Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Tacoma School District No. 10

Pierce County

For the period September 1, 2016 through August 31, 2017

Published May 29, 2018

Report No. 1021396

Office of the Washington State Auditor

Pat McCarthy

May 29, 2018

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,

Pat McCarthy

State Auditor

Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Tacoma School District No. 10
Pierce County
September 1, 2016 through August 31, 2017

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of Tacoma School District No. 10 are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs:

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

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

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $1,155,007.

The District qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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, 2016 through August 31, 2017

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, 2017, 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 23, 2018. Our report includes a reference to other auditors who audited the financial statements of The Sound Partnership, as described in our report on the District's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of The Sound Partnership were not audited in accordance with Government Auditing Standards and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with The Sound Partnership.

As discussed in Note 6 to the financial statements, during the year ended August 31, 2017, the District implemented Governmental Accounting Standards Board Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the

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

Pat McCarthy

State Auditor

Olympia, WA

February 23, 2018

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

Tacoma School District No. 10
Pierce County
September 1, 2016 through August 31, 2017

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) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2017. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

Pat McCarthy

State Auditor

Olympia, WA

May 10, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Tacoma School District No. 10
Pierce County
September 1, 2016 through August 31, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 16.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The Sound Partnership, which represents 90 percent, 92 percent and 100 percent, respectively, of the assets, net position and revenues of the aggregate remaining fund information. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Sound Partnership, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of The Sound Partnership were not audited in accordance with Governmental Auditing Standards.

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

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Tacoma School District No. 10, as of August 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 6 to the financial statements, in 2017, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

February 23, 2018

FINANCIAL SECTION

Tacoma School District No. 10
Pierce County
September 1, 2016 through August 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION

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Statement of Activities – 2017
Fund Balance Sheet – Governmental Funds - 2017
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2017
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2017
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2017
Statement of Net Position – Proprietary Funds – 2017
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2017
Statement of Cash Flows – Proprietary Funds – 2017
Statement of Net Position – Fiduciary Funds – 2017
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2017
Notes to the Financial Statements – 2017

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Budgetary Comparison Schedule – General Fund – 2017
Budgetary Comparison Schedule – Special Revenue Fund (Associate Student Body Fund) – 2017
Actuarial Valuation of Post Employment Benefits Other Than Pension – Schedule of Funding Progress – 2017
Schedule of the District's Proportionate Share of the Net Pension Liability – PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2017
Schedule of District's Contributions – PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2017
Schedule of District's Contributions – National Roofing Industry Pension Fund – 2017

SUPPLEMENTARY AND OTHER INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Tacoma School District's financial performance provides an overview of the district's financial activities for the fiscal year ended August 31, 2017. 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, 2017, was $392.1, an increase of $3.6M from 2015-16.
- During the year, the district had revenues of $469.5M and expenses of $465.9M incurred for all governmental activities, resulting in a corresponding increase in the district's net position by $3.6M.
- At the end of the current fiscal year, the district's governmental funds reported a combined ending fund balance of $302.6M; a decrease of $83.6M from the prior year. The general fund's total fund balance was $34.0M; a decrease of $9.2M from the previous year. Approximately $13.3M is available for spending at the district's discretion (assigned fund balance).

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 fund statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

- The remaining statements provide financial information about activities for which the district acts solely as a trustee for the benefit of those outside of the district.

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

Our analysis of the district as a whole begins in the *government-wide financial statement* section. Is the district as a whole better off or worse off as a result of the year's activities? The *statement of net position* and the *statement of activities* report information about the district as a whole and about its activities in a way that helps answer this question. The financial statements of the district present a slight improvement in financial position from the prior year as reflected in the *statement of net position.* An increase in other postemployment benefit liabilities, decreases in long-term debt and net pension liability, and an increase in capital assets contributed to the $3.6M increase in the district's net position.

These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash was received or paid.

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Governmental Fund Financial Statements

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

Internal Service 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 $392.1 at the end of the fiscal, August 31, 2017.

The largest portion of the net position at $518M is net investment in capital assets (e.g., land, building, and equipment), less any related outstanding debt used to acquire those assets. The remainder consists of an amount restricted for capital projects, debt services, associated student body fund, and other proposes, with a negative $196.9M unrestricted. The district's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The increase in total net position for the year was $3.6M. Key elements of this increase are shown below:

Tacoma School District's Net Position
As of August 31

	Governmental Activities		
	2017	**2016**	**Changes**
ASSETS & DEFERRED OUTFLOWS OF RESOURCES			
Current and Other Assets	$ 414,300,686	$ 519,536,449	$ (105,235,763)
Capital Assets	930,388,195	859,795,968	70,592,227
Total Assets	**1,344,688,881**	**1,379,332,417**	**(34,643,536)**
Deferred Outflows - Pension Plan	16,208,669	24,276,447	(8,067,778)
Total Deferred Outflows	**16,208,669**	**24,276,447**	**(8,067,778)**
LIABILITIES & DEFERRED INFLOWS OF RESOURCES			
Long-Term Debt Outstanding	899,946,915	944,021,215	(44,074,300)
Other Liabilities	40,089,118	59,131,444	(19,042,326)
Total Liabilities	**940,036,033**	**1,003,152,659**	**(63,116,626)**
Deferred Inflows - Refunded Bonds	7,162,176	9,549,568	(2,387,392)
Deferred Inflows - Pension Plan	21,552,047	2,374,314	19,177,733
Total Deferred Inflows	**28,714,223**	**11,923,882**	**16,790,341**
NET POSITION			
Invested in Capital Assets, Net of Debt	517,988,999	502,842,932	15,146,067
Restricted	71,058,175	66,477,394	4,580,781
Unrestricted	(196,899,880)	(180,788,003)	(16,111,877)
TOTAL NET POSITION	**$ 392,147,294**	**$ 388,532,323**	**$ 3,614,971**

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

Governmental Activities

The 2016-17 revenues of $469.5M exceeded expenses by $3.6M. The 2015-16 prior year revenues exceeded the expenses by $2.9M. 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

	2017	2016	Changes
REVENUES			
Program Revenues:			
Charges for Services	$ 13,104,705	$ 11,062,906	$ 2,041,799
Operating Grants and Contributions	127,206,400	129,766,262	(2,559,862)
Capital Grants and Contributions	2,029,165	2,923,620	(894,455)
General Revenues:			
Property Taxes	152,443,840	145,806,287	6,637,553
Interest and Investment Earnings	3,307,689	3,186,404	121,285
Unallocated Revenues	171,404,938	164,705,525	6,699,413
TOTAL REVENUES	**469,496,738**	**457,451,006**	**12,045,733**
PROGRAM EXPENSES:			
Regular Instruction	240,329,794	226,826,955	13,502,839
Special Instruction	52,989,814	51,855,865	1,133,949
Career & Technical Instruction	12,607,272	11,684,425	922,847
Compensatory Instruction	37,473,529	37,361,483	112,046
Other Instructional Programs	7,640,290	7,099,430	540,860
Community Services	689,265	622,495	66,770
Support Services	88,974,878	81,363,433	7,611,445
Extracurricular Activities	1,919,602	1,915,322	4,280
Debt Payment	23,257,320	35,772,576	(12,515,256)
TOTAL EXPENSES	**465,881,764**	**454,501,984**	**11,379,780**
INCREASE (DECREASE) IN NET POSITION	**3,614,972**	**2,949,020**	**665,952**
NET POSITION - 9/1/16	**388,532,322**	**385,583,302**	**2,949,020**
NET POSITION - 8/31/17	**$ 392,147,294**	**$ 388,532,322**	**$ 3,614,972**

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

Governmental Activities				
	Total Cost of Services		**Net Cost of Services**	
	2016-17	**2015-16**	**2016-17**	**2015-16**
Regular Instruction	240,329,794	226,826,955	(216,130,674)	(204,446,841)
Special Instruction	52,989,814	51,855,865	(16,731,290)	(10,034,603)
Career & Tech Instruction	12,607,272	11,684,425	1,228,593	978,441
Compensatory Instruction	37,473,529	37,361,483	(2,042,165)	(1,514,617)
Other Instructional Programs	7,640,290	7,099,430	(4,449,949)	(4,052,793)
Community Services	689,265	622,495	33,429	155,620
Support Services	88,974,878	81,363,433	(62,191,629)	(56,061,828)
Extracurricular Activities	1,919,602	1,915,322	(490)	-
Debt payments	23,257,320	35,772,576	(23,257,320)	(35,772,576)
TOTALS	**$ 465,881,764**	**$ 454,501,984**	**$ (323,541,495)**	**$ (310,749,197)**

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

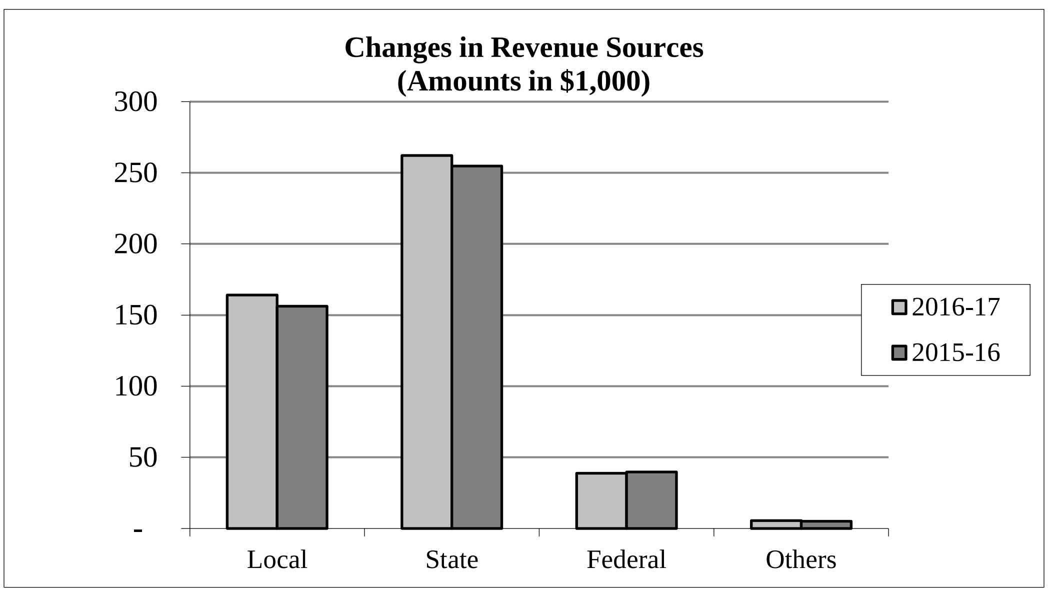
The focus of the district's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Thus, unreserved fund balance may serve as a useful measure of the district's net resources available for spending at the end of the fiscal year.

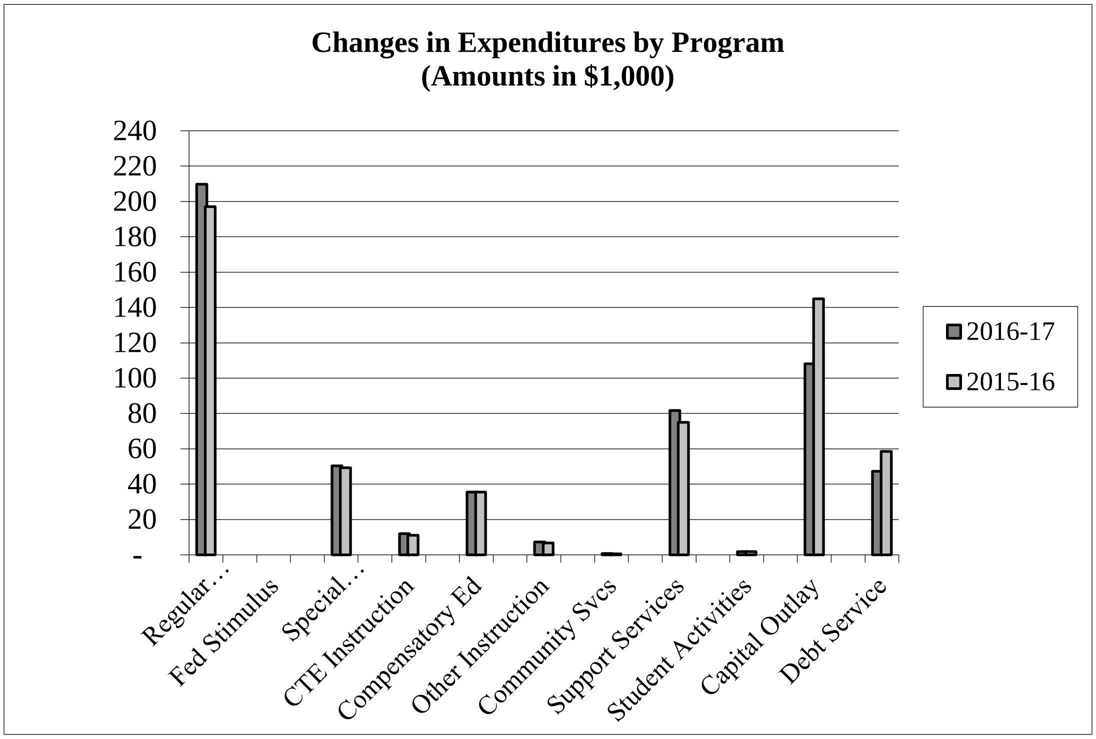
As the district completed the fiscal year, its governmental funds (as presented in the balance sheets under the governmental financial statement section) reported a combined fund balance of $302.6M, a decrease of $83.6M over the prior year. This change is the result of the following factors:

- The fund balance in the General Fund decreased by $9.2M. The district planned for its fund balance to reduce by $9.3 M for the purposes of one-time expenditures including carryover of specific-use funds, building improvements, curriculum needs and equipment replacements. Additional revenues (above budget) were recorded in property taxes, regular state apportionment, and state local levy assistance (LEA). The regular state apportionment revenue increase was from additional funds related to increased State formulas to enhance educational needs, and property taxes for September were accrued back to August as required for GAAP compliance. Labor (salaries and benefits) costs were significantly increased over the previous year but were less than budget by $8.2M. Spending on supplies, materials, services, travel and capital outlay decreased slightly from the prior year. Although revenue increased by $9.4M, increased personnel costs and one time spending caused the fund balance to drop by $9.2M. Sixteen percent of the fund balance is in the nonspendable, or restricted categories; $15.3M (or 45 percent of the fund balance) is categorized as Unassigned for Minimum Fund Balance Policy.
- The fund balance in the Special Revenue Fund (ASB) decreased by $13K. All secondary schools and most elementary schools had activity in their ASB funds in 2016-17.
- The fund balance in the Debt Service Fund increased by $7.2M 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 decreased by $82.1M. The district issued the last bonds in its $500M authority in October, 2015, and is spending down the cash as it completes its capital construction projects. Virtually all the fund balance is in restricted categories.
- The fund balance in the Transportation Vehicle Fund increased by $541K. New buses were ordered during 2016-17, but did not arrive until the new fiscal year (2017-18). 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 2016-17 and the amounts and percentages of increases and decreases in relation to the prior year.

Changes in Revenues and Expenditures Governmental Funds				
Revenue Source	**2016-17 Amount**	**Percent of Total**	**Increase (Decrease) Over 2015-16**	**Percent Increase (Decrease)**
Local Taxes & Non-taxes	164,069,755	34.87%	7,922,953	5.07%
State Revenues	262,153,234	55.72%	7,490,704	2.94%
Federal Revenues	38,782,098	8.24%	(915,941)	-2.31%
Others	5,457,692	1.16%	263,351	5.07%
Total	470,462,779	100.00%	14,761,067	3.24%
Expenditures				
Regular Instruction	209,816,178	37.84%	12,666,998	6.43%
Special Instruction	50,297,078	9.07%	1,085,547	2.21%
Career & Tech Instruction	11,888,442	2.14%	861,820	7.82%
Compensatory Instruction	35,536,763	6.41%	105,159	0.30%
Other Instructional Programs	7,252,123	1.31%	514,461	7.64%
Community Services	661,350	0.12%	58,992	9.79%
Support Services	81,705,524	14.74%	6,671,994	8.89%
Extracurricular Activities	1,919,112	0.35%	3,790	0.20%
Capital Outlay	108,101,256	19.50%	(36,876,292)	-25.44%
Debt Service	47,235,510	8.52%	(11,238,016)	-19.22%
Total	$ 554,413,336	100.00%	$ (26,145,547)	-4.50%





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 was a single budget revision to the 2016-17 annual budget – the expenditure appropriation was increased by $3M in late August to ensure the district would not overspend the original budgeted amount.

The general fund's beginning fund balance in 2016-17 was $43.3M as reported in the Required Supplemental Information, Schedule A-1.

Revenues were $7.4M under budget, and expenditures were $10.4M under the revised budget. Washington State statutes establish expenditure budgets as absolute expenditure limits, encouraging contingency budgeting.

Property tax revenues came in over $2M above budget, and local tax collections were $1.7M above the prior year – this was mainly due to a change in revenue recognition with September's property taxes being accrued back to August. The district received $196.3M in general state apportionment revenues in 2016-17, an increase of $5.3M over 2015-16. The State's school funding model formula was adjusted as the legislature works to address the McCleary ruling compliance targets set by the courts, and this resulted in increased funds flowing to school districts. The average annual student enrollment came in 8 FTE above budget, and that was a small factor contributing to the increase in state apportionment revenues. Federal revenues from grant sources were $935K below budget, and $916K less than the prior year. Federal grant revenues that were larger than the prior year include: Perkins CTE funds, Indian Education, Title III Limited English Proficiency, and Special Ed Medicaid Match. Grant revenues that were smaller than the prior year include: Special Ed IDEAB Funds, Title I disadvantaged students, Title II certificated professional development funds, and USDA free and reduced lunch reimbursements and commodities were down significantly.

An unusually high expenditure pattern in July led the district to adopt a budget extension to increase the overall expenditure appropriation amount by $3M as a failsafe from overspending the total adopted budget. While spending increased in most program categories above the prior year, expenditures were $10.4M below the revised budget amount.

Certificated and classified salaries and benefits were below budget, but higher than the prior year by $23M driven by the hiring of 71 certificated FTE and 79 classified FTE above the prior year. Supply and material expenditures were $1.9M under budget. Purchased services were above budget by $1.4M, travel above budget by $384K, and capital outlay costs were $1M above budget as planned equipment replacement expenditures came in above expectations. The district had also budgeted capacity (both revenue and expenditure) for state and federal grants that did not materialize.

Other financing sources were $1.8M, $113K below budget. The district had a planned transfer of $1.7M from the capital projects fund to the general fund for district-wide technology software licenses as permitted under state statute, however only $1.4M in eligible software licenses were transferred between the funds. The remaining amount represents surplus equipment proceeds ($90K) and the future value of new long-term financing ($290K).

CAPITAL ASSET AND DEBT ADMINISRATION

Capital Assets

At the end of the fiscal year 2016-17, the district had $930.4M invested in a broad range of capital assets, including technology equipment and school buildings. This amount represents a net increase (including additions and deletions) of $70.6M over last year.

Capital Assets
As of August 31, 2017

Asset Type	2016-17 Governmental Activities		
	Historical Cost	Accumulated Depreciation	NET
Land	42,750,150	-	42,750,150
Building and Improvements	987,463,658	(345,341,921)	642,121,737
Equipment	43,824,867	(38,148,519)	5,676,348
Construction-in-progress	239,839,960	-	239,839,960
TOTALS	**$ 1,313,878,635**	**$ (383,490,440)**	**$ 930,388,195**

Several schools listed for replacement or modernization with the 2013 capital bond issue moved from design phase into construction, which increased the construction in progress category considerably. Additional information can be found in the Notes to the Financial Statements, Note 4.

Construction in Progress - Changes from Prior Year:

Elementary Schools	$	31,734,756
Middle Schools		21,981,406
High Schools		31,294,718
	$	85,010,880

The district's 2016-17 fiscal year budget for capital projects fund expenditures was set at $124.4M.

Stewart Middle School was completed ahead of schedule and was opened in the Spring of 2017. Arlington

Elementary was virtually complete at the end of 2016-17, and students returned to their new school in September 2017.

Construction is underway on a new Mary Lyon Elementary, and its students and staff are being housed at McKinley Elementary for the 2017-18 school year. The new Science & Math Institute facilities are anticipated to be ready for students in late 2017. A new Browns Point Elementary is under construction on the existing site, with planned completion in the fall of 2018.

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

The district maintains a fleet yellow buses to serve its Special Education routes, and these buses are purchased from the Transportation Vehicle Fund. In 2000, the district began a long-term bus replacement plan which was meant to be self-supporting using state bus depreciation payments. In 2016-17, the district received $531K in bus depreciation payments from the state. The district ordered buses in 2016-17 on its bus replacement plan to keep its fleet of yellow buses current, however, the buses didn't arrive until after September and the expense is in the new fiscal year.

Debt

At year end, the district owed $543.6M in outstanding bonds, versus $564.1M last year – a decrease of $20.5M. The district acquired $425K in additional long-term financing costs related to new scoreboards purchased for Lincoln and Stadium Bowl.

This debt is secured by a pledge of the full faith and credit of the district. On September 23, 2015, Moody's Investors Services confirmed the district's underlying rating of Aa2 and enhanced rating of Aa1. Standard & Poor's confirmed its AA- unenhanced rating to the district on September 25, 2015; and confirmed a long term rating of AA+. The credit ratings for the district haven't changed since the last review in October, 2014, and were reaffirmed in the fall of 2017. More detailed information on the district's debt can be found in Note 7 of the notes to the financial statements.

Outstanding Debt at Year-End

Governmental Activities	2016-17	2015-16	Increase/(Decrease)	
2012 Refunding of the 03, 05, 05A UTGO's	62,330,000	66,785,000	(4,455,000)	-6.67%
2014 UTGO	136,600,000	136,600,000	-	0.00%
2015 UTGO	271,565,000	273,050,000	(1,485,000)	100.00%
2015 Refunding of the 2005A UTGO	73,145,000	87,685,000	(14,540,000)	100.00%
TOTALS	**543,640,000**	**564,120,000**	**(20,480,000)**	**-3.63%**

NEXT YEAR'S BUDGET AND RATES

The district's 2016-17 expenditure budgets for governmental funds were set at over $587M. The 2018 property tax rate decreased from $7.41 (2016) to $6.95 (2017) per thousand dollars of assessed value for the amounts collected in the general fund, capital projects fund, and debt service fund. Total assessed value increased by over 9 percent between 2016 and 2017, and property values increased from $20B to $21.8B over the calendar year. Property values continue to skyrocket in 2018, and it is expected the assessed values for the area will have fully recovered from the recession in 2008-09.

ECONOMIC FACTORS

The district serves the City of Tacoma and small outlying areas in Pierce County. 2017 saw reduced unemployment, an influx of new residents, and higher labor force participation. The Pierce County Economic Index (PCEI) is forecast to end 2017 up by 3.3 percent for the year, and forecasts for 2018 show annualized gains of 2.3 percent.

Pierce County's unemployment rate took a sharp plunge, dropping from 6.0 percent in October 2016 to 4.7 percent in October 2017. Growth has been driven by an influx of new residents, averaging about 14,400 per year since 2014. Nonfarm employment has grown at an average annual growth of 3.0 percent since 2014, adding 8,000-10,000 jobs per year through 2016.

Nonfarm employment is estimated to have grown another 2.9 percent (or 8.900 jobs) above forecast in 2017. The largest gains came in the construction sector, followed by education, health services, the professional and business services, and government sectors. Manufacturing has shown no growth in the last four years. 2018 is forecast to continue the 3.0 percent growth in employment, adding about 9,500 jobs

in the county. Pierce County saw a 3.3 percent increase in labor force participation in 2017; the increase is expected to be slightly lower in 2018 at 2.5 percent.

Personal income continues to increase year to year, both for total income and per capita income. In 2017, personal income is estimated to increase by 3.6 percent in total personal income, and increased by 1.9 percent in personal income per capita to $47,700. For 2018, total income is anticipated to increase by 3.2 percent, and per capital income is expected to increase by 1.5 percent. This growth is driven mainly by construction growth and assumes those jobs can be filled with local labor.

Median home values are up 8.9 percent from October 2016 to October 2017. New housing listings in the first 10 months of 2017 are up 3.9 percent in 2017, and closed sales are up 9.8 percent over the same period. Only 1.4 months of inventory was available at the end of November 2017. Rents have increased by 7.4 percent through October 2017 for multi-family properties as vacancy rates have declines.

Commercial real estate continues to show strength in the warehouse and distribution sectors – new construction increased inventory by 10.5 from 2016 to 2017. Vacancy rates at the end of the third quarter 2017 stood at 2.1 percent, down from 4.5 percent a year earlier. Office space vacancy rates fell to 6.86 in the third quarter 2017, down from 7.46 percent at the end of 2016. Overall, the outlook for the commercial sector has continued to improve, with lower or stable vacancy rates.

The Port of Tacoma and the Port of Seattle formed the Northwest Seaport Alliance (NWSA) in August 2016 to be more competitive with other west coast ports. Since the NWSA has been formed, the combined share of west coast container traffic stopped falling and stabilized. Container volume increased 3.5 percent from October 2016 to October 2017, and the full year estimate is for a 1.3 percent increase relative to 2016. The NWSA forecasts a 0.85 percent increase in 2018.

REQUESTS FOR INFORMATION

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

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

TACOMA SCHOOL DISTRICT No. 10
STATEMENT OF NET POSITION
August 31, 2017

	Note No.		Primary Government Governmental Activities
ASSETS			
Cash and Cash Equivalents	1.F.1	$	8,875,342
Cash Held by Trustees	2.B		2,481,760
Investments	2.A		320,451,000
Time Deposits	2.A		
Property Tax Receivable	1.F.2		72,933,188
Receivables, Net	1.F.3		221,942
Due From Other Governments	1.F.5		4,972,066
Inventories	1.G		3,577,420
Prepaid Items	1.G		787,968
Capital Assets, net of accumulated depreciation, where applicable:	4		
Land			42,750,150
Buildings & Improvements			642,121,737
Equipment			5,676,348
Construction-in-Progress			239,839,960
TOTAL ASSETS			**1,344,688,881**
DEFERRED OUTFLOW OF RESOURCES			
Pension Plan Experience Difference	6.A		10,280,802
Pension Plan Assumption Changes	6.A		501,310
Pension Plan Changes in Proportion and Differences in Contributions	6.A		147,415
Pension Plan Contributions	6.A		5,279,142
TOTAL DEFERRED OUTFLOW OF RESOURCES			**16,208,669**
LIABILITIES			
Accounts Payable			25,308,345
Accrued Wages & Benefits Payable			13,839,275
Unearned Revenue			941,498
Long-Term Liabilities	7.A		
Due within one year			37,447,596
Due in more than one year			862,499,319
TOTAL LIABILITIES			**940,036,033**
DEFERRED INFLOWS OF RESOURCES			
Refunded Bonds - Reduction in Principal	7.E		7,162,176
Pension Plan Experience Difference	6.A		1,490,165
Pension Plan Projected to Actual Earnings (net difference)	6.A		19,462,803
Pension Plan Changes in Proportion and Differences in Contributions	6.A		599,079
TOTAL DEFERRED INFLOWS OF RESOURCES			**28,714,223**
NET POSITION			
Net Investment in Capital Assets			517,988,999
Restricted for:			
Associated Student Body			1,968,369
Capital Projects			24,837,501
Debt Service			38,020,529
The Sound Partnership Employee Benefit Trust			5,575,977
State Grants			655,799
Unrestricted			(196,899,880)
TOTAL NET POSITION		**$**	**392,147,294**

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, 2017

Functions/Programs	Expenses	PROGRAM REVENUES: Charges for Service	PROGRAM REVENUES: Operating Grants and Contributions	PROGRAM REVENUES: Capital Grants and Contributions	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION — PRIMARY GOVERNMENT: Governmental Activities
Primary Government:					
Governmental Activities:					
Regular Instruction	$ 240,329,794	$ 2,465,346	$ 21,639,994	$ 93,781	$ (216,130,674)
Special Instruction	52,989,814	1,802,440	34,456,084	-	(16,731,290)
Career & Technical Instruction	12,607,272	204,413	13,593,245	38,207	1,228,593
Compensatory Instruction	37,473,529	8,900	35,340,744	81,720	(2,042,165)
Other Instructional Programs	7,640,290	1,044,796	2,096,258	49,286	(4,449,949)
Community Services	689,265	605,129	117,566	-	33,429
Support Services	88,974,878	5,054,569	19,962,510	1,766,171	(62,191,629)
Extracurricular Activities (ASB)	1,919,602	1,919,112	-	-	(490)
Interest Payment on Long-Term Debt	23,257,320	-	-	-	(23,257,320)
Total Governmental Activities	**$ 465,881,764**	**$ 13,104,705**	**$ 127,206,400**	**$ 2,029,165**	**$ (323,541,495)**

General Revenues:	
Taxes:	
Property taxes, levies for maintenance and operations	87,796,591
Property taxes, levies for debt service	54,386,637
Property taxes, levies for capital projects	10,260,612
Unallocated State Apportionment & Others	171,404,938
Interest and Investment earnings	3,307,689
Total General Revenues	**327,156,467**
Changes in Net Position	**3,614,972**
Net Position - Beginning	388,532,322
Net Position - Ending	**$ 392,147,294**

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, 2017

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND	CAPITAL PROJECT FUND	TRANSPORTATION VEHICLE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash on Hand and in Bank	$ 1,524,900	$ 82,913	$ 267,114	$ 1,220,368	$ 328	$ 3,095,623
Construction Retainage Escrow	-	-	-	2,481,760	-	2,481,760
Investments	41,770,000	2,149,000	10,887,000	263,375,000	2,270,000	320,451,000
Property Tax Receivable	41,640,803	-	26,440,205	4,852,180	-	72,933,188
Accounts Receivable, Net	39,694	7,128	-	-	-	46,821
Interest Receivable	1,185	60	304	173,509	63	175,121
Interfund Receivable	2,490,487	3,467	-	812,928	-	3,306,883
Due From Other Government Units	4,972,066	-	-	-	-	4,972,066
Inventories at Cost	3,553,176	24,244	-	-	-	3,577,420
Prepaid Items	741,228	-	-	-	-	741,228
TOTAL ASSETS	**96,733,539**	**2,266,812**	**37,594,623**	**272,915,744**	**2,270,391**	**411,781,110**
LIABILITIES:						
Accounts Payable	7,151,543	158,969	-	10,871,522	-	18,182,034
Retainage Payable	-	-	-	2,481,760	-	2,481,760
Accrued Wages & Benefits Payable	13,695,075	-	-	144,200	-	13,839,275
Interfund Payable	816,722	2,416	-	2,487,745	-	3,306,883
Unearned Revenue - Other	804,440	137,058	-	-	-	941,498
TOTAL LIABILITIES	**22,467,780**	**298,443**	**-**	**15,985,227**	**-**	**38,751,450**
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Revenue - Property Taxes	40,229,397	-	25,543,188	4,687,851	-	70,460,436
TOTAL DEFERRED INFLOWS OF RESOURCES	**40,229,397**	**-**	**25,543,188**	**4,687,851**	**-**	**70,460,436**
FUND BALANCES						
Nonspendable						
Nonspendable - Inventory & Prepaid Items	4,294,404	24,244	-	-	-	4,318,648
Restricted						
Restricted for C/over of Restricted Revenues	655,799	-	-	-	-	655,799
Restricted for Construction	-	-	-	238,491,321	-	238,491,321
Restricted for Debt Service	425,906	-	12,051,435	-	-	12,477,341
Restricted to Fund Purposes	-	1,944,125	-	-	2,270,391	4,214,517
Restricted for Technology	-	-	-	12,435,846	-	12,435,846
Assigned						
Assigned to Other Items (see Note 11)	1,361,223	-	-	-	-	1,361,223
Assigned to Budget Carryover	1,459,648	-	-	-	-	1,459,648
Assigned to Future Operations	7,564,935	-	-	-	-	7,564,935
Assigned to Curriculum & Instruction	2,938,537	-	-	-	-	2,938,537
Assigned to Fund Purposes	-	-	-	1,315,501	-	1,315,501
Unassigned						
Unassigned for Minimum Fund Balance Policy	15,335,910	-	-	-	-	15,335,910
TOTAL FUND BALANCES	**34,036,362**	**1,968,369**	**12,051,435**	**252,242,668**	**2,270,391**	**302,569,225**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	**$ 96,733,539**	**$ 2,266,812**	**$ 37,594,623**	**$ 272,915,746**	**$ 2,270,391**	**$ 411,781,110**

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, 2017

	Total Governmental Funds	Long-Term Assets, Liabilities *	Internal Service Fund *	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS					
Cash on Hand and in Bank	$ 3,095,623	$ -	$ 5,779,719	$ -	$ 8,875,342
Investments	320,451,000	-	-	-	320,451,000
Property Tax Receivable	72,933,188	-	-	-	72,933,188
Receivables, Net	221,942	-	-	-	221,942
Interfund Receivable	3,306,883	-	-	(3,306,883)	-
Due From Other Governments	4,972,066	-	-	-	4,972,066
Inventories	3,577,420	-	-	-	3,577,420
Prepaid Items	741,228	-	46,740	-	787,968
Capital Assets, Net (land, bldg, eqmt)	-	930,388,195	-	-	930,388,195
TOTAL ASSETS	**411,781,110**	**930,388,195**	**5,826,459**	**(3,306,883)**	**1,344,688,881**
DEFERRED OUTFLOWS OF RESOURCES					
Pension Plan Experience, Assumption Changes & Plan Contributions	-	16,208,669	-	-	**16,208,669**
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	16,208,669	-	-	**16,208,669**
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**411,781,110**	**946,596,864**	**5,826,459**	**(3,306,883)**	**1,360,897,550**
LIABILITIES					
Accounts Payable	20,663,794	4,394,069	250,482	-	25,308,345
Wages, Benefits & Other Payables	13,839,275	-	-	-	13,839,275
Interfund Payable	3,306,883	-	-	(3,306,883)	-
Unearned Revenue - Other	941,498		-	-	941,498
Long-Term Liabilities - Pension	-	164,731,749	-	-	164,731,749
Long-Term Liabilities - Not Pension	-	735,215,166	-	-	735,215,166
TOTAL LIABILITIES	**38,751,450**	**904,340,984**	**250,482**	**(3,306,883)**	**940,036,033**
DEFERRED INFLOWS OF RESOURCES					
Refunded Bonds - Reduction in Principal	-	7,162,176	-	-	7,162,176
Unavailable Revenue - Property Taxes	70,460,436	(70,460,436)		-	-
Pension Plan Investment Earnings & Changes in Proportions	-	21,552,047	-	-	21,552,047
TOTAL DEFERRED INFLOWS OF RESOURCES	**70,460,436**	**(41,746,213)**	**-**	**-**	**28,714,223**
NET POSITION					
Total Fund Balances	302,569,225	84,002,093	5,575,977	-	**392,147,294**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	**$ 411,781,110**	**946,596,864**	**$ 5,826,459**	**$ (3,306,883)**	**$ 1,360,897,550**

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, 2017

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TRANSPORTATION VEHICLE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Local	$ 95,803,767	$ -	$ 54,443,193	$ 13,812,076	$ 10,719	$ 164,069,755
State	250,024,989	-	-	11,597,543	530,702	262,153,234
Federal	38,782,098	-	-	-	-	38,782,098
Miscellaneous	3,547,740	1,905,714	-	4,238	-	5,457,692
TOTAL REVENUES	**388,158,594**	**1,905,714**	**54,443,193**	**25,413,857**	**541,421**	**470,462,779**
EXPENDITURES						
Current Operating:						
Regular Instruction	209,816,178	-	-	-	-	209,816,178
Special Instruction	50,297,078	-	-	-	-	50,297,078
Career & Technical Instruction	11,888,442	-	-	-	-	11,888,442
Compensatory Instruction	35,536,763	-	-	-	-	35,536,763
Other Instructional Programs	7,252,123	-	-	-	-	7,252,123
Community Services	661,350	-	-	-	-	661,350
Support Services	81,705,524	-	-	-	-	81,705,524
Student Activities	-	1,919,112	-	-	-	1,919,112
Debt Service:						
Principal	-	-	20,480,000	-	-	20,480,000
Interest and Other Charges	-	-	26,755,510	-	-	26,755,510
Capital Outlay:						
Other	2,029,165	-	-	106,072,091	-	108,101,256
TOTAL EXPENDITURES	**399,186,625**	**1,919,112**	**47,235,510**	**106,072,091**	**-**	**554,413,336**
Excess (Deficiency) of Revenues Over Expenditures	**(11,028,031)**	**(13,398)**	**7,207,683**	**(80,658,234)**	**541,421**	**(83,950,557)**
OTHER FINANCING SOURCES (USES)						
Proceeds from Sale of Surplus Equipment	89,776	-	-	-	-	89,776
Long-Term Financing	290,322	-	-	-	-	290,322
Transfers	1,432,698	-	-	(1,432,698)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	**1,812,795**	**-**	**-**	**(1,432,698)**	**-**	**380,098**
NET CHANGE IN FUND BALANCE	**(9,215,236)**	**(13,398)**	**7,207,683**	**(82,090,932)**	**541,421**	**(83,570,459)**
Fund Balance - Beginning	43,251,597	1,981,767	4,843,752	334,333,600	1,728,970	**386,139,686**
Fund Balance - Ending	**$ 34,036,362**	**$ 1,968,369**	**$ 12,051,435**	**$ 252,242,668**	**$ 2,270,391**	**$ 302,569,227**

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

TACOMA SCHOOL DISTRICT No. 10
RECONCILIATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
For the Fiscal Year Ended August 31, 2017

	Total Governmental Funds	Long-Term Revenue, Expenses *	Capital Related items *	Internal Service Fund *	Long-Term Debt Transactions *	Statement of Activities Totals
REVENUES AND OTHER SOURCES						
Property Taxes	$ 152,443,840	$ (1,346,139)	$ -	$ -	$ -	$ 151,097,701
Local Non-Taxes	11,625,915	-	-	-	-	11,625,915
State	262,153,234	-	-	-	-	262,153,234
Federal	38,782,098	-	-	-	-	38,782,098
Miscellaneous	5,457,692	-	-	-	-	5,457,692
Other Sources:						
Bonds, Sales	-	-	-	-	-	-
Bonds, Premium on Sale	-	-	-	-	-	-
Proceeds from Sale of Real Property	-	-	-	-	-	-
Proceeds from Sale of Surplus Eqmt	89,776	-	-	-	-	89,776
Long-Term Financing	290,322	-	-	-	-	290,322
TOTAL	**470,842,877**	**(1,346,139)**	**-**	**-**	**-**	**469,496,738**
EXPENDITURES/EXPENSES						
Current:						
Regular Instruction	209,816,178	2,240,711	18,611,337	724,575	-	231,392,802
Special Instruction	50,297,078	537,143	11,398	173,695	-	51,019,315
Career & Technical Instruction	11,888,442	126,961	81,995	41,055	-	12,138,453
Compensatory Instruction	35,536,763	379,511	41,029	122,722	-	36,080,025
Other Instructional Programs	7,252,123	77,448	1,560	25,044	-	7,356,175
Community Services	661,350	-	-	2,284	-	663,634
Support Services	81,705,524	879,629	2,373,007	282,160	425,906	85,666,226
Student Activities	1,919,112	-	490	-	-	1,919,602
Debt Service:						-
Principal	20,480,000	-	-	-	(20,480,000)	-
Interest and Other Charges	26,755,510	-	-	-	(3,498,190)	23,257,320
Capital Outlay **	108,101,256	-	(91,713,044)	-	-	16,388,212
Other Uses:						
Bonds, Deposit to Refunding Account	-	-	-	-	-	-
TOTAL EXPENDITURES/EXPENSES	**554,413,336**	**4,241,404**	**(70,592,227)**	**1,371,536**	**(23,552,284)**	**465,881,764**
NET CHANGE FOR THE YEAR	**$ (83,570,459)**	**$ (5,587,543)**	**$ 70,592,227**	**$ (1,371,536)**	**$ 23,552,284**	**$ 3,614,972**

TACOMA SCHOOL DISTRICT No. 10
INTERNAL SERVICE FUND (The Sound Partnership)
STATEMENT OF NET POSITION
August 31, 2017

		Governmental Activities
		Internal Service Fund
ASSETS		
Current Assets		
Cash and Cash Equivalents	$	5,779,719
Prepaid Insurance		46,740
TOTAL ASSETS		**5,826,459**
LIABILITIES		
Current Liabilities		
Accounts Payable		250,482
TOTAL LIABILITIES		**250,482**
NET POSITION		
Unrestricted		5,575,977
TOTAL NET POSITION	**$**	**5,575,977**

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

TACOMA SCHOOL DISTRICT No. 10
INTERNAL SERVICE FUND (The Sound Partnership)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES	
Premium Contributions	$ 45,363,264
TOTAL OPERATING REVENUES	**45,363,264**
OPERATING EXPENSES	
Insurance Premiums	43,746,403
Benefit Claims	2,197,651
Administrative Expenses	766,761
Working on Wellness	23,985
TOTAL OPERATING EXPENSES	**46,734,800**
OPERATING INCOME (LOSS)	**(1,371,536)**
CHANGE IN NET POSITION	**(1,371,536)**
NET POSITION - BEGINNING	6,947,513
NET POSITION - ENDING	**$ 5,575,977**

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

TACOMA SCHOOL DISTRICT No. 10
INTERNAL SERVICE FUND (The Sound Partnership)
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Premium Contributions	$ 45,363,264
Restricted Cash	31,539
Benefits Claims	(2,197,651)
Insurance Premium Payments	(43,727,567)
Administrative	(766,761)
Miscellaneous Payments	(23,985)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(1,321,161)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,321,161)**
BALANCES - BEGINNING OF THE YEAR	7,100,880
BALANCES - END OF THE YEAR	**$ 5,779,719**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	(1,371,536)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
(Increase) Decrease in Prepaid Expenses	31,539
Increase (Decrease) in Liabilities	18,836
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (1,321,161)**

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, 2017

		Private-Purpose Trusts
ASSETS		
Cash and Cash Equivalents	$	3,893
Investments at Fair Value		652,000
TOTAL ASSETS		**655,893**
LIABILITIES		
Accounts Payable		141,957
Unearned Revenue - Other		3,023
TOTAL LIABILITIES		**144,980**
NET POSITION		
Held in Trust for Scholarships and Student Aid		510,913
TOTAL NET POSITION	**$**	**510,913**

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, 2017

	Private-Purpose Trusts
ADDITIONS	
Donations	$ 262,496
TOTAL ADDITIONS	**262,496**
DEDUCTIONS	
Scholarships	68,424
Tuition and Fees	7,479
Supplies & Materials	78,247
Field Trips	61,968
Purchased Services	16,812
Salaries & Benefits	4,548
TOTAL DEDUCTIONS	**237,477**
CHANGE IN NET POSITION	**25,019**
Net Position, Beginning of the year	485,894
Net Position, End of the year	**$ 510,913**

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, 2016 through August 31, 2017

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 Sound Partnership discussed below is the district's internal service fund ad blended into those of the district by appropriate activity type to compose the *primary government* presentation.

Internal Service Fund. The Sound Partnership is a health and welfare trust fund 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 Sound Partnership financial statements are available from:

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

B. BASIS OF PRESENTATION

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

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

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The government-wide financial statements consist of the following:

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

b. **Statement of Activities –** The operations of the district are presented net of the applicable program revenues. General revenues are divided into property taxes, interest, and investment earnings. The expenses and revenues are reported as follows:

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

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

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

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

2. ***FUND FINANCIAL STATEMENTS***

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

GOVERNMENTAL FUNDS

General Fund

This fund is the district's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund. The revenues of the General Fund are derived primarily from the State of Washington, local property taxes, and federal grants. In keeping with the principle of as few funds as necessary, nutrition services, maintenance, technology services, printing and graphics, and pupil transportation activities are included in this fund.

Special Revenue Fund (Associated Student Body Fund)

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

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

Debt Service Fund

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

Capital Projects Funds

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

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

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

INTERNAL SERVICE FUNDS

The Sound Partnership is reported as an internal service fund, using the accrual basis of accounting.

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. Trust funds are used to account for assets held for individuals, private organizations, other districts, or funds in its fiduciary capacity as trustee or agent.

Private Purpose Trust Fund

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

MAJOR AND NON-MAJOR FUNDS

The district considers all governmental funds "major funds".

C. BUDGETS AND BUDGETARY ACCOUNTING

GENERAL BUDGET POLICIES

The Tacoma School District budgets its funds in accordance with the Revised Code of Washington Chapter 28A.505 and Chapter 392-123 of the Washington Administrative Code (WAC). The board adopts the budget after public hearings. An appropriation is a prerequisite to expenditure. Appropriations lapse at the end of the fiscal period. Annual appropriated budgets are adopted at the fund level. Each governmental fund's total expenditures cannot, by law, exceed its formal fund appropriation. Management is authorized to modify specific accounts within the overall fund appropriation. However, only the board has the authority to increase or decrease a given fund's annual budget. The board may adopt a revised or supplemental budget appropriation after public hearings anytime during the fiscal year. The district adopted a revised general fund budget in August 2017. The revised budget increased the expenditure limit of the general fund from $406.5M to $409.5M, or by a total of $3M.

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

BUDGETARY BASIS OF ACCOUNTING

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

ENCUMBRANCES

Encumbrance accounting is employed in governmental funds. Purchase orders and other commitments for the expenditure of moneys are recorded to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. General Fund encumbrances in the amount of $1,361,223 were re-encumbered on September 1, 2017.

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

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

MEASUREMENT FOCUS

The government-wide financial statements measure and report all assets (both financial and capital), deferred outflow of resources, liabilities, deferred inflows of resources, revenues, expenses, gains and losses using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes receivable are measurable but are considered to be available only if they are collected within 30 days after year end. 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 received within 30 days of the end of the current fiscal period are recognized as revenues of the current fiscal period.

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

BASIS OF ACCOUNTING

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

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this method, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which is reported when due. The district considers revenues derived from property taxes available when they are collected within 30 days after year end.

E. ELIMINATIONS AND RECLASSIFICATIONS

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

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

1. Cash, Cash Equivalents, and Investments

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

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

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

2. <u>Property Taxes</u>

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. On the governmental fund financial statements, property taxes receivable are measurable but are considered to be available only if they are collected within 30 days after year end.

Tax Abatements. The Governmental Accounting Standards Board (GASB) Statement No. 77 requires state and local governments to disclose tax abatements where a decrease in specific taxes for a particular payer may contribute to economic development or otherwise benefits the governments or its citizens.

The property tax system in the state of Washington is budget-based, which means the taxing authority determines a budget or dollar amount and adjusts the rates for the taxpayers based on the assessed valuation of their property. As a result, tax abatement programs related to property taxes shift the tax burden to individual taxpayers rather than to the municipality.

The following are totals of abated taxes pertaining to the Tacoma School District in fiscal year 2016- 2017:

City of Tacoma	Housing projects with 5 or more units	$2,223,081

The tax abatements did not result in a reduction or loss of revenue to the district because, pursuant to state law, these taxes were reallocated to other property tax payers.

3. <u>Accounts Receivable</u>

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. <u>Interfund Receivables/Payables</u>

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. <u>Due From Other Governments</u>

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

G. INVENTORIES AND PREPAID ITEMS

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

United States Dept. of Agriculture (USDA) commodities consist of food donated by the USDA for use in the district's nutrition services program. The commodities are valued at the prices paid by the USDA for the commodities, and are included in the general fund inventory. At August 31, 2017, the value of the USDA commodities included in this district's inventory was $1,922,891.

Prepaid items consist of software licenses and other prepayments made late in 2016-17 for the new school year. Inventory amounts also include expendable supplies and equipment, generally purchased over the summer, and held for consumption until school begins in the fall. The costs are recorded as expenditures at the time inventory items are consumed.

H. BOND DISCOUNT, BOND PREMIUMS & ISSUANCE COSTS

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

I. CAPITAL ASSETS

Capital assets, which include property, buildings and improvements, and equipment, are reported in the applicable governmental activities in the government-wide financial statements. The district's equipment capitalization policy includes items where the individual cost of the asset is $5,000 or more, and the asset has a useful life of longer than one year. Such assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized, and are charged as expenditures in the current period. In the governmental fund financial statements, capital assets are accounted for as expenditures upon acquisition, and no depreciation is recorded. On the government-wide financial statements, capital assets are included and depreciation expense is charged and allocated to various functions/programs in compliance with GASB statement No. 34 (see Note 4).

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

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

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

Unavailable revenues from property taxes are reported as a deferred inflow on the government fund statements. This amount is deferred and recognized as an inflow of resources in the period the amounts become available.

Pensions – for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems.

The district refunded bonds in November, 2015 and the difference between the reacquisition price and the net carrying amount of the old debt resulted in a gain. A deferred inflow of resources has been recorded to recognize the gain, and is being amortized over the remaining life of the new debt.

K. COMPENSATED ABSENCES

1. Sick Leave

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

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

Sick leave is reported under long-term liabilities in the *Statement of Net Position*. For reporting purposes, 25 percent of the sick leave liability (up to 180 days) for those eligible for retirement is considered accruable. The amount of accrued sick leave as of August 31, 2017, was $16,235,506 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, 2017, was $9,756,007 and reported as long-term liabilities in government-wide financial statements.

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

L. NET POSITION *(Government-wide Financial Statements)*

The "Net Investment in Capital Assets" component consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The "Restricted Net Position" component reports the assets with constraints placed on net position by external laws, regulations, or legislation. Therefore, they are available for disbursements only for specific purposes (e.g. debt service, capital projects, and others). The "Unrestricted Net Position" are assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

M. GOVERNMENTAL FUND BALANCES

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

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

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

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

Committed Fund Balance. Amounts that are reported as Committed are those resources of the district that have had a limitation placed upon their usage by formal action of the district's board of directors. Commitments are made either through a formal adopted board resolution or are related to a school board policy. Commitments may only be changed when the resources are used for the intended purpose or the limitation is removed by a subsequent formal action of the board of directors. The district reported no committed fund balance categories in 2016-17.

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

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

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

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

In 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.

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 cash on hand plus 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	$ 3,095,623	$ 320,451,000
Sound Partnership	5,779,719	-
Total Government-Wide	8,875,342	320,451,000
Fiduciary Funds	3,893	652,000
Total Deposits & Investments	$ 8,879,235	$ 321,103,000

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

As of August 31, 2017, the total carrying amount of the district's investments was $321.1M 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 Maturities (in months)	
Investment Type	Total Fair Value	Less than 1	More than 12
US Treasury Note	$ 150,000,000	$ 150,000,000	$ -
Federal Home Loan Mortgage Corp	30,000,000	30,000,000	-
Total	$ 180,000,000	$ 180,000,000	$ -

Interest Rate Risk – The Pierce County Treasurer's investment policy does not specifically address management of interest rate risk. The exposure to fair value losses arising from increasing interest rates is managed by limiting the weighted average maturity of the portfolio to between six months and one year. The district's investment strategy limits the district's investment portfolio with the county to maturities of less than three years. Because of the extremely low interest rates, the district has the majority of its investments maturing on a short term basis (maturing in less than one year), except in the capital projects fund where longer term investments were made based on construction cash flow needs. When interest rates improve, the district will revisit making longer term investments in its non-capital funds.

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

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

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

Investment Type	Moody's Investor Service	Standard & Poor's	Fair Market Value Heirarchy
United States Treasury Notes	Aaa	AA+	Level 1
Federal Home Loan Mortgage Corp	Aaa	AA+	Level 1

The Local Government Investment Pool (LGIP) is not registered with the Securities and Exchange Commission (SEC) as an investment company. It is a voluntary investment vehicle operated by the Washington State Treasurer. Over 530 local governments have participated in the Pool since it was started in 1986 to provide safe, liquid, and competitive investment options for local governments pursuant to the Revised Code of Washington (RCW) 43.250. All investments are subject to written policies and procedures adopted by the State Treasurer's Office. The LGIP is considered extremely low risk. Funds are invested in a portfolio of securities in a manner generally consistent with the SEC's Rule 2A-7 of the Investment Company Act of 1940 as it currently stands. The LGIP functions as a demand deposit account where the district receives an allocation of its proportionate share of pooled earnings using an amortized cost methodology. Unrealized gains and losses due to changes in the fair values are not distributed to the district.

The LGIP manages a portfolio of securities that meet the maturity, quality, diversification, and liquidity requirements set forth by the Governmental Accounting Standards Board (GASB) for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost.

The LGIP transacts with its participants at a stable net asset value per share of $1.00, the same method used for reporting. Participants may contribute and withdraw funds on a daily basis. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

Fair Market Value. GASB 72 addresses accounting and financial reporting issues related to fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. This hierarchy has three levels:

Level 1 - Pricing inputs are observable inputs such as quoted prices, available in active markets, for identical assets or liabilities on the date of measurement.

Level 2 – Pricing inputs are either directly or indirectly observable inputs available in active markets as of the measurement date.

Level 3 – Pricing inputs are unobservable inputs used in cases where financial instruments are considered illiquid, with no significant market activity and little or no pricing information on the date of measurement.

All the district's investments held with the Pierce County treasurer are Level 1.

B. CASH WITH FISCAL AGENT/TRUSTEES

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

Note 3. **INTERFUND TRANSACTIONS**

As of August 31, 2017, short-term interfund receivables and payables in governmental funds that resulted from various interfund transactions in governmental fund financial statements were as follows:

	Interfund Receivables	Interfund Payables
General Fund	$ 2,490,487	$ 816,722
Capital Projects Fund	812,928	2,487,745
Special Revenue Fund	3,467	2,416
Total	**$ 3,306,883**	**$ 3,306,883**

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 ($1,432,698) 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.*

	Primary Government			
	Beginning Balance	**Additions**	**Deletions**	**Ending Balance**
Governmental Activites:				
Capital Assets, not being depreciated:				
Land	$ 42,745,423	$ 4,727	-	$ 42,750,150
Construction-in-Progress	154,829,080	85,010,880	-	239,839,960
Total Capital Assets, not being depreciated	**197,574,503**	**85,015,607**	**-**	**282,590,110**
Capital assets, being depreciated:				
Building and Improvements	982,051,173	5,412,485	-	987,463,658
Equipment	42,803,592	1,327,337	(306,061)	43,824,867
Total Capital assets, being depreciated:	**1,024,854,765**	**6,739,821**	**(306,061)**	**1,031,288,525**
Less Accumulated Depreciation for:				
Building and Improvements	(325,839,405)	(19,504,316)	1,800	(345,341,921)
Equipment	(36,793,895)	(1,616,501)	261,877	(38,148,519)
Total Accumulated Depreciation	**(362,633,300)**	**(21,120,817)**	**263,677**	**(383,490,440)**
Total Capital assets, being depreciated, net	**662,221,465**	**(14,380,996)**	**(42,384)**	**647,798,085**
Governmental Activities Capital Assets, Net	**$859,795,968**	**$ 70,634,611**	**$ (42,384)**	**$ 930,388,195**

Depreciation expense was charged to governmental activities as follows:

	Current Year Total
Regular Instruction	18,611,337
Special Instruction	11,398
Career & Technical Instruction	81,995
Compensatory Instruction	41,029
Other Instruction Programs	1,560
Support Services	2,373,007
Extracurricular Activities (ASB)	490
	$ 21,120,817

Note 5. CONSTRUCTION IN PROGRESS

School	Project	Project Authorization	Accumulated Expenditures to Aug. 31, 2017
Elementary Schools			
McCarver Elementary	Modernization	39,000,000	37,424,275
Wainwright	New School	35,000,000	32,032,704
Arlington	New School	28,000,000	21,541,012
Birney	New School	32,000,000	440,438
Browns Pt.	New School	31,000,000	2,497,245
Grant	New School	29,000,000	447,362
Lyon	New School	29,000,000	4,196,421
Total Elementary Schools		**223,000,000**	**98,579,456**
Middle Schools			
Stewart	Modernization	66,000,000	65,351,229
Hunt	New School	48,000,000	2,270,094
Total Middle Schools		**114,000,000**	**67,621,323**
High Schools			
SAMI	New School	20,000,000	16,818,214
Wilson Phase 2	Modernization	60,000,708	56,820,966
Total High Schools		**80,000,708**	**73,639,181**
GRAND-TOTAL		**$ 417,000,708**	**$ 239,839,960**

Note 6. PENSIONS AND NONGOVERNMENTAL PENSION PLANS

A. PENSIONS

GENERAL INFORMATION

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

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

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

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380
Or, the online version is available here: www.drs.wa.gov/adminstrations/annual-report

MEMBERSHIP PARTICIPATION

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

Membership participation by retirement plan as of June 30, 2017, was as follows:

Retirement Plan	Retirees & Beneficiaries Receiving Benefits	Inactive Vested Members	Active Plan Members
PERS 1	48,268	663	2,593
SERS 2	8,229	5,880	27,011
SERS 3	7,735	8,330	33,890
TRS 1	34,225	188	697
TRS 2	5,076	2,532	19,133
TRS 3	10,289	8,568	54,487

MEMBERSHIP & PLAN BENEFITS

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

TRS was established in 1938, and its retirement benefit provisions are contained in Chapters 41.32 and 41.34 RCW. TRS eligibility for membership requires service as a certificated public school employee working in an instructional, administrative or supervisory capacity. TRS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. TRS eligibility for membership requires service as a certificated public school employee working in an instructional, administrative or supervisory capacity.

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

TRS Plan 1 provides retirement, disability and death benefits. TRS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the average final compensation (AFC), for each year of service credit, up to a maximum of 60 percent, divided by twelve. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two.

Members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

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

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

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

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

PERS was established in 1947, and its retirement benefit provisions are contained in Chapters 41.34 and 41.40 RCW. PERS is a cost-sharing, multi-employer retirement system.

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

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

SERS was created by the Legislature in 1998, and the plan became effective in 2000. SERS retirement benefit provisions are established in Chapters 41.34, and 41.35 RCW. SERS members include classified employee of school districts and educational service districts.

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

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

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

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

The benefit is reduced by a factor that varies according to age, for each year before age 65. SERS members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 2, 2013: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.
SERS members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. SERS retirement benefits are also actuarially reduced to reflect the choice of survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

PLAN CONTRIBUTIONS

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

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

Pension Rates	7/1/17 Rate	7/1/16 Rate	
PERS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	12.70%	11.18%	

Pension Rates	9/1/17 Rate	9/1/16 Rate	
TRS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	15.20%	13.13%	
TRS 2			
Member Contribution Rate	7.06%	5.95%	
Employer Contribution Rate	15.20%	13.13%	
TRS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	15.20%	13.13%	**
SERS 2			
Member Contribution Rate	7.27%	5.63%	
Employer Contribution Rate	13.48%	11.58%	
SERS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.48%	11.58%	**

Note: The DRS administrative rate of .0018 is included in the employer rate.
* Variable from 5% to 15% based on rate selected by the member.
** Defined benefit portion only.

THE COLLECTIVE NET PENSION LIABILITY

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

The Net Pension Liability as of June 30, 2017 (dollars in thousands):

	PERS 1	SERS 2/3	TRS 1	TRS 2/3	
Total Pension Liability	$ 12,241,998	$ 5,357,035	$ 8,782,761	$ 13,446,531	
Plan fiduciary net position	$ (7,496,920)	$ (4,863,560)	$ (5,759,493)	$ (12,523,588)	
Participating employers' net pension liability	$ 4,745,078	$ 493,475	$ 3,023,268	$ 922,943	
Plan fiduciary net position as a percentage of the total pension liability	61.24%	90.79%	65.58%	93.14%	

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

At June 30, 2017, the district reported a total liability of $164,731,749 for its proportionate shares of the individual plans' collective net pension liability. The district's proportionate share of the collective net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2017, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2017	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Proportionate Share of the Net Pension Liability	$ 24,324,672	$ 15,050,642	$ 96,146,769	$ 29,209,667

At June 30, 2017, the school district's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below.

Allocation %	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.512630%	3.049930%	3.180226%	3.164840%
Prior year proportionate share of the Net Pension Liability	0.481418%	3.030082%	3.234132%	3.198686%
Net difference %	0.031211%	0.019848%	-0.053906%	-0.033846%

The District's annual contributions for 2017 is reported below:

August 31, 2017	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	$ 3,062,524	$ 4,249,235	$ 11,107,688	$ 11,950,960

ACTUARIAL ASSUMPTIONS

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

The total pension liabilities for TRS 1, TRS 2/3, PERS 1, and SERS 2/3 were determined by actuarial valuation as of June 30, 2016, with the results rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

MORTALITY RATES

Mortality rates used in the plans were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime. The actuarial assumptions used in the June 30, 2016, valuation were based on the results of the 2007-2012 Experience Study and the 2015 Economic Experience Study. Additional assumptions for subsequent events and law changes as of the 2016 actuarial valuation report.

LONG-TERM EXPECTED RATE OF RETURN

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best-estimate of expected future rates of return (expected returns, net pension plan investment expense, but including inflation) are developed for each major asset class by the Washington State Investment Board (WSIB). Those expected returns make up one component of WSIB's CMAs. The CMAs contain three pieces of information for each class of assets the WSIB currently invest in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

WSIB uses the CMAs and their target allocation to simulate future investment returns over various time horizons.

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017, are summarized in the following table:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20.00%	1.70%
Tangible Assets	5.00%	4.90%
Real Estate	15.00%	5.80%
Global Equity	37.00%	6.30%
Private Equity	23.00%	9.30%

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

DISCOUNT RATE

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

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

The Pension Plans reported collective Deferred Outflows of Resources and collective Deferred Inflows of Resources related to the individual plans. At August 31, 2017, the district reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

PERS 1	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	-	-
Net difference between projected and actual earnings on pension plan investments	-	(907,729)
Changes in Assumptions or other inputs	-	-
Changes in the school district's proportion and differences between the district contributions and proportionate share of contributions	-	-
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	-	-

SERS 2/3	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	2,996,892	-
Net difference between projected and actual earnings on pension plan investments	-	(3,910,864)
Changes in Assumptions or other inputs	157,102	-
Changes in the school district's proportion and differences between the district contributions and proportionate share of contributions	147,415	(97,126)
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	1,125,939	-

TRS 1	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	-	-
Net difference between projected and actual earnings on pension plan investments	-	(4,073,266)
Changes in Assumptions or other inputs	-	-
Changes in the school district's proportion and differences between the district contributions and proportionate share of contributions	-	-
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	50,130	-

TRS 2/3	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	7,283,910	(1,490,165)
Net difference between projected and actual earnings on pension plan investments	-	(10,570,945)
Changes in Assumptions or other inputs	344,208	-
Changes in the school district's proportion and differences between the district contributions and proportionate share of contributions	-	(501,952)
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	4,103,073	-

Total For All Plans	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	10,280,802	(1,490,165)
Net difference between projected and actual earnings on pension plan investments	-	(19,462,803)
Changes in Assumptions or other inputs	501,310	-
Changes in the school district's proportion and differences between the district contributions and proportionate share of contributions	147,415	(599,079)
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	5,279,142	-
Total Deferred Outflows	16,208,669	-
Total Deferred Inflows	-	(21,552,047)

$5,279,142 reported as Deferred Outflows of Resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2018.

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

Pension Amortization By Plan

	PERS 1	SERS 2/3	TRS 1	TRS 2/3	PERS 2/3
2018	(613,566)	(897,267)	(2,991,925)	(4,241,406)	-
2019	193,712	896,828	1,120,076	1,622,947	-
2020	(44,978)	(21,466)	(99,573)	(634,457)	-
2021	(442,897)	(1,281,453)	(2,101,843)	(4,194,300)	-
2022	-	426,264	-	523,393	-
Thereafter	-	170,512	-	1,988,880	-

PENSION EXPENSE

The district recognizes a pension expense for its proportionate share of the collective pension expense. This is determined by using the district's proportional share of the collective net pension liability. For the year ending August 31, 2017, the district recognized a total expense as follows:

Plan	Pension Expense
PERS 1	$ 47,462
SERS 2/3	(82,916)
TRS 1	(6,679,247)
TRS 2/3	(1,411,454)
Total	$ (8,126,155)

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

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

Sensitivity of the net pension liability to changes in the discount rate:			
Participating Plans for TRS, PERS, and SERS			
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS1	$5,780,412,000	$ 4,745,078,000	$3,848,257,000
%NPL	0.512630%	0.512630%	0.512630%
District's PERS1	29,632,100	24,324,672	19,727,302
SERS2/3	$1,278,921,000	$493,475,000	($153,665,000)
%NPL	3.049930%	3.049930%	3.049930%
District's SERS2/3	39,006,195	15,050,642	(4,686,675)
TRS1	$3,759,368,000	$3,023,268,000	$2,386,123,000
%NPL	3.180226%	3.180226%	3.180226%
District's TRS1	119,556,415	96,146,769	75,884,115
TRS2/3	$3,134,647,000	$922,943,000	($873,375,000)
%NPL	3.164840%	3.164840%	3.164840%
District's TRS2/3	99,206,554	29,209,667	(27,640,919)

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.

B. NONGOVERNMENTAL PENSION PLANS

In fiscal year 2016-2017 the District also implemented GASB Statement No. 78. This statement amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan.

In fiscal year 20016-2017 the District has the following union sponsored pension plans that provide defined benefit pension to the district's employees.

1. National Roofing Industry Pension Fund (NRIPP). It is administered by Wilson-McShane Corporation, National Roofing Industry Benefit Funds. The entity identification is 36-6157071. Two district employees are covered by NRIPP. The NRIPP is a "defined benefit plan" where the roofer earns a monthly income payable at retirement (after 5 years of vested service) for the rest of the roofer's life. The amount of that income is determined primarily by the number of years worked for a signatory employer and the number of hours worked in each of those years. The pension benefit terms and contribution requirements are established by Trustees of NRIPP. Contributions to the plan are made monthly pursuant to the terms of a collective bargaining agreement. In fiscal year 2016-2017 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 16-17 – district paid $3.43/hour
Contribution amount FY 16-17 - $12,381

There is currently no withdrawal liability for the NRIPP.

2. Carpenters Retirement Plan of Western Washington (CRP). It is administered by Carpenters Trust of Western Washington. The entity identification is 91-6029051. Seven district employees are covered by CRP. The CRP is a "defined benefit plan" which means the carpenter earns a monthly income payable at retirement for the rest of the carpenter's life. The amount of that income is determined primarily the number of years worked for a signatory employer and the number of hours worked in each of those years. The benefit terms and contribution requirements are established by Board of Trustees of CPR. Contributions to the plan are made monthly pursuant to the terms of a collective bargaining agreement. In fiscal year 2016-2017 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 16-17 – district paid $6.15/hour
Contribution amount FY 16-17 - $94,871

The CRP does have a withdrawal liability. The District's estimated withdrawal liability for 2017 is $327,637. If the district decided to withdraw from the plan, this value is subject to review by the plan's actuary.

3. Western Washington Laborers Employers Pension Plan (WWLEPP). It is administered by Zenith American Solutions, WW Laborers Employers Trust Fund. The entity identification is 91-6022315. Eighteen district employees are covered by WWLEPP. WWLEPP is a "defined benefit plan" providing benefit payments guaranteed at retirement by the Pension Benefit Guaranty Corporation, a federal insurance agency. The benefit is determined by years of services for a signatory employer. The benefit terms and contribution requirements are established by Board of Trustees of WWLEPP. Contributions to the plan are made monthly pursuant to the terms of a collective bargaining agreement. In fiscal year 2016-2017 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 16-17 – district paid $3.9/hour (9/16-5/17) and $4.09/hour (6/17-8/17)
Contribution amount FY 16-17 - $354,006

The WWLEPP does have a withdrawal liability. The District's estimated withdrawal liability for 2017 has not been determined. It's still in the process of being verified by the actuary.

The NRIPP, CRP, and WWLEPP financial reports are available by going to www.efast.dol.gov and from:

The US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room
200 Constitution Avenue, NW, Room N-1515
Washington DC 20210
(202) 693-8673

Note 7. **LONG-TERM DEBT**

A. CHANGES IN LONG-TERM LIABILITIES

Bonds payable on August 31, 2017 include the following: 2012 Refunded Bond, 2014 Unlimited Tax General Obligation Bond (UTGO), 2015 Refunded Bond, and the 2015 UTGO. Interest on the Bonds is payable on June 1 and December 1.

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

In October 2015, the district issued unlimited tax general obligation and refunding bonds with a par value of $368,275,000 and refunded $122,007,375 of outstanding 2005A Bonds to take advantage of favorable market conditions. The bonds sold at a premium of $57,225,495, and the interest rates were fixed at 2.0 to 5.0 percent. The net proceeds of $320M, after payment of $1,417,144 in underwriting fees, insurance, and other issuance costs, were deposited into the Capital Projects Fund to complete the projects identified in the February 2013 bond measure. As a result, all remaining 2005A Bonds are considered to be defeased. The district refunded the 2005A Bonds to reduce its total debt service payments over the next six years by $107,469,415 and to obtain a present value economic gain of $11,588,032. The 2015 bonds will be fully paid off in December, 2039. These were the final bonds issued from the $500M bond authority measure.

The district refinanced (refunded) the remaining balance of $104M on the 2005 refunded bond issue, and included $2.6M from its Debt Service Fund to make the December interest payment on the old notes. The par value of the refunded bonds was $95.225M, and they were sold at a premium of $9M. Interest rates on the refunded bonds range from 2.0 to 5.0 percent. The net present value savings on the refunding issue was $11,588,032, or over 11 percent. The refunded bonds will be fully paid in December, 2020.

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

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

In 2016-17, the district entered into an agreement with Daktronics Sports Marketing to design, manufacture, and install electronic scoreboards at Lincoln Bowl and Stadium Bowl. The initial cost of the equipment was $792,847 and after down payments, a balance of $425,906 was financed. A financing plan with equal payments of $114,033 will be made over the next four years. Interest rates range from 2.8 to 3.0 percent over the life of the loan. In 2016-17, the advertising revenue generated from the scoreboards did not provide enough funding to cover the interest and principal payment on the new scoreboards.

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

Net Pension Liabilities was added to the Schedule of Long Term Liabilities in 2014-15, and this is the third year for reporting those liabilities under GASB 68. The district’s share of the State of Washington’s pension liability for the plans it participates in is included in the schedule. The information is provided to districts from the state’s Department of Retirement Services and the Office of the Superintendent of Public Instruction.

During the year ended August 31, 2017, the following changes occurred in liabilities reported in the government-wide financial statements.

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due In One Year
GOVERNMENT ACTIVITIES					
Bonds and Contracts Payable:					
2012 Refunding of '03,05,05A UTGO's	66,785,000	-	4,455,000	62,330,000	8,660,000
2015 Refunding of BAN	87,685,000	-	14,540,000	73,145,000	18,510,000
2014 UTGO	136,600,000	-	-	136,600,000	-
2015 UTGO	273,050,000	-	1,485,000	271,565,000	4,850,000
Long-Term Financing - Scoreboards	-	425,906	-	425,906	102,107
Total Bonds and Contracts Payable	564,120,000	425,906	20,480,000	544,065,906	32,122,107
Net Pension Liabilities:					
PERS Plan 1	25,854,426	-	1,529,754	24,324,672	-
SERS Plans 2/3	19,900,581	-	4,849,939	15,050,642	-
TRS Plan 1	110,420,948	-	14,274,180	96,146,769	-
TRS Plans 2/3	43,927,460	-	14,717,793	29,209,667	-
Total Net Pension Liabilities	200,103,415	-	35,371,666	164,731,749	-
Other Liabilities:					
Unamortized Bond Premium	92,288,676	-	1,016,098	91,272,578	3,035,696
Net OPEB Obligation	63,443,589	10,441,583	-	73,885,172	-
Compensated Absences	24,065,535	4,215,770	2,289,792	25,991,513	2,289,792
Total Other Liabilities	179,797,799	14,657,353	3,305,891	191,149,262	5,325,489
GRAND-TOTAL	944,021,213	15,083,259	59,157,557	899,946,916	37,447,596

Debt service requirements for bonds are funded out of the Debt Service Fund with the revenue sources being property taxes and investment income. Compensated absences, Net OPEB Obligation and Net Pension Liabilities are funded out of the General Fund.

B. <u>BOND PREMIUM</u>

The district sold Unlimited Tax General Obligation Bonds at a premium for the bond sales in 2012, 2014, and 2015. 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:

	Unamortized Premium Costs			
Descriptions	Beginning Balance	Increase	Decrease	Ending Balance
2012 Unlimited Tax GO Bonds	$ 12,871,406	$ -	$ 586,792	$ 12,284,614
2014 Unlimited Tax GO Bonds	22,270,115	-	-	22,270,115
2015 Refunded Bond	9,104,497	-	403,051	8,701,446
2015 Unlimited Tax GO bonds	48,042,658	-	26,255	48,016,403
	$ 92,288,676	$ -	$1,016,098	$ 91,272,578

C. DEBT SERVICE REQUIREMENT TO MATURITY

Year Ending	UTGO Bonds & Refunded Bonds		
August 31,	Principal	Interest	Total
2018	32,020,000	25,895,812	57,915,812
2019	31,900,000	24,610,912	56,510,912
2020	34,210,000	23,106,737	57,316,737
2021	27,425,000	21,454,162	48,879,162
2022	11,485,000	20,478,487	31,963,487
2023	14,615,000	19,853,287	34,468,287
2024	15,345,000	19,188,787	34,533,787
2025	15,940,000	18,506,162	34,446,162
2026	16,710,000	17,704,912	34,414,912
2027	17,545,000	16,848,537	34,393,537
2028	18,420,000	15,949,412	34,369,412
2029	19,345,000	15,005,287	34,350,287
2030	20,310,000	14,013,912	34,323,912
2031	21,325,000	12,973,037	34,298,037
2032	22,390,000	11,880,162	34,270,162
2033	23,510,000	10,732,662	34,242,662
2034	24,690,000	9,527,662	34,217,662
2035	25,920,000	8,262,412	34,182,412
2036	27,220,000	6,933,912	34,153,912
2037	28,580,000	5,538,912	34,118,912
2038	30,010,000	4,052,806	34,062,806
2039	31,550,000	2,469,975	34,019,975
2040	33,175,000	829,375	34,004,375
TOTAL	$ 543,640,000	$325,817,321	$ 869,457,321

D. ARBITRAGE REBATE

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

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

E. DEFERRED GAIN ON REFUNDING

The district refunded its Unlimited Tax General Obligation and Refunding Bonds Series 2005A in November 2015. The difference between the reacquisition price ($107,469,415) and the net carrying amount ($119,406,375) resulted in a gain, and the gain is being reported as a deferred inflow of resources and recognized as a component of interest expense over the remaining five year life of the new debt. Following is the remaining portion of the deferred gain:

Deferred Inflow on Refunded 2005A Bond (November, 2015)

	Beginning Balance	Additions	Reductions	Ending Balance
2017	9,549,568	-	2,387,392	7,162,176
2018	7,162,176	-	2,387,392	4,774,784
2019	4,774,784	-	2,387,392	2,387,392
2020	2,387,392	-	2,387,392	-

Note 8. COMMITMENTS UNDER LEASES

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

The district entered into a five-year lease agreement to rent space in downtown Tacoma for the expansion of the School of the Arts on September 1, 2012. The lease was extended for one year, and ends August 31, 2018. Another five year property lease is also listed – the lease for additional parking space next to the Buildings & Grounds Department began in 2011, and ended in 2017. That lease was also extended, but only by two months, and ended on October 31, 2017. There are no future lease obligations after August 31, 2018.

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, 2017.

Year Ended August 31	Amount
2018	238,556
2019	-
Minimum payments required	238,556

Note 9. RISK MANAGEMENT

A. UNEMPLOYMENT

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

Fiscal Year	Beg. Balance	Unemployment Additions	Reductions	End. Balance
2016	$ 373,192	569,924	426,626	$ 516,490
2017	516,490	326,603	229,001	614,092

B. INDUSTRIAL INSURANCE

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

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

Industrial Insurance

Fiscal Year	Beg. Balance	Additions	Reductions	End. Balance
2016	$ 2,164,302	3,493,643	4,358,194	$ 1,299,751
2017	1,299,751	3,562,740	4,612,090	250,401

C. RISK MANAGEMENT POOL

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

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

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

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

The Pool is fully funded by its member participants. The district paid $1,965,298 for its annual premium contribution to WSRMP for its property and liability insurance coverage in 2016-17. The district had no significant reductions in insurance coverage from coverage in the prior year in any of its major risk categories. There were no insurance settlements that exceeded the district's insurance coverage.

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

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

D. EMPLOYEE BENEFITS

The district made payments totaling $45,166,996 in 2016-17 to the Sound Partnership which is a health and welfare benefit trust fund. The Sound Partnership was established in 1984 to provide comprehensive medical, dental, vision, life, and long-term disability coverage for the district's qualified employees and dependents. The Board of Trustees consists of five management members appointed by the Tacoma School District and five labor members appointed by the Tacoma Education Association. In addition to all powers and authorities under common laws, statutory authority, and other provisions of the agreement between Tacoma School District and the Trust, the board has the power to manage, acquire and dispose of the assets of the Trust. The board also appoints a "plan administrator" designated as Executive Director who oversees the Trust's day-to-day operations.

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

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

The Sound Partnership maintains its financial records using the accrual basis of accounting. The total self-insured claims reported and approved for payments were $2,197,651 and insurance premium payments were $43,727,567 for the year; the total contributions from participants were $45,363,264.

The total assets and liabilities of the Sound Partnership at August 31, 2017 were respectively $5,826,459 and $250,482.

The Sound Partnership

Statement of Changes in Plan's Benefit Obligations

	Year Ended	
	8/31/2017	8/31/2016
Amounts Currently Payable for Claims Participants		
Balance at beginning of year	$ 51,278	$ 44,966
Claims reported & approved for payment	2,220,904	2,237,896
Claims Paid	(2,195,715)	(2,231,584)
Balance at End of Year	**76,467**	**51,278**
Other Obligations for Current Benefit Coverage at Estimated Amounts		
Balance at beginning of year	138,339	118,400
Net Change during the year	1,936	19,939
Balance at End of Year	**140,275**	**138,339**
Plan's Total Benefit Obligation at End of Year	**$ 216,742**	**$ 189,617**

E. POST-EMPLOYMENT HEALTH CARE BENEFITS

All eligible district employees may participate in the health care insurance programs offered by the Sound Partnership after their separation from the district due to early retirement or termination. The COBRA program is a continuation of the health care benefits from the district. Eligible employees (former employees) and dependents may be on this plan for only 18 months. COBRA offers group rates, but the monthly cost of the continuation of the health care benefits is the responsibility of the former employee. There were 35 participants in the COBRA program as of August 31, 2017.

F. OTHER POST-EMPLOYMENT BENEFITS

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

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

Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), 74 of the state's K-12 schools and educational service districts (ESDs), and 236 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 238 K-12 school districts and ESDs. The district's retirees 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 $64.39 per month per full-time equivalent employee in the 2016-17 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 Benefits
Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 Medical coverage for 2017:

	Type of Coverage		
Descriptions	Employee	Employee & Spouse	Full Family

Kaiser Permanente WA Classic	$ 676.52	$ 1,348.32	$ 1,852.17
Kaiser Permanente WA CDHP	563.28	1,115.34	1,485.64
Kaiser Permanente WA SoundChoice	575.80	1,146.88	1,575.19
Kaiser Permanente WA Value	598.81	1,192.90	1,638.47
Kaiser Permanente NW Classic	661.10	1,317.48	1,809.77
Uniform Medical Plan Classic	623.65	1,242.58	1,706.78
UMP Plus-UW Medicine Accountable Care Network	595.49	1,186.26	1,629.34
UMP Plus-Puget Sound High Value Network	595.49	1,186.26	1,629.34
Uniform Medical Plan CDHP	562.91	1,114.60	1,484.62

For calendar year 2017, after age 65 retired members receive a subsidy of 50 percent of their monthly medical premiums up to $150 per Medicare covered person.

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 30 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.

	8/31/15	**8/31/16**	**8/31/17**
Determination of Annual Required Contribution			
Normal Cost at Year End	$ 4,955,144	$ 7,412,648	$ 7,412,648
Amortization of UAAL	5,067,069	7,191,373	7,191,373
Annual Required Contribution (ARC)	10,022,213	14,604,021	14,604,021
Determination of Net OPEB Obligation			
Annual required Contribution	10,022,213	14,604,021	14,604,021
Interest on PY Net OPEB Obligation	1,756,947	1,986,336	2,379,135
Adjustment to ARC	(2,037,040)	(2,407,680)	(3,021,123)
Annual OPEB Cost	9,742,120	14,182,677	13,962,032
Less Contributions Made*	(3,625,082)	(3,708,045)	(3,520,450)
Increase in Net OPEB Obligation	6,117,038	10,474,632	10,441,582
Net OPEB Obligation - End of Year	$ 52,968,957	$ 63,443,589	$ 73,885,171

** Estimated based on retiree benefit amounts.*

The district's annual OPEB costs, the percentage of OPEB costs contributed to the plan, and the net OPEB obligations for 2017 were as follows:

	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
8/31/2015	$ 9,742,120	37.21%	$ 52,968,957
8/31/2016	$ 14,182,677	26.14%	$ 63,443,589
8/31/2017	$ 13,962,032	25.21%	$ 73,885,171

The district's schedule of funding progress is as follows:

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Act Acc'd Liab (UAAL)	Funded Ratio	Covered Payroll (CP)	UAAL as a % of CP
8/31/2012	-	110,671,006	110,671,006	0%	176,900,781	63%
8/31/2014	-	121,609,645	121,609,645	0%	201,815,884	60%
8/31/2016	-	158,210,209	158,210,209	0%	224,157,174	71%

Funded Status and Funding Progress
As of August 31, 2016, the most recent actuarial valuation date, the plan was 0 percent funded. The accrued liability for benefits was $158.2 million, and the actuarial value of assets was $0, resulting in a UAAL of $158.2 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, 2016
Actuarial Cost Method	Projected Unit Credit (PUC)
Amortization Method	Closed, level percentage of projected payroll amortization method
Remaining Amortization Period	22 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	6.7% initial rate, 4.9% ultimate rate after 2093
Inflation rate	3.75%

The UAAL ($158,210,209) as a percentage of the covered payroll ($243,084,409) at August 31, 2017 is 65.1 percent.

For further information on the results the actuarial valuation of the employer provided subsidies associated with the state's PEBB plan, refer to: http://osa.leg.wa.gov/Actuarial_services/OPEB/OPEB.htm. The plan does not issue a separate report, however, additional information is included in the State of Washington's CAFR, which is available on this site: http://www.ofm.wa.gov/cafr/2017/default.asp

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

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

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

1. | | |
|---|---|
| Cost of capital assets | $1,313,878,635 |
| Accumulated Depreciation | (383,490,440) |
| Net | $ 930,388,195 |

2. Long-term liabilities of **$899,946,915** (due within one year: $37,447.596 due more than one year: $862,499,319) 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.

   Deferred inflows of resources related to refunded bonds of **$7,162,176** (due within one year: $2,387,392) are not reported in the fund statements, but are reported in the Statement of Net Position.

3. Deferred outflows of resources and deferred inflows of resources related to pension plan experience, assumption changes, and plan contributions:

Deferred Outflows of Resources	**$16,208,669**
Deferred Inflows of Resources	**$21,552,047**

4. Property tax levies **($70,460,436)** that were after year-end and are not considered "available." Therefore, they are reported as unearned revenue in governmental funds.

5. Interfund Receivables and Payables **($3,306,883)** – 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 **$5,826,459** and **$250,482**) 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. **$4,394,069** 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. **-$1,346,139 –** 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 **$4,241,405** represents the current year increases in compensated absences ($1,925,978), other post-employment benefits ($10,441,582), and the net pension expense (-$8,126,155) 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	$91,713,044
Depreciation Expense	(21,120,817)
Difference	**$70,592,227**

   b. Governmental Funds Financial Statements report capital outlay as expenditures while Government-Wide Financial Statements report depreciation expense ($20,889,534) allocated to various applicable programs.

4. **$20,480,000 -** Repayment of bond principal amounts. The principal payments 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. **$425,906 –** new long-term financing agreement for school sports stadium scoreboards.

6. **$3,498,190 –** The bond premium reductions, accrued interest payable increase on the long term debt (from July 1 – August 31), and the deferred inflow of resources on the refunded bond transaction are charged to expenditures in Government-Wide Financial Statements. Below is a breakdown of the net amount.

Current year bond premium reduction	$ 1,016,098
Accrued interest payable decrease	94,700
Deferred inflow on refunded bond decrease	2,387,392
Total	$ 3,498,190

7. Internal service fund (The Sound Partnership) is used to provide medical, dental, and life insurances for the district's employees. The adjustments for the internal service fund "close" the fund by allocating the net loss **($1,371,536)**.

Note 11. FUND EQUITY (GOVERNMENTAL FUNDS)

Fund balance as of August 31, 2017 is comprised of:

Fund Equity (Governmental Funds)

	General Fund	Special Revenue Fund (ASB)	Debt Service	Capital Projects Fund	Trans Vehicle Fund
Nonspendable: Inventory & Prepaid Items	4,294,404	24,244	-	-	-
Restricted for C/Over of Restricted RV	655,799	-	-	-	-
Restricted for Construction	-	-	-	238,491,321	-
Restricted for Debt Service	425,906	-	12,051,435	-	-
Restricted to Fund Purposes	-	1,944,125	-	-	2,270,391
Restricted for Technology	-	-	-	12,435,846	-
Restricted Fund Balance	1,081,705	1,944,125	12,051,435	250,927,167	2,270,391
Assigned to other items (Encumbrances)	1,361,223	-	-	-	-
Assigned to Budget Carryover	1,459,648	-	-	-	-
Assigned to Future Operations	7,564,935	-	-	-	-
Assigned to Curriculum & Instruction	2,938,537	-	-	-	-
Assigned to Fund Purposes	-	-	-	1,315,501	-
Assigned Fund Balance	13,324,343	-	-	1,315,501	-
Unassigned for Minimum Fund Balance	15,335,910	-	-	-	-
Unassigned Fund Balance	15,335,910	-	-	-	-
Total Fund Balance	34,036,362	1,968,369	12,051,435	252,242,668	2,270,391

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 lawsuits and claims are provided for by coverage through the Washington Schools Risk Management Pool.

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

Note 14. SUBSEQUENT EVENTS

The district has submitted two levy renewal propositions. Proposition 1 is the Replacement Educational Programs and Operations (EP&O) to fund day-to-day operations not covered by state funding. Proposition 1 is for $70M per year. Proposition 2 is the Replacement Technology Levy to expand student access to technology equitably in all neighborhood schools. Proposition 2 is for $24M per year. These two propositions were approved by voters on February 13, 2018.

REQUIRED SUPPLEMENTARY INFORMATION
TACOMA SCHOOL DISTRICT No. 10
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL *	FINAL *	AMOUNT	FINAL BUDGET POSITIVE(NEGATIVE)
REVENUES				
Local	$ 92,156,834	$ 92,949,079	$ 95,803,767	$ 2,854,688
State	260,374,176	257,383,982	250,024,989	(7,358,993)
Federal	39,711,624	41,909,573	38,782,098	(3,127,475)
Other	3,275,648	3,275,648	3,547,740	272,092
Total Revenues	**395,518,282**	**395,518,282**	**388,158,594**	**(7,359,688)**
EXPENDITURES				
Current				
Regular Instruction	212,291,634	212,291,634	209,816,178	2,475,456
Special Education	52,210,883	52,210,883	50,297,078	1,913,805
Career & Technical Education	11,411,561	11,411,561	11,888,442	(476,881)
Compensatory Education	35,672,947	35,672,947	35,536,763	136,184
Other Instructional Programs	14,903,329	14,903,329	7,252,123	7,651,206
Community Services	457,571	457,571	661,350	(203,779)
Support Services	78,555,509	81,555,509	81,705,524	(150,015)
Capital Outlay				
Other	1,034,002	1,034,002	2,029,165	(995,163)
Total Expenditures	**406,537,436**	**409,537,436**	**399,186,625**	**10,350,813**
Excess of Revenues (Under) Expenditures	**(11,019,154)**	**(14,019,154)**	**(11,028,031)**	**2,991,123**
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	-		89,776	89,776
Long-Term Financing	-	-	290,322	290,322
Transfers	1,700,000	1,700,000	1,432,698	(267,302)
Total Other Financing Sources	**1,700,000**	**1,700,000**	**1,812,795**	**112,795**
Changes in Fund Balance	**(9,319,154)**	**(12,319,154)**	**(9,215,236)**	**3,103,918**
FUND BALANCE-September 1	**43,251,597**	**43,251,597**	**43,251,597**	
FUND BALANCE -August 31	**$ 33,932,443**	**$ 30,932,443**	**$ 34,036,362**	**$ 3,103,918**

* 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, 2017

	BUDGETED AMOUNTS			VARIANCE WITH
	ORIGINAL *	FINAL *	ACTUAL	FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
General	$ 1,240,560	$ 1,240,560	$ 773,351	$ (467,209)
Athletics	292,125	292,125	227,674	(64,451)
Classes	468,985	468,985	237,165	(231,820)
Clubs	2,084,545	2,084,545	655,571	(1,428,974)
Private Monies	125,125	125,125	11,953	(113,172)
Total Revenues	**4,211,340**	**4,211,340**	**1,905,714**	**(2,305,626)**
EXPENDITURES				
General	1,341,802	1,341,802	674,811	666,991
Athletics	271,387	271,387	325,057	(53,670)
Classes	399,297	399,297	252,785	146,512
Clubs	1,917,025	1,917,025	654,387	1,262,638
Private Monies	125,125	125,125	12,072	113,053
Total Expenditures	**4,054,636**	**4,054,636**	**1,919,112**	**2,135,524**
Changes in Fund Balance	**156,704**	**156,704**	**(13,398)**	**(170,102)**
FUND BALANCE - September 1	**1,981,767**	**1,981,767**	**1,981,767**	
FUND BALANCE - August 31	**$ 2,138,471**	**$ 2,138,471**	**$ 1,968,369**	**$ (170,102)**

* 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

For the Year Ended August 31

Fiscal Year Ended August 31	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL As a Percentage of Covered Payroll
2008	August 31, 2008	$ -	$ 85,466,774	$ 85,466,774	0%	$ 163,003,749	52%
2008	August 31, 2008*	$ -	$ 147,686,881	$ 147,686,881	0%	$ 163,003,749	91%
2009	August 31, 2008*	$ -	$ 147,686,881	$ 147,686,881	0%	$ 189,434,727	78%
2010	August 31, 2010	$ -	$ 166,482,728	$ 166,482,728	0%	$ 151,445,697	110%
2011	August 31, 2011	$ -	$ 166,482,728	$ 166,482,728	0%	$ 182,414,713	91%
2012	August 31, 2012	$ -	$ 110,671,006	$ 110,671,006	0%	$ 176,900,781	63%
2013	August 31, 2013	$ -	$ 110,671,006	$ 110,671,006	0%	$ 183,548,684	60%
2014	August 31, 2014	$ -	$ 121,609,645	$ 121,609,645	0%	$ 201,815,884	60%
2015	August 31, 2015	$ -	$ 121,609,645	$ 121,609,645	0%	$ 187,350,086	65%
2016	August 31, 2016	$ -	$ 158,210,209	$ 158,210,209	0%	$ 224,157,174	71%
2017	August 31, 2017	$ -	$ 158,210,209	$ 158,210,209	0%	$ 243,084,409	65%

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

REQUIRED SUPPLEMENTARY INFORMATION

TACOMA SCHOOL DISTRICT No. 10

SCHEDULE OF THE DISTRICT'S PROPORTIONAL SHARE OF THE NET PENSION LIABILITY

LAST 10 FISCAL YEARS *

As of June 30th

Plan: PERS 1	2015	2016	2017
District's proportion of the net pension liability (percentage)	0.477932%	0.481418%	0.512630%
District's proportionate share of the net pension liability (amount)	$ 25,000,282	$ 25,854,426	$ 24,324,672
District's covered employee payroll	$ 1,460,940	$ 1,191,024	$ 72,908,914
District's propotionate share of the net pension liability (amount) as a percentage of its covered payroll	1711.25%	2170.77%	38.41%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%

Plan: SERS 2/3	2015	2016	2017
District's proportion of the net pension liability (percentage)	3.004269%	3.030082%	3.049930%
District's proportionate shre of the net pension liability (amount)	$ 12,201,867	$ 19,900,581	$ 15,050,642
District's covered employee payroll	$ 51,718,906	$ 56,306,976	$ 62,807,512
District's propotionate share of the net pension liability (amount) as a percentage of its covered payroll	23.59%	35.34%	24.16%
Plan fiduciary net position as a percentage of the total pension liability	90.92%	86.52%	90.79%

Plan: TRS 1	2015	2016	2017
District's proportion of the net pension liability (percentage)	3.282951%	3.234132%	3.180226%
District's proportionate shre of the net pension liability (amount)	$ 104,008,565	$ 110,420,948	$ 96,146,769
District's covered employee payroll	$ 5,368,779	$ 3,662,363	$ 176,188,324
District's propotionate share of the net pension liability (amount) as a percentage of its covered payroll	1937.29%	3015.02%	54.63%
Plan fiduciary net position as a percentage of the total pension liability	65.70%	62.07%	65.58%

Plan: TRS 2/3	2015	2016	2017
District's proportion of the net pension liability (percentage)	3.207000%	3.198686%	3.164840%
District's proportionate shre of the net pension liability (amount)	$ 27,060,729	$ 43,927,460	$ 29,209,667
District's covered employee payroll	$ 150,091,121	$ 160,575,063	$ 173,807,441
District's propotionate share of the net pension liability (amount) as a percentage of its covered payroll	18.03%	27.36%	16.83%
Plan fiduciary net position as a percentage of the total pension liability	92.48%	88.72%	93.14%

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

REQUIRED SUPPLEMENTARY INFORMATION

TACOMA SCHOOL DISTRICT No. 10

SCHEDULE OF DISTRICT CONTRIBUTIONS

LAST 10 FISCAL YEARS *

For the Year Ended August 31

	2015	2016	2017
Plan: PERS 1			
Contractually required contribution	$ 2,196,565	$ 2,725,078	$ 3,062,524
Contributions in relation to the contractually required contributions	2,196,565	2,725,078	$ 3,062,524
Contribution deficiency (excess)	-	-	
District's covered-employee payroll	$ 1,460,940	$ 1,121,556	$ 73,562,721
Contribution as a percentage of covered-employee payroll	150.35%	229.22%	4.16%
Plan: SERS 2/3			
Contractually required contribution	$ 2,920,801	$ 3,850,297	$ 4,249,235
Contributions in relation to the contractually required contributions	2,920,801	3,850,297	$ 4,249,235
Contribution deficiency (excess)	-	-	
District's covered-employee payroll	$ 51,718,906	$ 57,265,517	$ 63,845,221
Contribution as a percentage of covered-employee payroll	5.65%	6.44%	6.66%
Plan: TRS 1			
Contractually required contribution	$ 7,346,486	$ 9,846,959	$ 11,107,688
Contributions in relation to the contractually required contributions	7,346,486	9,846,959	$ 11,107,688
Contribution deficiency (excess)	-	-	
District's covered-employee payroll	$ 5,368,779	$ 3,294,657	$ 179,267,388
Contribution as a percentage of covered-employee payroll	136.84%	268.38%	6.20%
Plan: TRS 2/3			
Contractually required contribution	$ 8,522,516	$ 11,602,040	$ 11,950,960
Contributions in relation to the contractually required contributions	8,522,516	11,602,040	$ 11,950,960
Contribution deficiency (excess)	-	-	
District's covered-employee payroll	$ 150,091,121	$ 162,475,444	$ 176,049,367
Contribution as a percentage of covered-employee payroll	5.68%	6.50%	6.79%

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

REQUIRED SUPPLEMENTARY INFORMATION

TACOMA SCHOOL DISTRICT No. 10

SCHEDULE OF DISTRICT CONTRIBUTIONS - NON-GOVERNMENTAL PENSION PLANS

LAST 10 FISCAL YEARS *

For the Year Ended August 31

		2017
Plan: National Roofing Industry Pension Fund		
Total Contribution	$	12,381
Plan: Carpenters Retirement Plan of Western Washington		
Total Contribution	$	94,871
Plan: Western Washington Laborers Employers Pension Plan		
Total contribution	$	354,006

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

TACOMA SCHOOL DISTRICT NO. 10
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ending August 31, 2017

1	2	3	4	5	6	7	8	9	10
					Expenditures				
Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number/Award Number	From Direct Awards	From Pass Through Awards	Total	Passed Through to Subrecipients	Foot note
USDA	WA OSPI	National School Lunch Program	10.555	N/A		$911,770	$911,770		3,7
	WA OSPI	National School Lunch Program	10.555	N/A		$166,069	$166,069		7
	WA OSPI	National School Lunch Program	10.555	N/A		$617,322	$617,322		7
	WA OSPI	National School Lunch Program	10.555	N/A		$6,077,022	$6,077,022		7
	WA OSPI	National School Lunch Program	10.555	N/A		$158,323	$158,323		7
	WA OSPI	School Breakfast Program	10.553	N/A		$22,683	$22,683		7
	WA OSPI	School Breakfast Program	10.553	N/A		$155,844	$155,844		7
	WA OSPI	School Breakfast Program	10.553	N/A		$1,860,762	$1,860,762		7
	WA OSPI	National School Lunch Program	10.555	N/A		$58,269	$58,269		7
	WA OSPI	Summer Food Service Program for Children	10.559	N/A		$117,566	$117,566		7
	WA OSPI	Fresh Fruit and Vegetable Program	10.582	N/A		$64,712	$64,712		7
	WA OSPI	Schools and Roads - Grants to States	10.665	N/A		$6,507	$6,507		7
		SUBTOTAL US DEPARTMENT OF AGRICULTURE			**$0**	**$10,216,850**	**$10,216,850**	**$0.00**	
Dept. of Defense		JROTC - Army	12.WA030389/WA030390	WA030389/WA030390	$91,029		$91,029		7
		JROTC - Navy	12.JR0TC172S/12.JROTC172S	JR0TC172S/JROTC172S	$58,022		$58,022		7
		JROTC - Navy Startup	12.N3951717MJRTC	N3951717MJRTC	$1,431		$1,431		7
		JROTC - Navy Orientation/Uniform	12.N3951717MJRTC	N3951717MJRTC	$1,999		$1,999		7
		JROTC - Navy Orientation/Uniform	12.N3951717MJRTC	N3951717MJRTC	$951		$951		7
		JROTC - Air Force	12.WA030941	WA030941	$64,369		$64,369		7
		JROTC - Marines	12.WA030237	WA030237	$64,499		$64,499		7
		JROTC - Marines	12.WA030237	WA030237	$11,689		$11,689		7
		SUBTOTAL DEPARTMENT OF DEFENSE			**$293,990**	**$0**	**$293,990**	**$0.00**	
U.S. Dept. of	National Park Service	National Park Service Conservation, Protection, Outreach and Education	15.954	N/A	$1,140		$1,140		7
the Interior	National Park Service	National Park Service Conservation, Protection, Outreach and Education	15.954	N/A	$1,320		$1,320		7
	National Park Service	National Park Service Conservation, Protection, Outreach and Education	15.954	N/A	$800		$800		7
	National Park Service	National Park Service Conservation, Protection, Outreach and Education	15.954	N/A	$800		$800		7
		SUBTOTAL U.S. DEPT. OF THE INTERIOR			**$4,060**	**$0**	**$4,060**	**$0.00**	

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	10
					Expenditures				
Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number/Award Number	From Direct Awards	From Pass Through Awards	Total	Passed Through to Subrecipients	Foot note
U.S. Dept. of Ed	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0202202		$68,656	$68,656		4,7
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0202416		$9,519,432	$9,519,432		4
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0202810		$32,660	$32,660		7
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0222511		$976	$976		7
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0222533		$100,508	$100,508		
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0261020		($45)	($45)		7
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0263036		($32)	($32)		7
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0261113		$26,344	$26,344		
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0263133		$18,279	$18,279		
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0261120		$25,405	$25,405		
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0261116		$25,811	$25,811		
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0261122		$21,806	$21,806		
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0261115		$26,584	$26,584		
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0263115		$19,999	$19,999		
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0263139		$11,243	$11,243		
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0263141		$12,830	$12,830		
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	#0261121		$29,157	$29,157		
	WA OSPI	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	#0223061		$798	$798		7
	WA OSPI	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	#0223076		$94,431	$94,431		
	WA OSPI	Special Education Grants to States	84.027	#0305486		$56,467	$56,467		
	WA OSPI	Special Education Grants to States	84.027	#0305622		$6,211,656	$6,211,656		7
	WA OSPI	Special Education Grants to States	84.027	#0337886		$12,432	$12,432		
	WA OSPI	Special Education Grants to States	84.027	#0337983		$742,254	$742,254		7
	WA OSPI	Career and Technical Education-Basic Grants to States	84.048	#0173542		$742	$742		
	WA OSPI	Career and Technical Education-Basic Grants to States	84.048	#0173809		$302,471	$302,471		7
	WA OSPI	Career and Technical Education-Basic Grants to States	84.048	#0188902		$2,632	$2,632		7
		Indian Education Grants to Local Educational Agencies	84.060	S060A161118	$123,941		$123,941		7
		Indian Education Grants to Local Educational Agencies	84.060	S060A171118	$12,913		$12,913		7
	WA OSPI	Special Education Preschool Grants	84.173	#0363479		($5,662)	($5,662)		
	WA OSPI	Special Education Preschool Grants	84.173	#0363627		$266,142	$266,142		
	WA OSPI	Education for Homeless Children and Youth	84.196	#0456226		$26,553	$26,553		
	WA OSPI	English Language Acquisition State Grants	84.365	#0402260		$862	$862		7
	WA OSPI	English Language Acquisition State Grants	84.365	#0402434		$587,839	$587,839		7
	UW Tacoma	English Language Acquisition State Grants	84.365	BPO:20973		$31,200	$31,200		
	WA OSPI	Improving Teacher Quality State Grants	84.367	#0523882		$13,742	$13,742		7
	WA OSPI	Improving Teacher Quality State Grants	84.367	#0524052		$2,088,145	$2,088,145		
	WA OSPI	School Improvement Grants	84.377	#0225362		$14,264	$14,264		
	WA OSPI	School Improvement Grants	84.377	#0225373		$2,056,756	$2,056,756		7
		SUBTOTAL US DEPARTMENT OF EDUCATION			**$136,854**	**$22,443,334**	**$22,580,188**	**$0.00**	

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	10
					Expenditures				
Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number/Award Number	From Direct Awards	From Pass Through Awards	Total	Passed Through to Subrecipients	Foot note
U.S. Dept.	WA OSPI	Pregnancy Assistance Fund Program	93.500	#0179400		$6,555	$6,555		7
of Health	DSHS/ORIA	Refugee and Entrant Assistance-Discretionary Grants	93.576	N/A		$8,000	$8,000		7
and		Head Start	93.600	10CH0194/03	$1,182,507		$1,182,507		2,7
Human		Head Start	93.600	10CH0194/04	$4,193,041		$4,193,041		2,7
Services		Head Start	93.600	10CH0194/03	($5,365)		($5,365)		2,7
		Head Start	93.600	10CH0194/04	$20,414		$20,414		2,7
		SUBTOTAL DEPT OF HEALTH AND HUMAN SERVICES			**$5,390,597**	**$14,555**	**$5,405,153**	**$0.00**	
		TOTAL FEDERAL AWARDS EXPENDED			**$5,825,501**	**$32,674,739**	**$38,500,240**	**$0.00**	

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Include the following notes to the schedule either as an attachment to the schedule or on the face of the schedule (if space permits). The notes should disclose the basis of accounting, definitions of abbreviations, and any other information that might be needed by the reader. Each district should prepare notes that describe their particular programs and circumstances.

The following notes are considered examples only:

NOTE 1—BASIS OF ACCOUNTING

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

NOTE 2—PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the (district)'s local matching share, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3—NONCASH AWARDS

The amount of *(vaccine/dental items/commodities/surplus property/etc.)* reported on the schedule is the value of *(vaccine/dental items/commodities/surplus property/etc.)* distributed by the *(district)* during the current year and priced as prescribed by _______________.

NOTE 4—SCHOOLWIDE PROGRAMS

The *(district)* operates a "schoolwide program" in three elementary buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the *(district)* in its schoolwide program: Title I (84.010) *($ dollar amount)*; Migrant Education (84.011) *($ dollar amount)*.

NOTE 5—TRANSFERABILITY

As allowed by federal regulations, the (district) expended ($ dollar amount) from Title II Improving Teacher Quality, Part A (84.367) on Twenty-First Century Community Learning Centers (84.287). This amount is reflected in the expenditures of Twenty-First Century Community Learning Centers (84.287).

NOTE 6—SMALL RURAL SCHOOLS ACHIEVEMENT (SRSA)

As allowed by federal regulations, the *(district)* expended *($ dollar amount)* from Title II Improving Teacher Quality, Part A (84.367) funds for activities of the Safe and Drug-Free Schools (84.186) program. This amount is reflected in the expenditures of Title II Improving Teacher Quality, Part A (84.367).

NOTE 7—FEDERAL INDIRECT RATE

The *(district)* used the federal *(restricted/unrestricted)* rate of _____%. The (district) (has/has not) elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 8—AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

The funding for this program was provided by the American Recovery and Reinvestment Act of 2009 (ARRA).

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov