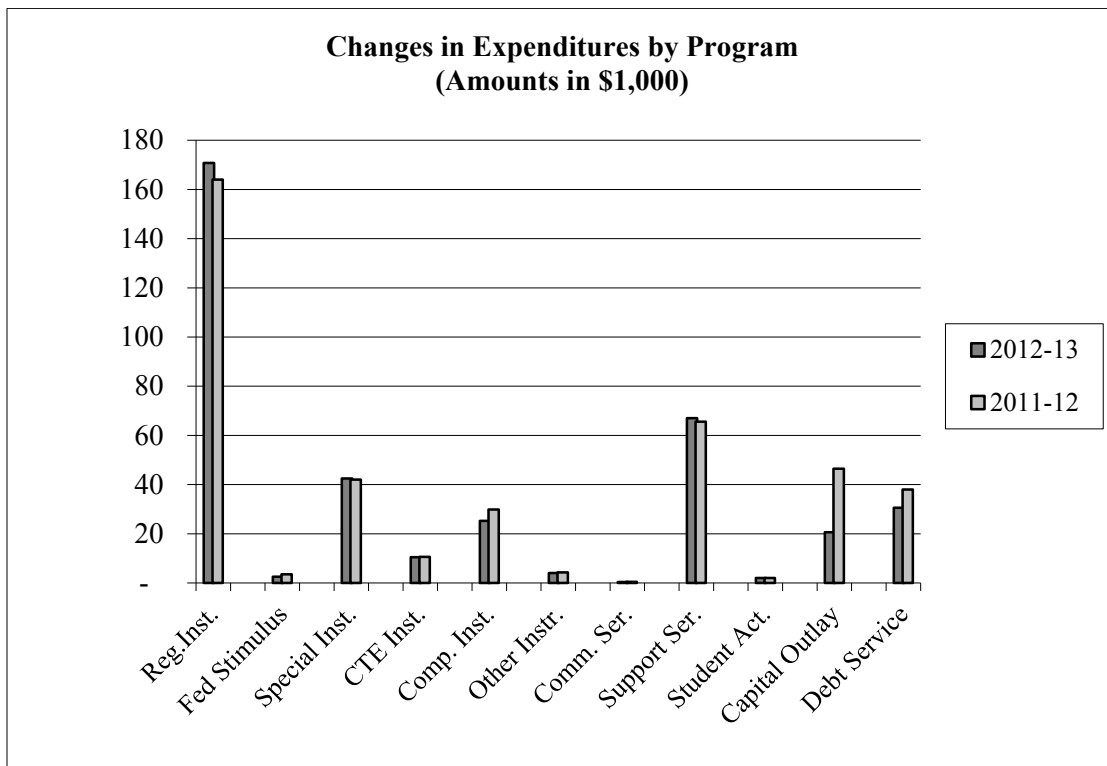
As the district completed the fiscal year, its governmental funds (as presented in the balance sheets under the governmental financial statement section) reported a combined fund balance of \$158.05M, an increase of \$94.8M over the prior year. This change is the result of the following factors:

- The fund balance in the General Fund decreased by \$5.87M. While the district had planned for its reserves to drop by more than this amount, additional revenues (above budget) were recorded in property taxes and regular state apportionment. 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 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. Forty-five percent of the fund balance is in the nonspendable, restricted, or committed categories.
- The fund balance in the Special Revenue Fund (ASB) increased by \$81K. All secondary schools and most elementary schools had activity in their ASB funds in 2012-13.
- The fund balance in the Debt Service Fund increased by \$200K 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 \$100.31M. The district passed a \$500M bond authority for capital construction projects in February 2013, and issued a \$100M Bond Anticipation Note in June, 2013 to fund the first projects on the list. Virtually all of the fund balance is in restricted categories.
- The fund balance in the Transportation Vehicle Fund increased by \$75K. Five new buses were purchased during 2012-13. 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 2012-13 and the amounts and percentages of increases and decreases in relation to the prior year. A graphical presentation of revenues and expenditures follows.

<b>Changes in Revenues and Expenditures Governmental Funds</b>				
<b>Revenue Source</b>	<b>2012-13 Amount</b>	<b>Percent of Total</b>	<b>Increase (Decrease) Over 2011-12</b>	<b>Percent Increase (Decrease)</b>
Local Taxes & Non-taxes	138,306,757	37.38%	3,231,024	2.4%
State Revenues	187,596,044	50.70%	(9,819,880)	-5.0%
Federal Revenues	38,536,505	10.42%	(6,605,466)	-14.6%
Others	5,538,083	1.50%	438,250	8.6%
<b>Total</b>	<b>369,977,389</b>	<b>100.00%</b>	<b>(12,756,072)</b>	<b>-3.3%</b>
<b>Expenditures</b>				
Regular Instruction	170,771,737	45.39%	6,763,404	4.1%
Federal Stimulus	2,550,190	0.68%	(961,205)	0.0%
Special Instruction	42,490,710	11.29%	439,638	1.0%
Career & Tech Instruction	10,503,546	2.79%	(135,454)	-1.3%
Compensatory Instruction	25,264,270	6.72%	(4,620,109)	-15.5%
Other Instructional Programs	4,020,355	1.07%	(250,171)	-5.9%
Community Services	398,150	0.11%	(30,700)	-7.2%
Support Services	67,005,275	17.81%	1,423,767	2.2%
Extracurricular Activities	2,020,978	0.54%	20,355	1.0%
Capital Outlay	20,636,911	5.49%	(25,823,250)	-55.6%
Debt Service	30,554,818	8.12%	(7,449,730)	-19.6%
<b>Total</b>	<b>\$ 376,216,940</b>	<b>100.00%</b>	<b>\$ (30,623,455)</b>	<b>-7.5%</b>





### 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 2012-13.

The beginning fund balance in 2012-13 was \$39.48M as reported in the Required Supplemental Information, Schedule A-1.

Revenues were \$5.57M below budget, and expenditures were \$9.08M under budget. Washington State statutes establish expenditure budgets as absolute expenditure limits, encouraging contingency budgeting.

Property tax revenues came in over \$1M above budget, and local tax collections were greater than \$500K from the prior year. Tax revenues lost in prior years due to administrative refunds were re-levied by the county treasurer as part of the normal levy calculations. The district received \$142.54M in general state apportionment revenues in 2012-13, an increase of \$500K over 2011-12. This slight revenue enhancement was the result of an increase in the staff max factor for the district – one of the key drivers of this state funding category.

Expenditures in the general fund were less than planned. Underspends in certificated and classified salaries and benefits as a result of unfilled positions, and \$2M in unspent curriculum adoption and support materials contributed to the lower than expected costs. The district had also budgeted capacity (both revenue and expenditure) for state and federal grants that did not materialize.

Other financing sources were \$1.48M, \$77K above budget. The district transferred \$1.36M from the capital projects fund to the general fund for district-wide technology software licenses as permitted under state statute, and sold surplus equipment (\$133K).

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2012-13, the district had \$712.8M invested in a broad range of capital assets, including technology equipment and school buildings. This amount represents a net decrease (including additions and deletions) of \$5M over last year.

#### Capital Assets As of August 31, 2013

Asset Type	2012-13 Governmental Activities		
	Historical Cost	Accumulated Depreciation	NET
Land	40,716,666	-	40,716,666
Building and Improvements	932,553,818	(271,226,093)	661,327,725
Equipment	37,393,570	(34,834,074)	2,559,496
Construction-in-progress	8,189,457	-	8,189,457
<b>TOTALS</b>	<b>\$ 1,018,853,511</b>	<b>\$ (306,060,167)</b>	<b>\$ 712,793,344</b>

Geiger Elementary and Baker Middle School were transferred from construction in progress (CIP) status into capital assets as they were determined to be substantially complete in 2012-13. Current, active construction projects include: McCarver and Washington Elementary Schools, Stewart and Hunt Middle Schools, the Science and Math Institute, and Wilson High School Phase 2. Additional information can be found in the Notes to the Financial Statements, Note 4.

#### Construction in Progress - Changes from Prior Year:

Elementary Schools	\$ (18,296,539)
Middle Schools	(42,004,458)
High Schools	149,129
	<u>\$ (60,151,868)</u>

The district's 2012-13 fiscal year budget for capital projects fund expenditures was set at \$25.2M. Major projects included the modernization of Washington Elementary, completion of Phase 2 of the Baker Middle School Project, and architect selection for four of the 2013 bond projects – Science and Math Institute, McCarver Elementary, Wilson High School, and Stewart Middle School. Several small capital projects were completed in the 2012-13 fiscal year, including the Edison playfield expansion project and the performing arts center upgrades at Lincoln and Wilson High Schools.

These projects and others were financed by the six-year Capital Levy funds approved by the voters in 2010, and the 2013 capital bonds (\$500M) approved by voters in February, 2013. Additional information on capital assets is included in the Notes to the Financial Statements, Note 5.

## Debt

At year end, the district owed \$319.9M in outstanding bonds, versus \$244.8M last year – an increase of \$75.1M. This debt is secured by a pledge of the full faith and credit of the district. On October 9, 2012, the district received a rating from Moody's of AA+, and a Standard and Poor's rating of AA-. Both rates were reaffirmed on May 14, 2013. Additional information on debt is included in the Notes to the Financial Statements, Note 7.

### Outstanding Debt at Year-End

Governmental Activities	2012-13	2011-12	Increase/(Decrease)	
03 UTGO Bonds	9,000,000	49,100,000	(40,100,000)	-81.67%
05 Refunding of 2001 UTGO	133,130,000	141,495,000	(8,365,000)	-5.91%
05A UTGO Bonds	-	42,890,000	(42,890,000)	100.00%
05B UTGO Bonds	-	11,300,000	(11,300,000)	100.00%
12 Refunding of the 03, 05, 05A UTGO's	78,905,000	-	78,905,000	100.00%
13 Bond Anticipation Note	98,865,000	-	98,865,000	100.00%
<b>TOTALS</b>	<b>319,900,000</b>	<b>244,785,000</b>	<b>75,115,000</b>	<b>30.69%</b>

## NEXT YEAR'S BUDGET AND RATES

The district's 2013-14 expenditure budgets for governmental funds were set at over \$440.3M. The 2013 property tax rate increased from \$7.04 to \$7.92 per thousand dollars of assessed value for the amounts collected in the general fund, capital projects fund, and debt service fund. Total assessed value declined by over 9 percent between 2012 and 2013, and property values dropped from \$18.65B to \$16.86B over the calendar year. Property values have rebounded in 2014, and we expect assessed values to climb for the next few years.

## 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 was forecast to end 2013 up by 2.7 percent for the year which is in line with last year's forecast of 2.8 percent. Forecasts for 2014 and beyond show annualized gains of 2.5 percent.

Growth continues to be sluggish, and a continuing high unemployment rate indicates the recovery is not yet complete. Between 2008 and 2010, Pierce County lost approximately 15,000 jobs in the nonfarm sector, or about 5.5 percent of its workforce. Even with a slow and steady recovery after 2010, the labor market has not fully recovered. Employment gains in the private sector came with additional workers from State Farm Insurance relocating to Tacoma, and the arrival of Grand Alliance Shipping consortium at the Port of Tacoma. These gains have been partially offset by losses in government employment.

An additional 2,600 nonfarm jobs were created in 2012, and the first three quarters of 2013 continued this trend with an average increase in nonfarm employment of about 2,700 new jobs, or a 1 percent gain. Average employment for 2013 was 271,500, which is slightly below the 2006 level. For 2013, unemployment rates in Pierce County will average 8.2 percent, down more than 0.5 percent from 2012's 8.9 percent. Unemployment rates are predicted to drop by another 0.57 percent from 2013 to 2014.

During the Great Recession, Pierce County's annual real total personal income fell by \$540M (2009 dollars), or 1.7 percent, while real personal income per capita fell by \$1,209, or 2.9 percent. County-level income data confirms that while the total personal income losses had been reversed by 2012, personal income per capita was still below 2008 levels. Total real personal income is expected to show gains of 2.2 percent and 1.9 percent in 2013 and 2014, respectively. Real personal income per capita is forecast to finish up 1.6 percent for 2013, finally bring per capita income above its pre-recession peak.

Retail spending in Pierce County has been stagnant after the Great Recession, however, the overall pattern appears to have shifted beginning in 2012. Retail sales grew strongly throughout 2012 and came in at 3.5 percent above their 2011 levels. The trend continued in 2013 with year-over-year increases of 8.4 and 8.0 percent in the first and second quarters. While the overall trend in retail sales will remain positive, growth is expected to slow in 2014 and is forecast to be 4.2 percent above 2013 levels.

Pierce County's housing and real estate markets were generally upbeat through the first three quarters of 2013. Single-family housing saw increased activity and higher prices, bolstered by increased demand from institutional investors. The multi-family housing market saw decreased vacancy rates and an uptick in rents through 2013. Foreclosure rates remain high. While Pierce County still has a higher percentage of households receiving notices of foreclosure sales than the state average, this ratio has dropped from a high of 2.77 percent in 2010, to 2.01 percent in 2012, and 1.71 percent in 2013. Similarly, personal bankruptcy filings (Chapters 7, 12, and 13) have declined by 17.1 percent from 2009 to 2013.

In January 2012, the Washington State Supreme Court ruled unanimously in its *McCearly* decision that the State of Washington is violating the constitutional rights of children by failing to live up to its "paramount duty" to amply fund the education of all K-12 students. The court ordered the Legislature to make steady, real and measureable progress each year and to fully fund K-12 public education by 2018. The Court has ordered the State to demonstrate and report on its progress every year.

For 2013-14, state apportionment revenues have increased with the *McCearly* decision. State general purpose revenues have gone up and are predicted to be over \$3M above the prior year. State special purpose revenues for the learning assistance and special education programs are forecast to be almost \$4M above last year's levels. The governor and legislature are grappling with how to fund the 2014-15 *McCearly* requirements, and preliminary schedules show the district receiving almost \$5M in additional state revenues for that period. Additional requirements have come along with the enhanced funding.

The district will continue to monitor enrollment trends and actions taken by the state legislature as well as the effect of a slow 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](http://www.tacoma.k12.wa.us) or contact:

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



**TACOMA SCHOOL DISTRICT No. 10**  
**STATEMENT OF NET POSITION**  
**August 31, 2013**

			Primary Government
	Note No.		Governmental Activities
<b>ASSETS</b>			
Cash and Cash Equivalents	1.F.1	\$	6,877,167
Cash Held by Trustees	2.B		2,628,167
Investments	2.A		177,072,467
Property Tax Receivable	1.F.2		66,620,069
Receivables, Net	1.F.3		258,952
Due From Other Governments	1.F.5		3,610,405
Inventories	1.G		1,596,526
Prepaid Items	1.G		938,835
Unamortized Bond Issuance Cost	7.B		593,106
Capital Assets, net of accumulated depreciation, where applicable:	4		
Land			40,716,666
Buildings & Improvements			661,327,725
Equipment			2,559,496
Construction-in-Progress			8,189,457
<b>TOTAL ASSETS</b>			<b>972,989,038</b>
<b>LIABILITIES</b>			
Accounts Payable			14,461,091
Accrued Wages & Benefits Payable			14,991,858
Unearned Revenue	1.J		1,102,603
Long-Term Liabilities	7.A		
Due within one year			23,043,541
Due in more than one year			373,621,359
<b>TOTAL LIABILITIES</b>			<b>427,220,452</b>
<b>NET POSITION</b>			
Net Invested in Capital Assets			474,767,679
Restricted for:			
Associated Student Body			1,962,810
Capital Projects			14,022,115
Debt Service			7,351,263
The Sound Partnership Employee Benefit Trust			6,397,533
State Grants			494,990
Unrestricted			40,772,196
<b>TOTAL NET POSITION</b>		<b>\$</b>	<b>545,768,586</b>

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, 2013**

					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
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Regular Instruction	\$ 200,132,388	\$ 1,330,547	\$ 16,854,403	\$ 11,005	\$ (181,936,434)
Federal Stimulus	2,712,607	-	2,645,312	-	(67,295)
Special Instruction	45,199,346	1,906,917	33,895,480	-	(9,396,949)
Career & Technical Instruction	11,199,076	140,185	11,874,435	8,536	824,080
Compensatory Instruction	26,882,336	8,525	25,576,130	-	(1,297,681)
Other Instructional Programs	4,285,329	763,198	2,069,297	-	(1,452,834)
Community Services	417,267	587,554	78,902	7,471	256,660
Support Services	73,960,390	3,913,427	16,139,103	644,840	(53,263,020)
Extracurricular Activities (ASB)	2,033,416	2,102,657	-	-	69,241
Interest Payment on Long-Term Debt	2,240,457	-	-	-	(2,240,457)
<b>Total Governmental Activities</b>	<b>\$ 369,062,612</b>	<b>\$ 10,753,010</b>	<b>\$ 109,133,062</b>	<b>\$ 671,852</b>	<b>\$ (248,504,689)</b>

**General Revenues:**

## Taxes:

Property taxes, levies for maintenance and operations	82,673,927
Property taxes, levies for debt service	30,069,252
Property taxes, levies for capital projects	19,187,006
Unallocated State Apportionment & Others	118,011,453
Interest and Investment earnings	153,864

**Total General Revenues****250,095,502****Changes in Net Position****1,590,813****Net Position - Beginning****544,177,772****Net Position - Ending****\$ 545,768,586**

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, 2013**

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND	CAPITAL PROJECT FUND	TRANSPORTATION VEHICLE FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>						
Cash on Hand and in Bank	\$ 591,869	\$ 67,848	\$ -	\$ 49,186	\$ -	\$ 708,903
Cash on Deposit with County Treasurer	381,250	3,496	141,653	84,027	1,305	611,731
Construction Retainage Escrow	-	-	-	2,628,167	-	2,628,167
Investments	44,951,000	2,125,000	7,100,000	118,565,000	3,340,000	176,081,000
Property Tax Receivable	41,143,549	-	15,270,714	10,205,806	-	66,620,069
Accounts Receivable, Net	148,026	4,303	-	-	-	152,329
Accrued Interest Receivable	282	13	44	26,895	21	27,255
Due From Other Funds	2,550,320	5,226	-	33,398	-	2,588,943
Due From Other Government Units	3,598,599	-	-	11,806	-	3,610,405
Inventories at Cost	1,596,526	-	-	-	-	1,596,526
Prepaid Items	856,798	82,037	-	-	-	938,835
<b>TOTAL ASSETS</b>	<b>95,818,219</b>	<b>2,287,923</b>	<b>22,512,411</b>	<b>131,604,285</b>	<b>3,341,326</b>	<b>255,564,163</b>
<b>LIABILITIES:</b>						
Accounts Payable	5,332,972	141,204	-	4,109,429	-	9,583,605
Retainage Payable	-	-	-	2,628,167	-	2,628,167
Accrued Wages & Benefits Payable	14,770,520	-	-	221,338	-	14,991,858
Due To Other Funds	38,623	4,928	-	2,545,392	-	2,588,943
Unearned Revenue	42,067,170	178,981	15,270,714	10,205,807	-	67,722,672
<b>TOTAL LIABILITIES</b>	<b>62,209,285</b>	<b>325,113</b>	<b>15,270,714</b>	<b>19,710,133</b>	<b>-</b>	<b>97,515,245</b>
<b>FUND BALANCES</b>						
<b>Nonspendable</b>						
Nonspendable - Inventory & Prepaid Items	2,453,324	82,037	-	-	-	2,535,361
<b>Restricted</b>						
Restricted for C/over of Restricted Revenues	-	-	-	-	-	-
Restricted for Construction	494,990	-	-	-	-	494,990
Restricted for Debt Service	-	-	-	61,219,306	-	61,219,306
Restricted to Fund Purposes	109,566	-	7,241,697	-	-	7,351,263
Restricted for Technology	-	1,880,723	-	-	-	1,880,723
<b>Committed</b>						
Committed to Debt & Fiscal Management	-	-	-	28,922,144	-	28,922,144
Committed to Other Purposes	11,058,267	-	-	-	-	11,058,267
<b>Assigned</b>						
Assigned to Encumbrances	1,000,000	-	-	-	-	1,000,000
Assigned to Budget Carryover	395,277	50	-	21,752,702	-	22,148,029
Assigned to Future Operations	1,674,635	-	-	-	-	1,674,635
Assigned to Curriculum & Instruction	12,842,022	-	-	-	-	12,842,022
Assigned to Fund Purposes	3,580,852	-	-	-	-	3,580,852
<b>TOTAL FUND BALANCES</b>	<b>33,608,934</b>	<b>1,962,810</b>	<b>7,241,697</b>	<b>111,894,152</b>	<b>3,341,326</b>	<b>158,048,918</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 95,818,219</b>	<b>\$ 2,287,923</b>	<b>\$ 22,512,411</b>	<b>\$ 131,604,285</b>	<b>\$ 3,341,326</b>	<b>\$ 255,564,163</b>

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, 2013**

	<b>Total Governmental Funds</b>	<b>Long-Term Assets, Liabilities *</b>	<b>Internal Service Fund +</b>	<b>Reclassifications and Eliminations</b>	<b>Statement of Net Assets Totals</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,320,634	\$ -	\$ 5,556,533	\$ -	\$ 6,877,167
Cash Held by Trustees	2,628,167	-	-	-	2,628,167
Investments	176,081,000	-	991,467	-	177,072,467
Time Deposits	-	-	-	-	-
Property Tax Receivable	66,620,069	-	-	-	66,620,069
Receivables, Net	179,584	-	79,368	-	258,952
Due From Other Funds	2,588,943	-	-	(2,588,943)	-
Due From Other Governments	3,610,405	-	-	-	3,610,405
Inventories	1,596,526	-	-	-	1,596,526
Prepaid Items	938,835	-	-	-	938,835
Capital Assets, Net (land, bldg, eqmt)	-	712,793,344	-	-	712,793,344
Unamortized Bond Issue Costs	-	593,106	-	-	593,106
<b>TOTAL ASSETS</b>	<b>255,564,163</b>	<b>713,386,450</b>	<b>6,627,368</b>	<b>(2,588,943)</b>	<b>972,989,038</b>
<b>LIABILITIES</b>					
Accounts Payable	12,211,772	2,019,484	229,835	-	14,461,091
Wages, Benefits & Other Payables	14,991,858	-	-	-	14,991,858
Due To Other Funds	2,588,943	-	-	(2,588,943)	-
Unearned Revenue	67,722,672	(66,620,069)	-	-	1,102,603
Long-Term Liabilities	-	396,664,900	-	-	396,664,900
<b>TOTAL LIABILITIES</b>	<b>97,515,245</b>	<b>332,064,315</b>	<b>229,835</b>	<b>(2,588,943)</b>	<b>427,220,452</b>
<b>FUND BALANCES/NET ASSETS</b>					
Total Fund Balances/Net Assets	158,048,918	381,322,135	6,397,533	-	545,768,586
<b>TOTAL LIABILITIES AND FUND BALANCES/NET ASSETS</b>	<b>\$ 255,564,163</b>	<b>\$ 713,386,450</b>	<b>\$ 6,627,368</b>	<b>\$ (2,588,943)</b>	<b>\$ 972,989,038</b>

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, 2013**

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TRANSPORTATION VEHICLE FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>						
Local	\$ 88,967,930	\$ -	\$ 30,078,332	\$ 19,255,575	\$ 4,920	\$ 138,306,757
State	185,471,770	-	-	1,598,875	525,399	187,596,044
Federal	38,536,505	-	-	-	-	38,536,505
Miscellaneous	3,350,451	2,102,657	-	84,975	-	5,538,083
<b>TOTAL REVENUES</b>	<b>316,326,656</b>	<b>2,102,657</b>	<b>30,078,332</b>	<b>20,939,425</b>	<b>530,319</b>	<b>369,977,389</b>
<b>EXPENDITURES</b>						
<b>Current Operating:</b>						
Regular Instruction	170,771,737	-	-	-	-	170,771,737
Federal Stimulus	2,550,190	-	-	-	-	2,550,190
Special Instruction	42,490,710	-	-	-	-	42,490,710
Career & Technical Instruction	10,503,546	-	-	-	-	10,503,546
Compensatory Instruction	25,264,270	-	-	-	-	25,264,270
Other Instructional Programs	4,020,355	-	-	-	-	4,020,355
Community Services	398,150	-	-	-	-	398,150
Support Services	67,005,275	-	-	-	-	67,005,275
Student Activities	-	2,020,978	-	-	-	2,020,978
<b>Debt Service:</b>						
Principal	-	-	19,265,000	-	-	19,265,000
Interest and Other Charges	-	-	11,289,818	-	-	11,289,818
<b>Capital Outlay:</b>						
Other	671,852	-	-	19,509,323	455,736	20,636,911
<b>TOTAL EXPENDITURES</b>	<b>323,676,084</b>	<b>2,020,978</b>	<b>30,554,818</b>	<b>19,509,323</b>	<b>455,736</b>	<b>376,216,940</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(7,349,428)</b>	<b>81,679</b>	<b>(476,486)</b>	<b>1,430,102</b>	<b>74,583</b>	<b>(6,239,551)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Bonds, Deposit to Refunding Account	-	-	(92,176,953)	-	-	(92,176,953)
Bond Premium	-	-	961,188	1,379,935	-	2,341,123
Refunded Bonds	-	-	92,281,142	-	-	92,281,142
Cost of Issuance	-	-	(385,193)	-	-	(385,193)
Proceeds from Sale of Bonds	-	-	-	98,865,000	-	98,865,000
Proceeds from Sale of Surplus Equipment	113,195	-	-	-	530	113,725
Long-Term Financing	-	-	-	-	-	-
Transfers	1,363,700	-	-	(1,363,700)	-	-
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<b>1,476,895</b>	<b>-</b>	<b>680,184</b>	<b>98,881,235</b>	<b>530</b>	<b>101,038,844</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(5,872,532)</b>	<b>81,679</b>	<b>203,698</b>	<b>100,311,337</b>	<b>75,113</b>	<b>94,799,293</b>
<b>Fund Balance - Beginning</b>	39,481,466	1,881,132	7,037,999	11,582,815	3,266,213	63,249,625
<b>Fund Balance - Ending</b>	<b>\$ 33,608,934</b>	<b>\$ 1,962,810</b>	<b>\$ 7,241,697</b>	<b>\$ 111,894,152</b>	<b>\$ 3,341,326</b>	<b>\$ 158,048,918</b>

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**  
**August 31, 2013**

	<b>Total Governmental Funds</b>	<b>Long-Term Revenue, Expenses *</b>	<b>Capital Related items *</b>	<b>Internal Service Fund *</b>	<b>Long-Term Debt Transactions *</b>	<b>Statement of Activities Totals</b>
<b>REVENUES AND OTHER SOURCES</b>						
Property Taxes	\$ 131,930,185	\$ 561,481	\$ -	\$ -	\$ -	\$ 132,491,666
Local Non-Taxes	6,376,572	-	-	-	-	6,376,572
State	187,596,044	-	-	-	-	187,596,044
Federal	38,536,505	-	-	-	-	38,536,505
Miscellaneous	5,538,083	-	-	830	-	5,538,913
<b>Other Sources:</b>						
Bonds, Premium on Sale	2,341,123	-	-	-	(15,717,265)	(13,376,142)
Bonds, Refunded & Sales	191,146,142	-	-	-	(177,770,000)	13,376,142
Proceeds from Sale of Surplus Eqmt	113,725	-	-	-	-	113,725
<b>TOTAL</b>	<b>563,578,379</b>	<b>561,481</b>	<b>-</b>	<b>830</b>	<b>(193,487,265)</b>	<b>370,653,425</b>
<b>EXPENDITURES/EXPENSES</b>						
<b>Current:</b>						
Regular Instruction	170,771,737	2,567,024	17,728,750	882,824	-	191,950,335
Federal Stimulus	2,550,190	38,334	-	13,183	-	2,601,707
Special Instruction	42,490,710	638,717	2,365	219,660	-	43,351,452
Career & Technical Instruction	10,503,546	157,888	25,489	54,299	-	10,741,222
Compensatory Instruction	25,264,270	379,770	8,654	130,606	-	25,783,300
Other Instructional Programs	4,020,355	60,434	8,558	20,784	-	4,110,131
Community Services	398,150	-	-	2,058	-	400,208
Support Services	67,005,275	1,013,204	2,608,302	346,392	(36,521)	70,936,652
Student Activities	2,020,978	-	12,438	-	-	2,033,416
<b>Debt Service:</b>						
Principal	19,265,000	-	-	-	(102,655,000)	(83,390,000)
Interest and Other Charges	11,289,818	-	-	-	(9,049,361)	2,240,457
Capital Outlay **	20,636,911	-	(15,386,857)	-	-	5,250,055
<b>Other Uses:</b>						
Bonds, Deposit to Refunding Account	92,176,953	-	-	-	-	92,176,953
Bonds, Issuance Costs	385,193	-	-	-	491,531	876,724
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>468,779,086</b>	<b>4,855,371</b>	<b>5,007,699</b>	<b>1,669,806</b>	<b>(111,249,351)</b>	<b>369,062,612</b>
<b>NET CHANGE FOR THE YEAR</b>	<b>\$ 94,799,293</b>	<b>\$ (4,293,890)</b>	<b>\$ (5,007,699)</b>	<b>\$ (1,668,976)</b>	<b>\$ (82,237,914)</b>	<b>\$ 1,590,813</b>

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, 2013**

	<b>Governmental Activities</b>	
	<b>Internal Service Fund</b>	
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$	5,556,533
Investments		991,467
Interest Receivable		1,065
Prepaid Insurance		78,303
<b>TOTAL ASSETS</b>		<b>6,627,368</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable		229,835
<b>TOTAL LIABILITIES</b>		<b>229,835</b>
<b>NET POSITION</b>		
Unrestricted		6,397,533
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>6,397,533</b>

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, 2013**

		<div style="border: 1px solid black; padding: 2px; text-align: center;"> <b>Governmental Activities</b> </div> <div style="border: 1px solid black; padding: 2px; text-align: center;"> <b>Internal Service Fund</b> </div>
<b>OPERATING REVENUES</b>		
Premiums Contributions	\$	36,693,646
Miscellaneous Earnings		-
<b>TOTAL OPERATING REVENUES</b>		<b>36,693,646</b>
<b>OPERATING EXPENSES</b>		
Benefits Claims		2,664,564
Insurance Premiums		34,901,623
Administrative Expenses		766,815
Working on Wellness		30,450
<b>TOTAL OPERATING EXPENSES</b>		<b>38,363,452</b>
<b>OPERATING INCOME (LOSS)</b>		<b>(1,669,806)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Earnings		5,363
Net Appreciation in Fair Value of Investments		(4,533)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>		<b>830</b>
<b>CHANGE IN NET POSITION</b>		<b>(1,668,976)</b>
<b>NET POSITION - BEGINNING</b>		<b>8,066,509</b>
<b>NET POSITION - ENDING</b>	<b>\$</b>	<b>6,397,533</b>

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, 2013**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Premium Contributions	\$ 36,693,646
Prepaid Expenses	(75,000)
Benefits Payments	(2,658,831)
Insurance Premium Payments	(34,909,475)
Administrative	(766,815)
Miscellaneous Payments	(30,450)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(1,746,925)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases and Sales of Investments	(996,000)
Interest and Dividends	4,298
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>(991,702)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,738,627)</b>
<b>BALANCES - BEGINNING OF THE YEAR</b>	8,295,160
<b>BALANCES - END OF THE YEAR</b>	<b>\$ 5,556,533</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating Income (Loss)	\$ (1,669,806)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>	
(Increase) Decrease in Prepaid Expenses	(75,000)
Increase (Decrease) in Liabilities	(2,119)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (1,746,925)</b>
<b>NONCASH FINANCING AND INVESTING</b>	
Depreciation in Fair Value of Investments	4,533

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, 2013**

		<b>Private-Purpose Trusts</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$	4,645
Accounts Receivable		465
Investments at Fair Value		325,000
<b>TOTAL ASSETS</b>		<b>330,110</b>
<b>LIABILITIES</b>		
Accounts Payable		(3,247)
Unearned Revenue		659
<b>TOTAL LIABILITIES</b>		<b>(2,588)</b>
<b>NET POSITION</b>		
Committed to Other Purposes - Held in Trust for Gifts & Scholarships		332,699
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>332,699</b>

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, 2013**

	<b>Private-Purpose Trusts</b>
<b>ADDITIONS</b>	
Donations	\$ 198,883
<b>Total Additions</b>	<b>198,883</b>
<b>DEDUCTIONS</b>	
Scholarships	75,205
Tuition and Fees	15,778
Books and Materials	110,788
Field Trips	21,759
Purchased Services	9,145
Salaries & Benefits	12,510
<b>Total Deductions</b>	<b>245,186</b>
<b>Change in Net Position</b>	<b>(46,303)</b>
Net Position, Beginning of the year	379,002
Net Position, End of the year	<b>\$ 332,699</b>

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, 2012 through August 31, 2013**

**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 8<sup>th</sup> 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, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The district's basic financial statements in this report consist of:

## **1. GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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 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 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).

Fiduciary funds are not presented in the government-wide financial statements. They are 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 are 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 principle, 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, intergovernmental resources, major private donations, or insurance recoveries. Expenditures in this fund may also be for 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 funds' reporting focuses on net position and changes in net position. Trust and agency funds are used to account for assets held for individuals, private organizations, other districts, or funds in its fiduciary capacity as trustee or agent.

In 2012-13, after reviewing the updated guidance in the state's *Accounting Manual for Public School Districts* for the trusts in the agency fund, it was determined the two small trusts in that group did fit the criteria to be categorized as private purpose trust funds. The International School of Lagos and Community Resources trusts were moved to the private purpose trust fund, and the district closed out the agency trust fund.

#### 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 2012-13.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders) outstanding at year end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

### **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. Encumbrances in the amount of \$22,148,029 within the General (\$395,277), Capital Projects (\$21,752,702), and ASB (\$50) funds were re-encumbered on September 1, 2013.

Significant encumbrances include the construction contracts on the Washington project, planning costs related to the Wilson and McCarver construction projects, and various Technology initiatives in the Capital Project Fund. In the General Fund, the largest single encumbrance was for the purchase of a garbage truck ordered in April, but not delivered until September (new fiscal year). There were also a variety of consultant contracts let late in the 2012-13 fiscal year which won't be completed until 2013-14.

## **D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

### **MEASUREMENT FOCUS**

The government-wide financial statements measure and report all assets (both financial and capital), liabilities, 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 funds are reported on the accrual basis of accounting. Agency funds that are of a custodial nature and do not involve measurement of results of operation, are 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 are 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 ASSETS/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 Bank of New York 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. Due To/From Other Funds**

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 grants. Grant revenues are recorded in the year in which the related expenditures are incurred.

## **G. INVENTORIES AND PREPAID ITEMS**

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. As of August 31, 2013, the value of the USDA commodities included in this district's inventory was \$901,300.

Prepaid items in the general fund and special revenue fund consist of expendable supplies and equipment, generally purchased over the summer, and held for consumption when 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, they 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 Assets. Property, plant, and equipment of 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	4-10 year

## **J. UNEARNED REVENUE**

In governmental fund financial statements, unearned revenues consist of amounts collected before revenue recognition criteria are met, and receivables which, under the modified accrual basis of accounting, are measurable but not yet available, e.g. unearned property tax revenues, unearned revenues from federal, state, local and private foundation grants, and unearned revenues on long-term receivables. In government-wide financial statements, property taxes are accrued, therefore, there are no unearned property tax revenues on these statements.

## **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 31<sup>st</sup> 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 accruable. The amount of accrued sick leave as of August 31, 2013 was \$14,393,803 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, 2013 was \$5,498,287 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 Invested 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 has a Debt and Fiscal Board Policy and a Fiscal Management Board Regulation which provides 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 4.5 percent of the annual general fund revenues, excluding other financing sources. The debt and fiscal reserves in the general fund include: Committed to Debt & Fiscal Management, 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, and assigned last.

The district has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*. The State’s *Accounting Manual for Public School Districts* provided updated guidance for the fund balance account categorizations in fiscal year 2012-13, and re-classified encumbrances from committed to an assigned designation.

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

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

**Restricted Fund Balance.** Amounts that are reported as Restricted are those resources of the district that have had a legal restriction placed on their use either from statute, WAC, or other legal requirements that are beyond the control of the board of directors. Restricted fund balance includes anticipated recovery of revenues that have been received but are restricted as to their usage.

**Committed Fund Balance.** Amounts that are reported as Committed are those resources of the district that have had a limitation placed upon their usage by formal action of the district's board of directors. Commitments are made either through a formal adopted board resolution or are related to 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.

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

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

The superintendent or the chief financial officer has the authority to create Assignments of fund balance.

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

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

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

## **N. CHANGE IN ACCOUNTING PRINCIPLE**

The district has implemented GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position in this year's report.

## **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	\$ 1,320,634	\$ 176,081,000
Sound Partnership	5,556,533	991,467
Total Government-Wide	6,877,167	177,072,467
Fiduciary Funds	4,645	325,000
Total Deposits & Investments	<u>\$ 6,881,812</u>	<u>\$ 177,397,467</u>

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, 2013, the total carrying amount of the district's investments was \$177,397,467 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	\$ 129,406,000	\$ 129,406,000	\$ -
Federal Home Loan Bank	37,000,000	-	37,000,000
Federal Home Loan Mortgage Corp	10,000,000	-	10,000,000
Total	<u>\$ 176,406,000</u>	<u>\$ 129,406,000</u>	<u>\$ 47,000,000</u>

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 limited 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 modified its investment practices and has the majority of its investments maturing on a short term basis (maturing in less than one year). When interest rates improve, the district will revert back to its normal investment strategies.

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; 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 Local Government Investment Pool, 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 (The Bank of New York). Cash held by the fiscal agent due to the outstanding coupons is reported as an asset of the district.

The amounts held in construction project retainage accounts at local banks are represented in the Cash Held by Trustees. These accounts are in both the district's name and the contractor's name, and the contractor must satisfy certain requirements before the funds in the accounts are released.

#### **Note 3. INTERFUND TRANSACTIONS**

As of August 31, 2013, short-term interfund receivables and payables in governmental funds that resulted from various interfund transactions in governmental fund financial statements were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 2,550,320	\$ 38,623
Capital Projects Fund	33,398	2,545,392
Special Revenue Fund	5,226	4,928
<b>Total</b>	<b>\$ 2,588,943</b>	<b>\$ 2,588,943</b>

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 (\$1,363,700) 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 \$755,039,530 on August 31, 2013.

In 2011-12, we discovered that land improvements (like fences and parking lots) had been mis-categorized as land and were not being depreciated. After making the corrections, we found the Sherman elementary site had no value assigned to its land. The property was acquired over 100 years ago as part of an old land swap agreement, and information to value the property was difficult to find. An original cost of \$20,000 was assigned to the Sherman site as the value of the land, and that amount is not being depreciated.

Primary Government				
	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 40,696,666	\$ 20,000	\$ -	\$ 40,716,666
Construction-in-Progress	68,341,324	9,684,414	(69,836,281)	8,189,457
Total Capital Assets, not being depreciated	<b>109,037,990</b>	<b>9,704,414</b>	<b>(69,836,281)</b>	<b>48,906,123</b>
Capital assets, being depreciated:				
Building and Improvements	858,295,277	74,258,541		932,553,818
Equipment	36,456,563	1,348,680	(411,673)	37,393,570
Total Capital assets, being depreciated:	<b>894,751,840</b>	<b>75,607,221</b>	<b>(411,673)</b>	<b>969,947,388</b>
Less Accumulated Depreciation for:				
Building and Improvements	(252,732,028)	(18,494,065)		(271,226,093)
Equipment	(33,256,759)	(1,900,491)	323,176	(34,834,074)
Total Accumulated Depreciation	<b>(285,988,787)</b>	<b>(20,394,556)</b>	<b>323,176</b>	<b>(306,060,167)</b>
Total Capital assets, being depreciated, net	<b>608,763,053</b>	<b>55,212,665</b>	<b>(88,497)</b>	<b>663,887,221</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$717,801,043</b>	<b>\$ 64,917,079</b>	<b>\$ (69,924,778)</b>	<b>\$ 712,793,344</b>

Depreciation expense was charged to governmental activities as follows:

	Current Year Total
Regular Instruction	\$ 17,728,749
Special Instruction	2,365
Career & Technical Instruction	25,489
Compensatory Instruction	8,654
Other Instruction Programs	8,558
Support Services	2,608,302
ARRA	12,438
Extracurricular Activities (ASB)	-
	<b>\$ 20,394,556</b>

**Note 5. CONSTRUCTION IN PROGRESS**

School	Project	Project Authorization	Accumulated Expenditures to 8/31/2013
<b>Elementary Schools</b>			
McCarver	Modernization	\$ 30,000,000	\$ 64,489
Washington	Modernization	30,000,000	5,647,784
<b>Total Elementary Schools</b>		<b>60,000,000</b>	<b>5,712,273</b>
<b>Middle Schools</b>			
Stewart	Modernization	58,000,000	57,960
Hunt	New School	48,000,000	2,270,094
<b>Total Middle Schools</b>		<b>106,000,000</b>	<b>2,328,054</b>
<b>High Schools</b>			
Science & Math Institute (SAMI)	New School	10,000,000	8,669
Wilson Phase 2	Modernization	40,000,000	140,460
<b>Total High Schools</b>		<b>50,000,000</b>	<b>149,129</b>
<b>GRAND TOTAL</b>		<b>\$ 216,000,000</b>	<b>\$ 8,189,457</b>

**Note 6. PENSIONS**

**A. GENERAL INFORMATION**

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).

The DRS, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
PO Box 48380  
Olympia, WA 98504-8380  
www.drs.wa.gov

Membership by retirement system program as of June 30, 2012:

Retirement Program	Active Members	Inactive Vested Members	Retired Members
TRS	65,357	9,545	42,918
PERS	150,590	30,515	82,242
SERS	51,558	10,920	7,651



Certificated public employees are members of TRS. Non-certificated public 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. Plan 1 members are eligible to retire with full benefits after five years of credited service and attainment of age 60, after 25 years of credited service and attainment of age 55, or after 30 years of credited service.

Plan 2 under the TRS or SERS programs are defined benefit pension plans whose members joined on or after October 1, 1977, but before June 30, 1996 or August 31, 2000, for TRS or SERS programs, respectively. Members of TRS and SERS are eligible to retire with full benefits after five years of credited service and attainment of age 65, or after 20 years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65, or 30 years of credited service and receive either a reduced benefit or stricter return-to-work rules.

Plan 3 under the TRS and SERS programs are defined benefit, defined contribution pension plans whose members joined on or after July 1, 1996, or September 1, 2000, for TRS and SERS, respectively. Members are eligible to retire with full benefits at age 65, or they may retire at age 55 with at least 10 service years with a reduced benefit amount, or they may retire at age 55 with at least 30 service years and receive either a reduced benefit or stricter return-to-work rules.

Average final compensation (AFC) of Plan 1 TRS and PERS members is the highest average salary during any two consecutive years. For Plan 2 and Plan 3 TRS and SERS members, it is the highest average salary during any five consecutive years.

The retirement allowance of Plan 1 TRS and PERS members is the AFC multiplied by 2 percent per year of service capped at 60 percent with a cost-of-living adjustment. For Plan 2 TRS and SERS members, it is the AFC multiplied by 2 percent per year of service with provision for a cost-of-living adjustment. For the defined benefit portion of Plan 3 TRS and SERS it is the AFC multiplied by 1 percent per year of service with a cost-of-living adjustment.

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 employee contribution rate for Plan 1 in PERS and TRS is set by statute at 6 percent and does not vary from year to year. The employer rate is the same for all plans in a system. 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.

The district contribution represents its full liability under both systems, except that future rates may be adjusted to meet the system needs.

## **B. CONTRIBUTIONS**

Employee contribution rates effective September 1, 2012 through August 31, 2013:

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	4.69%	Plan 2 SERS	4.09%
Plan 3 TRS and SERS	5.00% (minimum), 15.00% (maximum)		

For Plan 3 TRS and SERS, rates adjusted based upon age may be chosen. The optional rates range begins at 5 percent and increases to a maximum of 15 percent.

Employer contribution rates effective September 1, 2012 through August 31, 2013:

	9/1/12-6/30/13	7/1/13-8/31/13
Plan 1 TRS	7.21%	9.19%
Plan 2 TRS	7.59%	7.59%
Plan 3 TRS	7.59%	7.59%

Under current law the employer must contribute 100 percent of the employer-required contribution. The Tacoma School District is in compliance with this law. Employer required contributions in dollars (participant information for all plans is as of August 31):

Plan	2012-13	2011-12	2010-11
Plan I TRS	\$ 749,923	\$ 870,979	\$ 868,369
Plan II TRS	2,488,777	2,303,177	1,848,543
Plan III TRS	8,362,042	7,751,154	6,222,075
Plan I PERS	\$ 137,442	\$ 106,854	\$ 94,589
Plan II SERS	1,802,817	1,149,119	825,444
Plan III SERS	1,713,551	1,101,458	787,084

Historical trend information showing TRS, PERS, and SERS progress in accumulating sufficient assets to pay benefits when due is presented in the State of Washington's June 30, 2012, comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

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

## **Note 7. LONG-TERM DEBT**

### **A. CHANGES IN LONG-TERM LIABILITIES**

Bonds payable on August 31, 2013 include the following: Unlimited Tax General Obligation Bonds (UTGO) Bonds of 2003, 2005 Refunded Bond Issue, 2012 Refunded Bond Issue, and the 2013 Bond Anticipation Note (BAN). Interest on the UTGO Bonds and the BAN are payable on June 1 and December 1.

In 2001, the district passed a \$450M bond authority for construction projects and there were four separate bond issues on the \$450M. In December 2001, the board issued \$250M in nineteen-year property-tax supported general obligation bonds to finance the construction of various district projects. The majority of this \$250M bond issue was refunded in June 2005, and the original bonds were retired on December 1, 2011.

In December 2003, the board issued \$100M in eighteen-year property-tax supported general obligation bonds for the next phase of projects. This funding supported the partial modernization of Wilson High School, modernization of Lincoln High School, and construction of the new Helen B. Stafford Elementary School. Interest rates on the general obligation bonds are fixed at 2.0 to 5.0 percent depending on the year of maturity. These bonds were partially refunded in November, 2012 as discussed under Refunded Debt. The bonds were retired on December 1, 2013.

In June 2005, the board issued \$45M in nineteen-year property-tax supported general obligation bonds for the third phase of projects. A new Gray Middle School was constructed on the grounds of the old Mt. Tahoma

High School site, and Fern Hill Elementary was modernized. Interest rates on the general obligation bonds are fixed at 3.0 to 5.0 percent. The bonds were fully refunded in the 2012 Refunded Bond Issue.

In December 2005, the board issued the final \$55M in seventeen-year property-tax supported general obligation bonds for the final phase of projects. The new First Creek Middle School and about \$6M of the new Gray Middle School project were constructed with this phase of funding, and the new Geiger Elementary School project came from this source. Interest rates on these bonds are 4.0 to 5.0 percent depending on the year of maturity. These bonds were partially refunded in November 2012 as discussed under Refunded Debt, and the final payment on the original issue was made on June 1, 2013.

In February 2013, the district passed a \$500M bond authority measure for construction projects. An 18-month, \$100M Bond Anticipation Note was issued in June, 2013 to fund the first phase of construction. The interest rate on the BAN is 2 percent. 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.

#### Refunded Debt

On November 6, 2012, the district issued \$78,905,000 in unlimited tax general obligation bonds with interest rates ranging from 2-5 percent to advance refund \$83,390,000 of outstanding bonds:

Series 2003	Principal Refunded	\$31,100,000
Series 2005A	Principal Refunded	\$42,890,000
Series 2005B	Principal Refunded	\$ 9,400,000

State and local government securities (SLGS) were purchased with the net proceeds from the bond sale plus and additional contribution from the Debt Service Fund:

SLGS Purchased with Refunding Proceeds	\$91,887,923
SLGS Purchased with Debt Service Funds	<u>2,081,000</u>
Total	\$93,968,923

Underwriting fees and other cost of issuance amounted to \$393,217 on this transaction. The SLGS were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, a portion of the 2003 and 2005B UTGO bonds are considered defeased. The 2005A bonds were completely defeased with the 2012 refunding. The advance refunding reduced the district's total debt service payments over the next 12 years by \$10,774,200, and the net present value economic gain to the district was \$9,768,108.

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 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 2012-13, the advertising revenue generated from the scoreboards provided enough funding to make 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 deferred revenues. Those are on-going liabilities and will liquidate within one year. The district does not have conduit debt or hold demand bonds.

During the year ended August 31, 2013, the following changes occurred in liabilities reported in the government-wide financial statements.

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due In One Year
<b>GOVERNMENT ACTIVITIES</b>					
Bonds and Contracts Payable:					
2003 UTGO Bonds	\$ 49,100,000	\$ -	\$40,100,000	\$ 9,000,000	\$ 9,000,000
2005 Refunding of 2001 UTGO	141,495,000	-	8,365,000	133,130,000	10,165,000
2005 UTGO Bonds	42,890,000	-	42,890,000	-	-
2005B UTGO Bonds	11,300,000	-	11,300,000	-	-
2012 Refunding of '03,05,05A UTGO's	-	78,905,000	-	78,905,000	430,000
2013 Bond Anticipation Note	-	98,865,000	-	98,865,000	-
Long-Term Financing (Daktronics)	146,087	-	36,521	109,566	36,521
Total Bonds and Contracts Payable	<u>244,931,087</u>	<u>177,770,000</u>	<u>102,691,521</u>	<u>320,009,566</u>	<u>19,631,521</u>
Other Liabilities:					
Unamortized Bond Premium	9,202,175	15,717,265	9,031,304	15,888,136	1,737,636
Net OPEB Obligation	36,064,452	10,015,837	5,205,180	40,875,109	-
Compensated Absences	19,847,375	1,847,786	1,803,072	19,892,090	1,674,384
Total Other Liabilities	<u>65,114,002</u>	<u>27,580,888</u>	<u>16,039,556</u>	<u>76,655,334</u>	<u>3,412,020</u>
GRAND-TOTAL	<u>\$310,045,090</u>	<u>\$205,350,888</u>	<u>\$118,731,077</u>	<u>\$396,664,900</u>	<u>\$ 23,043,541</u>

#### **B. UNAMORTIZED BOND ISSUANCE COSTS**

The unamortized bond issuance costs for the limited/unlimited tax general obligation bonds and the bond anticipation note are as follows:

Descriptions	Unamortized Bond Issuance Costs			
	Beginning Balance	Debit	Credit	Ending Balance
2003 Unlimited Tax GO Bonds	\$ 301,009	\$ -	\$ 290,162	\$ 10,847
2005A Unlimited Tax GO Bonds	606,151	-	606,151	-
2005B Unlimited Tax GO Bonds	177,477	-	177,477	-
2012 Unlimited Tax GO Bonds	-	393,217	24,576	368,641
2013 Bond Anticipation Note	-	240,320	26,702	213,618
	<u>\$ 1,084,637</u>	<u>\$ 633,537</u>	<u>\$1,073,790</u>	<u>\$ 593,106</u>

#### **C. BOND PREMIUM**

The district sold Unlimited General Obligation Bonds at a premium for the bond sales in 2003, 2005 (A and B), and the 2012. 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
2003 Unlimited Tax GO Bonds	\$ 1,295,050	\$ -	\$1,124,178	\$ 170,872
2005A Unlimited Tax GO Bonds	7,639,444	-	7,639,444	-
2005B Unlimited Tax GO Bonds	267,683	-	267,683	-
2012 Unlimited Tax GO Bonds	-	13,376,142	-	13,376,142
2013 Bond Anticipation Note	-	2,341,123	-	2,341,123
	<u>\$ 9,202,175</u>	<u>\$15,717,265</u>	<u>\$9,031,305</u>	<u>\$ 15,888,136</u>

**D. DEBT SERVICE REQUIREMENT TO MATURITY**

Year Ending August 31,	UTGO Bonds & Bond Anticipation Note		
	Principal	Interest	Total
2014	19,595,000	11,813,526	31,408,526
2015	117,220,000	10,014,325	127,234,325
2016	19,255,000	8,285,250	27,540,250
2017	19,435,000	7,424,350	26,859,350
2018	30,000,000	6,388,475	36,388,475
2019	30,220,000	3,858,300	35,193,450
2020	29,260,000	3,454,900	32,714,900
2021	13,065,000	2,195,750	15,260,750
2022	6,850,000	1,694,950	8,544,950
2023	10,795,000	1,281,125	12,076,125
2024	11,705,000	803,125	12,508,125
2025	12,500,000	297,500	12,797,500
TOTAL	<u>\$ 319,900,000</u>	<u>\$ 57,511,576</u>	<u>\$ 378,526,726</u>

**E. 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. OPERATING LEASES (NON-CAPITALIZED)**

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 new copier agreement in June, 2009 and the amount listed represents the on-going obligation for the five-year agreement. The district also entered into a new five-year lease agreement to rent space in downtown Tacoma for the expansion of the School of the Arts on September 1, 2012. 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, 2013.

Year Ended August 31	Amount
2013	\$ 707,854
2014	713,638
2015	204,588
2016	210,684
2017	<u>216,996</u>
Minimum payments required	\$2,053,760

**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.

A correction to the 2012 figures was made after reconciling – the Additions column amount for that year was previously understated by \$245,000. The Additions figure for 2012 was changed from \$310,804 to \$555,804, and this resulted in the revised ending balance of \$479,318.61 presented below.

Fiscal Year	Unemployment			
	Beg. Balance	Additions	Reductions	End. Balance
2012	\$ 401,415	555,804	477,900	\$ 479,319
2013	479,319	476,955	286,364	669,910

**B. INDUSTRIAL INSURANCE**

Effective 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. 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 premium to the Trust for group self-insured claims costs, and reimbursement to the Trust for Labor & Industry assessments.

A correction to the 2012 figures was made after reconciling – the Reductions column amount for that year was previously understated by \$12,483.36. The Reductions figure for 2012 was changed from \$3,853,583.87 to \$3,866,067.23, and this resulted in the revised ending balance of \$4,618,943.29 presented below.

Fiscal Year	Industrial Insurance			
	Beg. Balance	Additions	Reductions	End. Balance
2012	\$ 5,360,309	3,124,702	3,866,067	\$ 4,618,944
2013	4,618,944	3,431,465	4,027,963	4,022,445

### 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 an Interlocal Government Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Over 80 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 coverage 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 Interlocal Governmental 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 Interlocal Governmental Agreement if the assets of the Pool were exhausted.

The Pool is fully funded by its member participants. The district paid \$2,073,732 for its annual premium contribution to WSRMP for its property and liability 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 \$36,532,411 in 2012-13 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 through the Washington Education Association 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 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 \$2,658,831 and insurance premium payments were \$34,909,475 for the year; the total contributions from participants were \$36,693,646.

The total assets and liabilities of the Sound Partnership at August 31, 2013 were respectively \$6,627,368 and \$110,957.

**The Sound Partnership**  
Statement of Changes in Plan's Benefit Obligations

	Year Ended	
	8/31/2013	8/31/2012
Amounts Currently Payable for Claims		
Participants		
Balance at beginning of year	\$ 41,445	\$ 22,314
Claims reported & approved for payment	2,813,697	2,689,490
Claims Paid	(2,736,264)	(2,670,359)
Balance at End of Year	<u><b>118,878</b></u>	<u><b>41,445</b></u>
Other Obligations for Current Benefit Coverage		
at Estimated Amounts		
Balance at beginning of year	181,100	234,800
Net Change during the year	(71,700)	(53,700)
Balance at End of Year	<u><b>109,400</b></u>	<u><b>181,100</b></u>
Plan's Total Benefit Obligation at End of Year	<u><b>\$ 228,278</b></u>	<u><b>\$ 222,545</b></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 are 46 participants in the COBRA program as of August 31, 2013.



## **F. OTHER POST-EMPLOYMENT BENEFITS**

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

Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), 54 of the state's K-12 schools and educational service districts (ESDs), and 207 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 243 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 \$65.17 per month per full-time equivalent employee in the 2012-13 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 who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay premiums based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2012, the average weighted implicit subsidy was valued at \$330 per member per month, and in calendar year 2013, the average weighted implicit subsidy is projected to be \$294 per member per month. Retirees will pay the following monthly rates for pre-65 Medical coverage for 2013:

Descriptions	<b>Type of Coverage</b>		
	Employee	Employee & Spouse	Full Family
Group Health Classic	\$ 584.66	\$ 1,163.14	\$ 1,597.00
Group Health Value	535.22	1,064.26	1,461.04
Group Health CDHP	513.77	1,018.40	1,353.13
Kaiser Permanente Classic	567.06	1,127.94	1,548.60
Kaiser Permanente CDHP	498.95	988.26	1,311.50
Uniform Medical Plan Classic	545.83	1,085.48	1,490.22
Uniform Medical Plan CDHP	499.95	990.26	1,314.25

For calendar year 2013, retirees who are enrolled in Medicare Part A and B may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The explicit subsidy is \$150 per member per month for health insurance for calendar years 2012 and 2013.

#### 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>8/31/08</u>	<u>8/31/09</u>	<u>8/31/10</u>	<u>8/31/11**</u>	<u>8/31/12</u>	<u>8/31/13</u>
<b>Determination of Annual Required Contribution</b>						
Normal Cost at Year End	\$5,703,417	\$ 5,703,417	\$6,882,527	\$6,882,527	\$ 4,406,843	\$ 4,406,843
Amortization of UAAL	<u>4,922,896</u>	<u>4,922,896</u>	<u>5,945,812</u>	<u>5,945,812</u>	<u>4,256,577</u>	<u>4,256,577</u>
Annual Required Contribution (ARC)	10,626,313	10,626,313	12,828,339	12,828,339	8,663,420	8,663,420
<b>Determination of Net OPEB Obligation</b>						
Annual required Contribution	10,626,313	10,626,313	12,828,339	12,828,339	8,663,420	8,663,420
Interest on PY Net OPEB Obligation	-	324,727	637,523	860,067	1,191,860	1,352,417
Adjustment to ARC	<u>-</u>	<u>(248,833)</u>	<u>(505,970)</u>	<u>(849,449)</u>	<u>(1,222,421)</u>	<u>(1,442,578)</u>
Annual OPEB Cost	10,626,313	10,702,207	12,959,892	12,838,957	8,632,859	8,573,259
Less Contributions Made*	<u>(3,410,165)</u>	<u>(3,751,182)</u>	<u>(4,191,944)</u>	<u>(3,991,136)</u>	<u>(4,351,349)</u>	<u>(3,762,602)</u>
Increase in Net OPEB Obligation	7,216,148	6,951,025	8,767,948	8,847,821	4,281,510	4,810,657
Net OPEB Obligation - End of Year	\$7,216,148	\$14,167,173	\$22,935,121	\$31,782,942	\$36,064,452	\$40,875,109

\* Estimated based on retiree benefit amounts.

\*\*Updated actuarial information.

The district's annual OPEB costs, the percentage of OPEB costs contributed to the plan, and the net OPEB obligations for 2013 were as follows:

	<b>Annual OPEB Cost</b>	<b>Percentage of OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
8/31/2008	\$ 10,626,313	32.09%	\$ 7,216,148
8/31/2009	\$ 10,702,207	35.05%	\$ 14,167,173
8/31/2010	\$ 12,959,892	32.35%	\$ 22,935,121
8/31/2011	\$ 12,838,957	31.09%	\$ 31,782,942
8/31/2012	\$ 8,632,859	50.40%	\$ 36,064,452
8/31/2013	\$ 8,573,259	43.89%	\$ 40,875,109

#### Funded Status and Funding Progress

As of August 31, 2012, the most recent actuarial valuation date, the plan was 0 percent funded. The accrued liability for benefits was \$110.7 million, and the actuarial value of assets was \$0, resulting in a UAAL of \$110.7 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, 2012
Actuarial Cost Method	Projected Unit Credit (PUC)
Amortization Method	Closed, level percentage of projected payroll amortization method
Remaining Amortization Period	25 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	5.9% initial rate, 4.3% ultimate rate after 2089
Inflation rate	3.75%

The UAAL (\$110,671,006) as a percentage of the covered payroll (\$183,548,684) at August 31, 2013 is 60 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](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/2013/CAFR13.pdf>.

**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 FUND FINANCIAL STATEMENTS AND GOVERNMENT-WIDE 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 | \$1,018,853,511 |
| Accumulated Depreciation  | ( 306,060,167)  |
| Net                       | \$ 712,793,344  |
2. **\$593,106** - Unamortized Bond Issuance Costs – In governmental funds, bond issuance costs were charged to expenditures, while the unamortized bond issuance costs are shown as deferred charges on the Statement of Net Position. Refer to Note 7B (Unamortized bond issuance costs).
3. Long-term liabilities of **\$396,664,900** (due within one year: \$23,043,541 due more than one year: \$373,621,359) 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.
4. Property tax levies (**\$66,620,069**) 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. Due To and Due From (**\$2,588,943**) – 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 **\$6,627,368** and **\$229,835**) 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. **\$2,019,484** 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. **\$561,481** – 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 **\$4,855,371** represents the current year increases in compensated absences (\$44,714) and to other post-employment benefits (\$4,810,657) 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	\$15,386,857
Depreciation Expense	<u>(20,394,556)</u>
Difference	<b>(\$ 5,007,699)</b>

- b. Governmental Funds Financial Statements report capital outlay as expenditures while Government-Wide Financial Statements report depreciation expense (\$20,394,556) allocated to various applicable programs.
4. **\$102,691,521** - Repayment and refunding of bond principal amounts (\$102,655,000) and the long-term financing principal payment on the Daktronics scoreboards (\$36,521) 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. **\$177,770,000** – Face value of the new 2012 unlimited tax general obligation bond (UTGO) was recorded as other financing sources (\$78,905,000) as was the bond anticipation note (BAN) sold in June, 2013 (\$98,865,000).
6. **\$15,717,265** - Additional bond premiums on the new 2012 UTGO bonds (\$13,376,142) and bond anticipation note (\$2,341,123) are recorded as Other Financing Sources in Government-Wide Financial Statements.
7. **\$9,049,361** – The current year bond premium reductions and the accrued interest payable 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 reductions	\$9,031,305
Accrued interest payable	<u>18,056</u>
	<b>\$9,049,361</b>

8. **\$491,531** – The current year amortization of the bond issuance costs.
9. 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 a net loss (-\$1,669,806), and the net gain from investments (\$830) which is shown under miscellaneous revenues.

**Note 11. FUND EQUITY (GOVERNMENTAL FUNDS)**

Fund balance as of August 31, 2013 is comprised of:

	<b>Fund Equity (Governmental Funds)</b>				
	General Fund	Special Revenue Fund (ASB)	Debt Service	Capital Projects Fund	Trans Vehicle Fund
Nonspendable - Inventory & Prepaid Items	\$2,453,324	\$82,037	\$ -	\$ -	\$ -
Restricted for C/Over of Restricted Revenues	494,990	-	-	-	-
Restricted for Construction	-	-	-	61,219,306	-
Restricted for Debt Service	109,566	-	7,241,697	-	-
Restricted to Fund Purposes	-	1,880,723	-	-	-
Restricted for Technology	-	-	-	28,922,144	-
Restricted Fund Balance	604,556	1,880,723	7,241,697	90,141,450	-
Committed to Debt & Fiscal Management	11,058,267	-	-	-	-
Committed to Other Purposes	1,000,000	-	-	-	-
Committed Fund Balance	12,058,267	-	-	-	-
Assigned to Encumbrances	395,277	50	-	21,752,702	-
Assigned to Budget Carryover	1,674,635	-	-	-	-
Assigned to Contingencies	12,842,022	-	-	-	-
Assigned to Curriculum & Instruction	3,580,852	-	-	-	-
Assigned to Fund Purposes	-	-	-	-	3,341,326
Assigned Fund Balance	18,492,786	50	-	21,752,702	3,341,326
Total Fund Balance	<u>\$33,608,934</u>	<u>\$1,962,810</u>	<u>\$7,241,697</u>	<u>\$111,894,152</u>	<u>\$3,341,326</u>

**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 which management considers adequate for any uninsured losses which arise from such claims. However, the district is currently being sued for approximately \$35M in the 2007 student shooting at Foss High School and this exceed coverage amounts by \$15M. While the district does not have this available in its general fund reserves, its legal team is vigorously defending the district against the lawsuit. The district received a summary judgment in its favor, dismissing the case in its entirety. However, the matter has been appealed and is presently before the Supreme Court of Washington for consideration.

**Note 14.    SUBSEQUENT EVENTS**

On February 11, 2014, Proposition 1 and 2 were presented to the voters in the district. Proposition 1 for the Replacement of Expiring Levy for Education Programs in the general fund, required a 50 percent approval to pass. Proposition 2 for the Replacement of Expiring Levy for Technology Improvements & Upgrades is a capital levy, and also required a 50 percent approval to pass.

Early election results show both measures passing with greater than a 60 percent approval rating.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**TACOMA SCHOOL DISTRICT No. 10**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2013**

	BUDGETED AMOUNTS		ACTUAL AMOUNT	VARIANCE WITH FINAL BUDGET POSITIVE(NEGATIVE)
	ORIGINAL *	FINAL *		
REVENUES				
Local	\$ 87,508,073	\$ 87,508,073	\$ 88,967,930	\$ 1,459,857
State	189,252,170	189,252,170	185,471,770	(3,780,400)
Federal	41,691,367	41,691,367	38,536,505	(3,154,862)
Other	3,445,000	3,445,000	3,350,451	(94,549)
Total Revenues	321,896,610	321,896,610	316,326,656	(5,569,954)
EXPENDITURES				
CURRENT				
Regular Instruction	173,369,308	173,369,308	170,771,737	2,597,571
Federal Stimulus	2,710,402	2,710,402	2,550,190	160,212
Special Education	42,089,906	42,089,906	42,490,710	(400,804)
Career & Technical Education	10,843,160	10,843,160	10,503,546	339,614
Compensatory Education	28,201,199	28,201,199	25,264,270	2,936,929
Other Instructional Programs	8,578,671	8,578,671	4,020,355	4,558,316
Community Services	414,311	414,311	398,150	16,161
Support Services	65,432,169	65,432,169	67,005,275	(1,573,106)
CAPITAL OUTLAY				
Other	1,116,116	1,116,116	671,852	444,264
Total Expenditures	332,755,242	332,755,242	323,676,084	9,079,158
Excess of Revenues Over (Under) Expenditures	(10,858,632)	(10,858,632)	(7,349,428)	3,509,204
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	-	-	113,195	113,195
Transfers	1,400,000	1,400,000	1,363,700	(36,300)
Total Other Financing Sources (Uses)	1,400,000	1,400,000	1,476,895	76,895
CHANGE IN FUND BALANCE	(9,458,632)	(9,458,632)	(5,872,532)	3,586,100
FUND BALANCE-September 1	39,481,466	39,481,466	39,481,466	-
FUND BALANCE -August 31	\$ 30,022,834	\$ 30,022,834	\$ 33,608,934	\$ 3,586,100

\* 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, 2013**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL *	FINAL *		
<b>REVENUES</b>				
General	\$ 1,364,323	\$ 1,364,323	\$ 901,681	\$ (462,642)
Athletics	223,200	223,200	223,763	563
Classes	503,300	503,300	264,334	(238,966)
Clubs	2,277,458	2,277,458	701,166	(1,576,292)
Private Monies	124,880	124,880	11,713	(113,167)
<b>Total Revenues</b>	<b>4,493,161</b>	<b>4,493,161</b>	<b>2,102,657</b>	<b>(2,390,504)</b>
<b>EXPENDITURES</b>				
General	1,528,706	1,528,706	838,867	689,839
Athletics	239,497	239,497	228,749	10,748
Classes	372,850	372,850	265,305	107,545
Clubs	2,084,565	2,084,565	676,277	1,408,288
Private Monies	123,980	123,980	11,780	112,200
<b>Total Expenditures</b>	<b>4,349,598</b>	<b>4,349,598</b>	<b>2,020,978</b>	<b>2,328,620</b>
<b>Changes in Fund Balance</b>	<b>143,563</b>	<b>143,563</b>	<b>81,679</b>	<b>(61,884)</b>
<b>FUND BALANCE - September 1</b>	<b>1,881,132</b>	<b>1,881,132</b>	<b>1,881,132</b>	
<b>FUND BALANCE - August 31</b>	<b>\$ 2,024,695</b>	<b>\$ 2,024,695</b>	<b>\$ 1,962,810</b>	<b>\$ (61,885)</b>

\* 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%

\*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.

**TACOMA SCHOOL DISTRICT NO. 10**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ending August 31, 2013

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
<b>USDA</b>	WA OSPI	National School Lunch Program	10.555	N/A		\$627,876	\$627,876	#3/#5
	WA OSPI	National School Lunch Program	10.555	N/A		\$154,127	\$154,127	#5
	WA OSPI	National School Lunch Program	10.555	N/A		\$632,130	\$632,130	#5
	WA OSPI	National School Lunch Program	10.555	N/A		\$6,595,848	\$6,595,848	#5
	WA OSPI	National School Lunch Program	10.555	N/A		\$166,102	\$166,102	#5
	WA OSPI	School Breakfast Program	10.553	N/A		\$18,179	\$18,179	#5
	WA OSPI	School Breakfast Program	10.553	N/A		\$161,345	\$161,345	#5
	WA OSPI	School Breakfast Program	10.553	N/A		\$2,165,117	\$2,165,117	#5
	WA OSPI	National School Lunch Program	10.555	N/A		\$89,042	\$89,042	#5
	WA OSPI	Summer Food Service Program for Children	10.559	N/A		\$78,902	\$78,902	#5
	WA OSPI	Schools and Roads - Grants to States	10.665	N/A		\$25,158	\$25,158	#5
	WA OSPI	Federal in Lieu of Taxes	10.999	N/A		\$55,637	\$55,637	#5
		<b>SUBTOTAL US DEPARTMENT OF AGRICULTURE</b>				<b>\$10,769,463</b>	<b>\$10,769,463</b>	
<b>Dept. of Defense</b>		JROTC - Army	12.WA030389/WA030390	WA030389/WA030390	\$109,500		\$109,500	#5
		JROTC - Navy	12.JR0TC123S	JR0TC123S	\$67,134		\$67,134	#5
		JROTC - Navy Startup	12.N3951713MJRTC	N3951713MJRTC	\$1,189		\$1,189	#5
		JROTC - Navy Orientation/Uniform	12.N3951713MJRTC	N3951713MJRTC	\$11,359		\$11,359	#5
		JROTC - Air Force	12.WA030941	WA030941	\$58,669		\$58,669	#5
		JROTC - Marines	12.WA030237	WA030237	\$70,228		\$70,228	#5
		JROTC - Navy	12.N3951713MJRTC	N3951713MJRTC	\$4,586		\$4,586	#5
		<b>SUBTOTAL DEPARTMENT OF DEFENSE</b>			<b>\$322,665</b>		<b>\$322,665</b>	
<b>Dept. of Justice</b>	City of Tacoma	Juvenile Accountability Block Grant	16.523	Contract #13961		\$18,651	\$18,651	#2/#5
		<b>SUBTOTAL DEPARTMENT OF JUSTICE</b>				<b>\$18,651</b>	<b>\$18,651</b>	
<b>U.S. Dept. of Ed</b>	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0200781		\$13,733	\$13,733	#4/#5
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0201060		\$8,868,522	\$8,868,522	#4
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0201434		\$4,267	\$4,267	#4/#5
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0222421		\$872	\$872	#5
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0222439		\$111,558	\$111,558	
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0228805		\$72,000	\$72,000	
	WA OSPI	Title I State Agency Program for Neg & Delinquent	84.013	#0223292		\$1,854	\$1,854	#5
	WA OSPI	Title I State Agency Program for Neg & Delinquent	84.013	#0223013		\$51,380	\$51,380	
	WA OSPI	Special Education Grants to States	84.027	#0304348		\$6,397,282	\$6,397,282	
	WA OSPI	Special Education Grants to States	84.027	#0304060		\$68,324	\$68,324	#5
	WA OSPI	Special Education Grants to States	84.027	#0304679		\$677	\$677	#5
	WA OSPI	Special Education Grants to States	84.027	#0337577		\$740,867	\$740,867	#5

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
	WA OSPI	Special Education Grants to States	84.027	#0337483		\$16,672	\$16,672	#5
	US Dept of Ed	Impact Aid	84.041	01000	\$14,068		\$14,068	#5
	US Dept of Ed	Impact Aid	84.041	21000	\$26,399		\$26,399	#5
	WA OSPI	Career and Technical Education-Basic Grants to States	84.048	#0172750		\$272,913	\$272,913	
	WA OSPI	Career and Technical Education-Basic Grants to States	84.048	#0172422		\$3,919	\$3,919	#5
	US Dept of Ed	Career and Technical Education-Basic Grants to States	84.048	#0189069		\$1,647	\$1,647	
	US Dept of Ed	Indian Education Grants to Local Educational Agencies	84.060	S060A121118	\$128,731		\$128,731	
	US Dept of Ed	Indian Education Grants to Local Educational Agencies	84.060	S060A131118	\$29,205		\$29,205	#5
	WA OSPI	Special Education Preschool Grants	84.173	#0364059		\$1,744	\$1,744	#5
	WA OSPI	Special Education Preschool Grants	84.173	#0364348		\$256,840	\$256,840	
	US Dept of Ed	Fund for the Improvement of Education	84.215	S215L100052	\$199,326		\$199,326	#5
	Puget Sound ESD	Twenty-First Century Community Learning Centers	84.287	Agreement #07993		\$2,267	\$2,267	#5
	Puget Sound ESD	Twenty-First Century Community Learning Centers	84.287	Agreement #07995		\$5,846	\$5,846	#5
	Puget Sound ESD	Twenty-First Century Community Learning Centers	84.287	Agreement #07994		\$3,340	\$3,340	#5
	WA OSPI	Advanced Placement Test Fee Program	84.330B	#0887326		\$6,440	\$6,440	#5
	WA OSPI	English Language Acquisition Grants	84.365	#0401686		\$250,730	\$250,730	#5
	WA OSPI	English Language Acquisition Grants	84.365	not available yet		\$22,025	\$22,025	#5
	WA OSPI	Improving Teacher Quality State Grants	84.367	#0540238		\$1,000	\$1,000	
	WA OSPI	Improving Teacher Quality State Grants	84.367	#0522163		\$34,101	\$34,101	#5
	WA OSPI	Improving Teacher Quality State Grants	84.367	#0523133		\$1,975,750	\$1,975,750	
	WA OSPI	ARRA - School Improvement Grants, Recovery Act	84.388	#0225025		\$2,645,312	\$2,645,312	#6
		<b>SUBTOTAL US DEPARTMENT OF EDUCATION</b>			<b>\$397,729</b>	<b>\$21,831,882</b>	<b>\$22,229,611</b>	
	U.S. Dept. of Health and Human Services	Pregnancy Assistance Fund Program	93.500	#0179001		\$20,815	\$20,815	
	DSHS/ORIA	Refugee and Entrant Assistance-Discretionary Grants	93.576	N/A		\$20,000	\$20,000	#5
	Head Start	Head Start	93.600	10CH0026/47	\$1,214,850		\$1,214,850	#2/#5
	Head Start	Head Start	93.600	10CH0026/48	\$3,499,854		\$3,499,854	#2/#5
	Head Start	Head Start	93.600	10CH0026/47	\$18,394		\$18,394	#5
	Head Start	Head Start	93.600	10CH0026/48	\$31,975		\$31,975	#5
		<b>SUBTOTAL DEPT OF HEALTH AND HUMAN SERVICES</b>			<b>\$4,765,073</b>	<b>\$40,815</b>	<b>\$4,805,888</b>	
	Youth Service America	Learn and Serve America-School and Community Based Programs	94.004	N/A		\$1,012	\$1,012	#5
		<b>SUBTOTAL CORPORATION FOR NATIONAL &amp; COMMUNITY SERVICE</b>				<b>\$1,012</b>	<b>\$1,012</b>	
		<b>TOTAL FEDERAL AWARDS EXPENDED</b>			<b>\$5,485,467</b>	<b>\$32,661,823</b>	<b>\$38,147,290</b>	

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

**Tacoma School District No. 10**  
**Pierce County**  
**EIN: 91-6001553**  
**Schedule of Expenditure of Federal Awards**  
**For Fiscal Year Ending August 31, 2013**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**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 program costs. The entire program costs, including 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, five middle schools, one high school, and three alternative 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. Title I (84.010) expended \$7,507,404 in its schoolwide program.

**NOTE 5 – FEDERAL INDIRECT RATE**

The Tacoma School District used the federal restricted rate of 3.73%. The following CFDA numbers have a different rate set by the individual grant:

10.553 – 0%  
10.555 – 0%  
10.559 – 0%  
10.665 – 0%  
10.999 – 0%  
12.999 – 0%

16.523 – 0%  
84.010 – 4.57% or 4.34%  
84.013 – 4.57%  
84.027 – 4.57%, 4.34% or 0%  
84.041 – 0%  
84.048 – 4.57%  
84.060 – 4.34%  
84.173 – 4.57%  
84.215 – 14.5%  
84.287 – 0%  
84.33B – 0%  
84.365 – 2%  
84.367 – 4.57%  
93.576 – 0%  
93.600 – 10% & 8%  
94.004 – 0%

**NOTE 6 – AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)**

The funding for this program was provided by the American Recovery and Reinvestment Act of 2009 (ARRA). Of the amount shown, \$0 was paid to sub-recipients.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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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 as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

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

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

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**Chief of Staff**  
**Director of Performance and State Audit**  
**Director of Local Audit**  
**Deputy Director of State Audit**  
**Deputy Director of Local Audit**  
**Deputy Director of Local Audit**  
**Deputy Director of Performance Audit**  
**Deputy Director of Quality Assurance**  
**Deputy Director of Communications**  
**Local Government Liaison**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

**Troy Kelley**  
**Doug Cochran**  
**Chuck Pfeil, CPA**  
**Kelly Collins, CPA**  
**Jan M. Jutte, CPA, CGFM**  
**Sadie Armijo**  
**Mark Rapozo, CPA**  
**Lou Adams, CPA**  
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