



**Office of the Washington State Auditor**  
**Pat McCarthy**

**Financial Statements and Federal Single Audit  
Report**

**Tacoma School District No. 10**

**For the period September 1, 2018 through August 31, 2019**

**Published May 28, 2020**

**Report No. 1026329**





**Office of the Washington State Auditor  
Pat McCarthy**

May 28, 2020

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

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*



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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### Tacoma School District No. 10 September 1, 2018 through August 31, 2019

#### 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 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.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
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
84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$1,087,113.

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  
September 1, 2018 through August 31, 2019**

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, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 20, 2020.

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 auditors' 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 report 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 15 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the District. Management's plans in response to this matter are also described in Note 15.

## 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 did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in

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

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

Pat McCarthy

State Auditor

Olympia, WA

May 20, 2020

**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  
September 1, 2018 through August 31, 2019**

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, 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, 2019. 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, 2019.

## **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.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy  
State Auditor  
Olympia, WA

May 20, 2020

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Tacoma School District No. 10 September 1, 2018 through August 31, 2019**

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, as of and for the year ended August 31, 2019, 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 95 percent, 81 percent and 99 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 *Government Auditing Standards*.

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

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

## **Opinions**

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, 2019, 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 15 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the District. Management's plans in response to this matter are also described in Note 15. 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 as a whole. 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 May 20, 2020 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

May 20, 2020

## **FINANCIAL SECTION**

### **Tacoma School District No. 10 September 1, 2018 through August 31, 2019**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2019

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2019

Statement of Activities – 2019

Balance Sheet – Governmental Funds – 2019

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2019

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2019

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2019

Statement of Net Position – Proprietary Funds – 2019

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2019

Statement of Cash Flows – Proprietary Funds – 2019

Statement of Net Position – Fiduciary Funds – 2019

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2019

Notes to Financial Statements – 2019

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule – General Fund – 2019

Budgetary Comparison Schedule – Special Revenue Fund (Associate Student Body Fund) – 2019

Schedule of Changes in the Total Reported OPEB Liability and Related Ratios – 2019

Schedule of the District's Proportionate Share of the Net Pension Liability – PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2019

Schedule of District's Contributions – PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2019

Schedule of District's Contributions – Non-Governmental Pension Plans – 2019

## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2019

Notes to the Schedule of Expenditures of Federal Awards – 2019

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## 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, 2019. 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, 2019, was \$347.1M, a increase of \$17.8M from 2017-18.
- During the year, the District had revenues of \$530M and expenses of \$512M incurred for all governmental activities, resulting in a corresponding increase in the District's net position by \$17.9M. In addition, the District had a prior period correction of \$(114K) which impacted the beginning Net Position.
- The Sound Partnership (an internal service fund of the District) changed its basis of accounting from the going-concern basis to a liquidation basis, which added \$15.6M in Premiums Expected to be Received and \$15.9M Accrued Claims and Expenses on the District's Statement of Net Position.
- At the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$194.7M; a decrease of \$57.4M from the prior year. The general fund's total fund balance was \$39.9M; an increase of \$6.9M from the previous year. Approximately \$14.2M is available for spending at the District's discretion (assigned and unassigned fund balance - not including Unassigned for Minimum Fund Balance Policy).

### 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 or worse as a result of the year's financial activities? The *statement of net position* and the *statement of activities* report information about the District as a whole and about its activities in a way that helps answer this question. The financial statements of the District present an increase in financial position from the prior year as reflected in the *statement of net position*. Decreases in long-term debt and net pension liabilities and an increase in capital assets contributed to the \$17.8M 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 \$347.1M at the end of the fiscal, August 31, 2019.

The largest portion of the net position at \$544.2M 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, and a negative \$278.9M 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 \$17.8M. Key elements of this increase are shown below:

Tacoma School District's Net Position As of August 31			
	2019	Governmental Activities 2018	Changes
<b>ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>			
Current and Other Assets	\$ 291,205,120	\$ 360,313,667	\$ (69,108,547)
Premiums Expected to be Received	15,612,303	-	15,612,303
Capital Assets	1,005,187,845	967,620,268	37,567,577
<b>Total Assets</b>	<b>1,312,005,268</b>	<b>1,327,933,935</b>	<b>(15,928,667)</b>
Deferred Outflows - Pension Plan	31,634,994	15,840,687	15,794,307
Deferred Outflows - OPEB	4,281,179	3,871,942	409,237
<b>Total Deferred Outflows</b>	<b>35,916,173</b>	<b>19,712,629</b>	<b>16,203,544</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>			
Long-Term Liabilities	838,391,100	886,185,883	(47,794,783)
Accrued Claims and Expenses	15,987,723	-	15,987,723
Other Liabilities	84,393,050	78,881,006	5,512,044
<b>Total Liabilities</b>	<b>938,771,873</b>	<b>965,066,889</b>	<b>(26,295,015)</b>
Deferred Inflows - Refunded Bonds	2,387,392	4,774,784	(2,387,392)
Deferred Inflows - Pension Plan	37,346,768	30,537,685	6,809,083
Deferred Inflows - OPEB	22,270,490	17,969,736	4,300,754
<b>Total Deferred Inflows</b>	<b>62,004,650</b>	<b>53,282,205</b>	<b>8,722,445</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	544,221,882	537,878,529	6,343,353
Restricted	81,895,142	76,771,652	5,123,490
Unrestricted	(278,972,107)	(285,352,710)	6,380,604
<b>TOTAL NET POSITION</b>	<b>\$ 347,144,917</b>	<b>\$ 329,297,470</b>	<b>\$ 17,847,447</b>

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

### Governmental Activities

The 2018-19 revenues of \$530M exceeded expenses by \$17.9M. The 2017-18 prior year revenues exceeded the expenses by \$33.2M. A prior period correction of \$114K for the previous year was made to correct the financial statements. Key elements of the increases in revenues and decreases in expenditures are as follows.

Governmental Activities Changes in Net Position			
PRIMARY GOVERNMENT			
As of August 31			
	2019	2018	Changes
<b>REVENUES</b>			
Program Revenues:			
Charges for Services	\$ 11,289,173	12,659,381	\$ (1,370,208)
Operating Grants and Contributions	138,240,571	139,982,337	(1,741,766)
Capital Grants and Contributions	613,048	1,172,062	(559,014)
General Revenues:			
Property Taxes	137,735,719	151,856,749	(14,121,030)
Interest and Investment Earnings	4,758,306	4,527,624	230,682
Unallocated Revenues	237,691,528	188,817,605	48,873,923
<b>TOTAL REVENUES</b>	<b>530,328,345</b>	<b>499,015,759</b>	<b>31,312,586</b>
<b>PROGRAM EXPENSES:</b>			
Regular Instruction	268,804,673	238,135,937	30,668,736
Special Instruction	65,178,828	55,478,874	9,699,954
Career & Technical Instruction	16,378,540	14,770,067	1,608,474
Compensatory Instruction	43,216,735	41,583,845	1,632,890
Other Instructional Programs	7,194,129	6,894,909	299,220
Community Services	965,760	1,102,011	(136,251)
Support Services	90,667,611	85,672,999	4,994,612
Extracurricular Activities	1,794,834	1,906,191	(111,357)
Debt Payment	18,165,754	20,259,650	(2,093,897)
<b>TOTAL EXPENSES</b>	<b>512,366,864</b>	<b>465,804,481</b>	<b>46,562,383</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>17,961,481</b>	<b>33,211,278</b>	<b>(15,249,797)</b>
<b>NET POSITION - 9/1</b>	<b>329,297,470</b>	<b>392,147,294</b>	<b>(62,849,825)</b>
Cumulative Change in Acct Principle OPEB	-	(96,175,136)	96,175,136
Prior Period Correction	(114,033)	114,033	(228,066)
<b>NET POSITION - 8/31</b>	<b>\$ 347,144,917</b>	<b>329,297,470</b>	<b>\$ 17,847,448</b>

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



	Governmental Activities			
	Total Cost of Services		Net Cost of Services	
	2018-19	2017-18	2018-19	2017-18
Regular Instruction	\$ 268,804,673	\$ 238,135,937	\$ (266,498,272)	\$ (215,744,305)
Special Instruction	65,178,828	55,478,874	(14,340,931)	(15,470,228)
Career & Tech Instruction	16,378,540	14,770,067	608,808	548,554
Compensatory Instruction	43,216,735	41,583,845	906,581	(180,102)
Other Instructional Programs	7,194,129	6,894,909	(2,492,755)	(2,485,191)
Community Services	965,760	1,102,011	(39,120)	(234,611)
Support Services	90,667,611	85,672,999	(62,198,195)	(58,163,622)
Extracurricular Activities	1,794,834	1,906,191	(4,435)	(1,548)
Debt payments	18,165,754	20,259,650	(18,165,754)	(20,259,650)
<b>TOTALS</b>	<b>\$ 512,366,864</b>	<b>\$ 465,804,481</b>	<b>\$ (362,224,072)</b>	<b>\$ (323,541,495)</b>

## GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

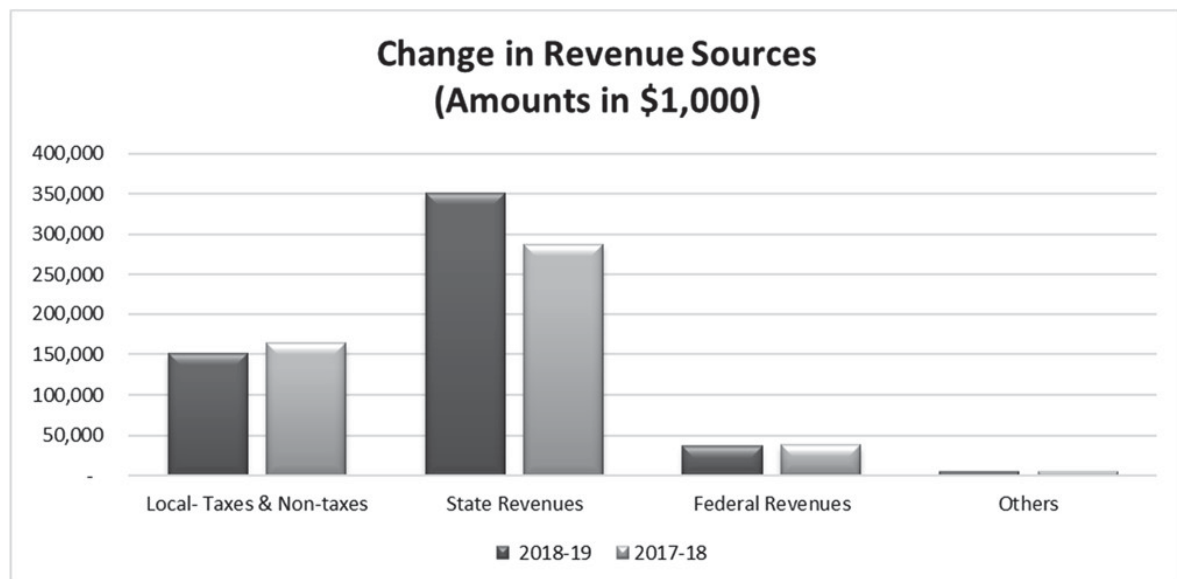
The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Thus, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

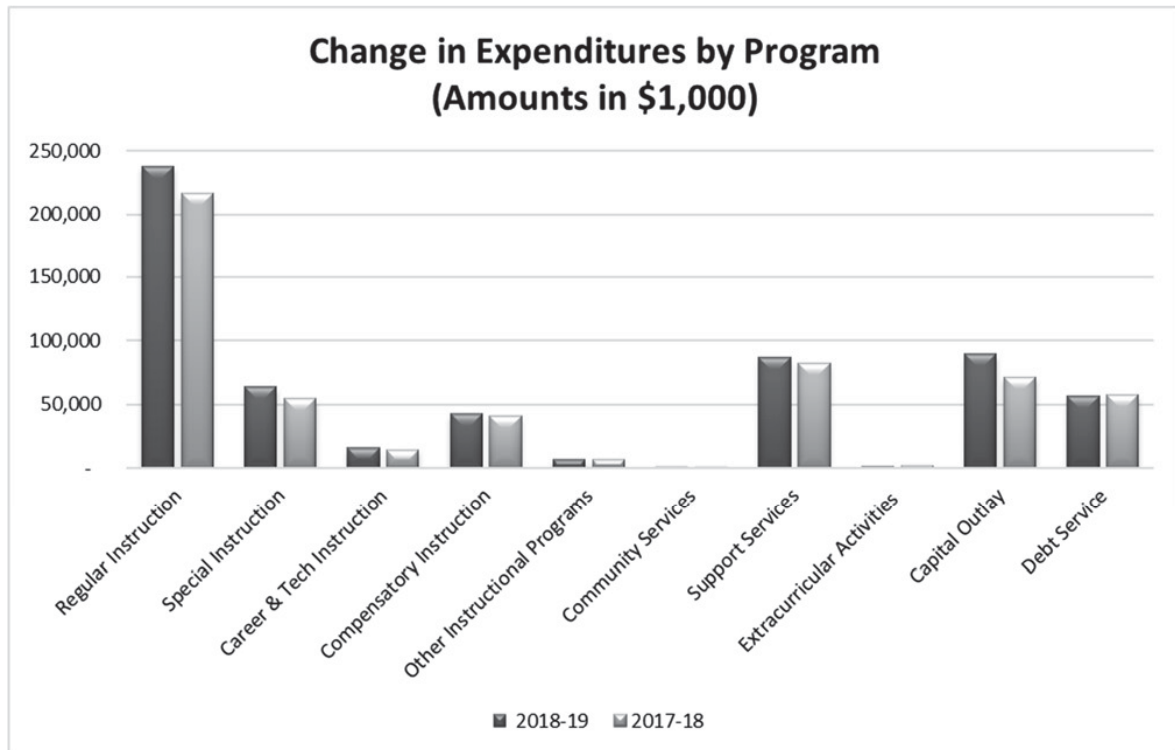
As the District completed the fiscal year, its governmental funds (as presented in the balance sheets under the governmental financial statement section) reported a combined fund balance of \$194.7M, an increase of \$6.9M over the prior year. This change is the result of the following factors:

- The fund balance in the General Fund increased by \$6.9M. The District planned for its fund balance to reduce by \$1.9M for the purposes of implementing House Bill 2242, implementation of paid family sick leave tax, carryover of specific-use funds, building improvements, curriculum needs and an inter-fund transfer to the Transportation Vehicle Fund. Labor (salaries and benefits) costs increased \$31.2M over the previous year and were over budget by \$5.2M. Spending on supplies, materials, travel and capital outlay increased \$5.8M from the prior year but came in under budget by \$17.2M. Even though personnel costs increased, increases in revenues by \$47M and decreased spending across the District caused the General Fund balance to increase by \$6.9M. Nineteen percent of the fund balance is in the nonspendable, committed, or restricted categories; \$17.9M (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 \$2.8K. All secondary schools and most elementary schools had activity in their ASB funds in 2018-19.
- The fund balance in the Debt Service Fund increased by \$1.3M 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 slightly 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 \$67M. 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 \$1.2M. A transfer of \$2M was made from the General Fund in 2018-19 for the purchase of new buses. Additional funding for 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 2018-19 and the amounts and percentages of increases and decreases in relation to the prior year.

Changes in Revenues and Expenditures Governmental Funds				
	2018-19	Percent of Total	Increase (Decrease) Over 2017-18	Percent Increase (Decrease)
<b>Revenue Source</b>				
Local- Taxes & Non-taxes	\$ 151,578,908	27.84%	(12,496,622)	-7.62%
State Revenues	350,999,573	64.46%	63,599,530	22.13%
Federal Revenues	36,392,932	6.68%	(2,021,822)	-5.26%
Others	5,546,271	1.02%	(418,356)	-7.01%
<b>Total</b>	<b>\$ 544,517,684</b>	<b>100.00%</b>	<b>48,662,730</b>	<b>9.81%</b>
<b>Expenditures</b>				
Regular Instruction	\$ 237,887,291	39.51%	21,635,771	10.00%
Special Instruction	63,583,104	10.56%	9,073,769	16.65%
Career & Tech Instruction	15,957,626	2.65%	1,547,078	10.74%
Compensatory Instruction	42,330,338	7.03%	1,157,914	2.81%
Other Instructional Programs	7,040,592	1.17%	181,993	2.65%
Community Services	956,012	0.16%	(106,642)	-10.04%
Support Services	86,538,501	14.37%	4,170,378	5.06%
Extracurricular Activities	1,793,287	0.30%	(111,356)	-5.85%
Capital Outlay	89,529,379	14.87%	17,913,884	25.01%
Debt Service	56,510,913	9.39%	(1,405,801)	-2.43%
<b>Total</b>	<b>\$ 602,127,043</b>	<b>100.00%</b>	<b>\$54,056,989</b>	<b>9.86%</b>





#### General Fund Budgetary Highlights

Appropriations are a prerequisite to expenditures in the governmental funds. Appropriations lapse at the end of the fiscal year. The Board may adopt a revised or supplemental budget appropriation after a public hearing anytime during the fiscal year. There were no budget revisions during 2018-19. The general fund's beginning fund balance in 2018-19 was \$32.9M as reported in the Required Supplemental Information, Schedule A-1.

Revenues were \$3.9M under budget, and expenditures were \$11.9M under budget. Washington State statutes establish expenditure budgets as absolute expenditure limits, encouraging contingency budgeting.

Property tax revenues came in close to budget, and local tax collections were \$23.7M below the prior year – this reflects the legislative changes in local voter-approved levy capacity. The District received \$262M in general state apportionment revenues in 2018-19, an increase of \$60.5M over 2017-18 due to increases in school and district generated entitlement as well as the \$12M one-time hold harmless provision. Federal revenues from grant sources were \$2M less than the prior year. Federal grant revenues that were lower than the prior year include: Title I Disadvantaged Students and Head Start. Grant revenues that were smaller than the prior year include: Title III Limited English Proficiency, and USDA free and reduced lunch reimbursements and commodities.

Expenditures in the general fund were less than budgeted. While spending in most program categories were above the prior year, expenditures were \$11.9M below budget. Certificated and classified salaries were greater than the prior year due to increased wages. Supply and material expenditures were \$15M under budget. Purchased services and capital outlay were \$1.4M and \$724K under budget, respectively. Travel came in at slightly higher than planned.

Other financing sources were \$135K, \$697K above budget. The District had a planned transfer of \$2M

from the capital projects fund to the general fund for District-wide technology software licenses as directed under state statute. A total of \$2.7M in eligible software licenses were transferred between the funds.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2018-19, the District had \$1,005M 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 \$37.5M over last year.

Capital Assets As of August 31, 2019			
Asset Type	Historical Cost	Accumulated Depreciation	Net
Land	\$ 42,354,470	\$ -	\$ 42,354,470
Building and Improvements	1,256,785,970	(379,607,074)	877,178,896
Equipment	46,026,343	(39,148,756)	6,877,587
Construction-in-Progress	78,776,892	-	78,776,892
<b>Total</b>	<b>\$ 1,423,943,675</b>	<b>\$ (418,755,830)</b>	<b>\$ 1,005,187,845</b>

Several schools listed for replacement or modernization with the 2013 capital bond issue were completed and moved from construction into building and improvements, which increased the building and improvements 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	\$ 69,971,601
Middle Schools	63,484,958
High Schools	78,383,963
	<u>\$ 211,840,522</u>

The District's 2018-19 fiscal year budget for capital projects fund expenditures was set at \$134.5M.

One replacement school opened in the 2018-19 school year. The old Browns Point Elementary School was replaced with a new Browns Point ES. Students were welcomed into the new school in December 2018.

Construction continued during the 2018-19 fiscal year on the new Mary Lyon Elementary School which opened to students the first day of school in September 2019. Work also continued on the Grant Center for the Expressive Arts which is scheduled to open to students in January 2020. Construction began on two Elementary School replacements in 2018-19 - Birney Elementary and Boze Elementary. Hunt Middle School continued in preconstruction design in 2018-19.

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 2018-19, the District received \$524K in bus depreciation payments from the state. The District purchased nine buses in 2018-19 on its bus replacement plan to keep its fleet of yellow buses current at a total cost of \$1.5M.



## Debt

At year end, the District owed \$479.7M in outstanding bonds, versus \$511.6M last year – a decrease of \$31.9M. The District has an ending balance of \$323K 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. In the fall of 2014 the District received a rating from Moody's of Aa2, and a Standard and Poor's rating of AA. The credit ratings for the District haven't changed since this review. Additionally, the District uses the State School Bond Guarantee Program, which enhances our ratings to Aa1/AA+ at a nominal fee to the district. More detailed information on the District's debt can be found in Note 7 of the notes to the financial statements.

Outstanding Debt				
Governmental Activities	2018-19	2017-18	Increase/(Decrease)	
2012 Refunding of the 03, 05, 05A UTGO's	\$ 51,590,000	\$ 53,670,000	\$ (2,080,000)	-3.88%
2014 UTGO	30,485,000	54,635,000	(24,150,000)	-44.20%
2015 UTGO	136,600,000	136,600,000	-	0.00%
2015 Refunding of the 2005A UTGO	261,045,000	266,715,000	(5,670,000)	-2.13%
<b>Total</b>	<b>\$ 479,720,000</b>	<b>\$ 511,620,000</b>	<b>\$ (31,900,000)</b>	<b>-6.24%</b>

## NEXT YEAR'S BUDGET AND RATES

The District's 2018-19 expenditure budgets for governmental funds were set at over \$664M. The 2019 property tax rate decreased from \$6.23 (2018) to \$4.41 (2019) per thousand dollars of assessed value for the amounts collected in the general fund, capital projects fund, and debt service fund. The District's rate decreased temporarily due to legislative calculation changes in 2019. Rates in 2020 will increase as the temporary reduction is lifted. Total assessed value increased by 14.6 percent between 2018 and 2019, with projected assessed valuation of \$28B over the calendar year. Property values continue to increase in 2019, 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. 2019 saw continued low unemployment, and increased employment trends. The Pierce County Economic Index (PCEI) is forecast to end 2019 up by 3.2 percent for the year, and forecasts for 2020 show annualized gains of 2.0 percent.

Pierce County's unemployment rate continues to be low, with only a slight increase from 5.2 percent in October 2018 to 5.4 percent in October 2019. Nonfarm employment has grown at an average annual growth of 3.0 percent since 2014, adding an average of 8,250 jobs per year since 2014, with a little slower growth of 6,225 jobs added in 2019.

The largest gains in 2019 came in the construction sector followed by the leisure and hospitality sector and the professional and business trade. Trade, transportation and utilities; government; and the education and health sectors had slower growth and only added 1,000 jobs in 2019. The forecast for 2020 is for 3.0 percent growth in employment in the county. Pierce County saw a 3.8 percent increase in labor force participation in 2019. Over the next year, employment in Pierce County is projected to expand by 5,300 jobs.

In 2019, personal income was estimated to have grown by 4.5 percent in total personal income, and increased by 2.6 percent in personal income per capita to \$54,330. For 2020, total income is anticipated to increase by 3.2 percent, and per capital income is expected to increase by 1.2 percent.



New housing listings declined 9% compared with 2018 and closed sales fell 4.5% with active listings 35% lower in the fourth quarter than the previous year. The county's affordability index increased in 2019 making Pierce County's housing more affordable for the first time since 2012. However the index is expected to trend lower for 2020 due to lack of housing supply. Only 1.1 months of inventory was available in the fourth quarter of 2019, compared to 1.7 months of inventory in the fourth quarter of 2018. Rents have increased by 4.5 percent through November 2019 for multi-family properties as vacancy rates have declined.

Commercial real estate continues to show strength in the warehouse and distribution sectors. While inventory grew by 6.5% from 2018, leased space grew by just 2.1%, which pushed vacancy rates higher. Vacancy rates at the end of the third quarter 2019 stood at 7.8 percent, which was higher than at the same point a year earlier. Office space vacancy rates were 10.6, down from 8.1 percent at the end of 2018.

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 has started to stabilize. The combined international and domestic volumes are projected to grow 2.7% in 2020. NWSA's market share for the U.S. West Coast international container volume was projected to end 2019 at 13.4%, consistent with 13.3% in 2018, and 13.4% in 2017.

## **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 or contact:

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

**TACOMA SCHOOL DISTRICT No. 10**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2019**

	<b>PRIMARY GOVERNMENT</b>	
	<b>Note No.</b>	<b>Governmental Activities</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	1.F.1	6,590,717
Cash Held by Trustees	2.B	2,302,473
Investments	2.A	213,649,347
Property Tax Receivable	1.F.2	59,675,759
Receivables, Net	1.F.3	753,723
Due From Other Governments	1.F.5	3,899,870
Inventories	1.G	3,284,809
Prepaid Items	1.G	1,048,421
Premiums Expected to be Received	9.D	15,612,303
Capital Assets, net of accumulated depreciation, where applicable:	4	
Land		42,354,470
Buildings & Improvements		877,178,896
Equipment		6,877,587
Construction-in-Progress		78,776,892
<b>TOTAL ASSETS</b>		<b>1,312,005,268</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred Outflows Related to Pensions	6	31,634,994
Other Post Employment Benefits (OPEB) Contributions	9.F	4,281,179
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>		<b>35,916,173</b>
<b>LIABILITIES</b>		
Accounts Payable		21,923,521
Accrued Wages & Benefits Payable		15,588,228
Unearned Revenue		1,391,547
Accrued Claims and Expenses	9.D	15,987,723
Long-Term Liabilities	7.A	
Due within one year		45,489,754
Due in more than one year		838,391,100
<b>TOTAL LIABILITIES</b>		<b>938,771,873</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Refunded Bonds - Gain on Refunding	7.E	2,387,392
Deferred Inflows Related to Pensions	6	37,346,768
Other Post Employment Benefits (OPEB) Changes of Assumptions	9.F	22,270,490
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>		<b>62,004,650</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		544,221,882
Restricted for:		
Associated Student Body		1,936,813
Capital Projects		35,208,568
Debt Service		38,976,122
The Sound Partnership Employee Benefit Trust		3,688,645
State Grants		2,084,993
Unrestricted		(278,972,107)
<b>TOTAL NET POSITION</b>		<b>347,144,917</b>

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

**TACOMA SCHOOL DISTRICT No. 10**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2019**

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	REVENUE AND CHANGES IN NET POSITION
PRIMARY GOVERNMENT					
Governmental Activities:					
Regular Instruction	\$ 268,804,673	\$ 2,023,661	\$ 276,596	\$ 6,144	(266,498,272)
Special Instruction	65,178,828	2,285,980	48,553,704	(1,788)	(14,340,931)
Career & Technical Instruction	16,378,540	39,130	16,930,959	17,259	608,808
Compensatory Instruction	43,216,735	8,500	44,094,816	20,000	906,581
Other Instructional Programs	7,194,129	937,180	3,733,675	30,520	(2,492,755)
Community Services	965,760	815,616	111,024	-	(39,120)
Support Services	90,667,611	3,388,705	24,539,797	540,914	(62,198,195)
Extracurricular Activities (ASB)	1,794,834	1,790,400	-	-	(4,435)
Interest Payment on Long-Term Debt	18,165,754	-	-	-	(18,165,754)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 512,366,864	\$ 11,289,173	\$ 138,240,571	\$ 613,048	(362,224,072)
GENERAL REVENUES:					
Taxes:					
					62,385,050
					57,549,762
					17,800,907
					237,691,528
					4,758,306
TOTAL GENERAL REVENUES					380,185,553
Changes in Net Position					17,961,481
NET POSITION - September 1					329,297,470
Prior Period Correction					(114,033)
ADJUSTED NET POSITION - Beginning					329,183,437
NET POSITION - August 31					347,144,917

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, 2019**

	Special		Debt Service		Capital	Projects	Transportation	Total
	General Fund	Revenue (ASB) Fund	Fund	Fund	Fund	Fund	Vehicle Fund	Governmental Funds
ASSETS								
Cash on Hand and in Bank	\$ 1,590,819	\$ 80,387	\$ 310,168	\$ 294,968	\$ 968	\$ 2,277,311		
Construction Retainage Escrow	-	-	-	2,302,473	-	2,302,473		
Investments	48,119,991	2,188,366	10,744,470	149,802,909	2,793,611	213,649,347		
Property Tax Receivable	20,787,121	-	27,596,112	11,292,526	-	59,675,759		
Accounts Receivable, Net	725,095	15,189	-	-	-	740,284		
Interest Receivable	3,077	137	673	9,378	175	13,440		
Interfund Receivable	4,300,664	53,158	900	128,605	-	4,483,327		
Due From Other Government Units	3,817,925	1,574	-	80,371	-	3,899,870		
Inventories at Cost	3,284,809	-	-	-	-	3,284,809		
Prepaid Items	1,048,421	-	-	-	-	1,048,421		
TOTAL ASSETS	\$ 83,677,922	\$ 2,338,810	\$ 38,652,324	\$ 163,911,230	\$ 2,794,754	\$ 291,375,041		
LIABILITIES								
Accounts Payable	\$ 7,489,215	\$ 246,104	\$ -	\$ 7,697,477	\$ -	\$ 15,432,796		
Retainage Payable	-	-	-	2,302,473	-	2,302,473		
Accrued Wages & Benefits Payable	14,811,981	706	-	775,541	-	15,588,228		
Interfund Payable	184,928	6,681	-	4,291,718	-	4,483,327		
Unearned Revenue - Other	1,243,041	148,506	-	-	-	1,391,547		
TOTAL LIABILITIES	23,729,165	401,997	-	15,067,210	-	39,198,372		
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue - Property Taxes	20,003,451	-	26,557,973	10,868,479	-	57,429,902		
TOTAL DEFERRED INFLOWS OF RESOURCES	20,003,451	-	26,557,973	10,868,479	-	57,429,902		
FUND BALANCES								
Nonspendable - Inventory & Prepaid Items	4,333,231	-	-	-	-	4,333,231		
Restricted for Carryover of Restricted Revenues	2,084,993	-	-	-	-	2,084,993		
Restricted for Construction	-	-	-	125,238,745	-	125,238,745		
Restricted for Debt Service	323,798	-	12,094,351	-	-	12,418,149		
Restricted to Fund Purposes	-	1,936,813	-	-	2,794,754	4,731,568		
Restricted for Technology	-	-	-	9,539,243	-	9,539,243		
Committed to Contingencies	1,000,000	-	-	-	-	1,000,000		
Assigned to Other Items (Encumbrances)	207,939	-	-	-	-	207,939		
Assigned to Budget Carryover	2,218,341	-	-	-	-	2,218,341		
Assigned to Future Operations	4,393,592	-	-	-	-	4,393,592		
Assigned to Curriculum & Instruction	3,157,779	-	-	-	-	3,157,779		
Assigned to Fund Purposes	-	-	-	3,197,554	-	3,197,554		
Unassigned for Minimum Fund Balance Policy	17,998,409	-	-	-	-	17,998,409		
Unassigned for Fund Balance	4,227,223	-	-	-	-	4,227,223		
TOTAL FUND BALANCES	39,945,306	1,936,813	12,094,351	137,975,542	2,794,754	194,746,766		
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES								
	\$ 83,677,922	\$ 2,338,810	\$ 38,652,324	\$ 163,911,230	\$ 2,794,754	\$ 291,375,041		

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, 2019**

	<b>Total Governmental Funds</b>	<b>Long-Term Assets, Liabilities *</b>	<b>Internal Service Fund *</b>	<b>Reclassifications and Eliminations</b>	<b>Statement of Net Position Totals</b>
<b>ASSETS</b>					
Cash on Hand and in Bank	\$ 2,277,311	\$ -	\$ 4,313,406	\$ -	6,590,717
Cash Held by Trustees	2,302,473	-	-	-	2,302,473
Investments	213,649,347	-	-	-	213,649,347
Property Tax Receivable	59,675,759	-	-	-	59,675,759
Receivables, Net	753,723	-	-	-	753,723
Interfund Receivable	4,483,327	-	-	(4,483,327)	-
Due From Other Governments	3,899,870	-	-	-	3,899,870
Inventories	3,284,809	-	-	-	3,284,809
Prepaid Items	1,048,421	-	-	-	1,048,421
Premiums Expected to be Received	-	-	15,612,303	-	15,612,303
Capital Assets, Net	-	1,005,187,845	-	-	1,005,187,845
<b>TOTAL ASSETS</b>	<b>291,375,041</b>	<b>1,005,187,845</b>	<b>19,925,709</b>	<b>(4,483,327)</b>	<b>1,312,005,268</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension Plan Experience - Assumption Changes & Plan Contributions	-	31,634,994	-	-	31,634,994
OPEB Changes - Contributions and Assumptions	-	4,281,179	-	-	4,281,179
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>35,916,173</b>	<b>-</b>	<b>-</b>	<b>35,916,173</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 291,375,041</b>	<b>\$ 1,041,104,018</b>	<b>\$ 19,925,709</b>	<b>\$ (4,483,327)</b>	<b>1,347,921,441</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 17,735,269	\$ 3,938,910	\$ 249,341	\$ -	21,923,521
Wages, Benefits & Other Payables	15,588,228	-	-	-	15,588,228
Interfund Payable	4,483,327	-	-	(4,483,327)	-
Unearned Revenue - Other	1,391,547	-	-	-	1,391,547
Accrued Claims and Expenses	-	-	15,987,723	-	15,987,723
Long-Term Liabilities - Pension	-	121,561,797	-	-	121,561,797
Long-Term Liabilities - OPEB	-	166,629,215	-	-	166,629,215
Long-Term Liabilities - Not Pension or OPEB	-	595,689,842	-	-	595,689,842
<b>TOTAL LIABILITIES</b>	<b>39,198,372</b>	<b>887,819,764</b>	<b>16,237,064</b>	<b>(4,483,327)</b>	<b>938,771,873</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Refunded Bonds - Reduction in Principal	-	2,387,392	-	-	2,387,392
Unavailable Revenue - Property Taxes	57,429,902	(57,429,902)	-	-	-
Pension Plan Investment Earnings & Changes in Proportions	-	37,346,768	-	-	37,346,768
OPEB Changes - Differences and Assumptions	-	22,270,490	-	-	22,270,490
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>57,429,902</b>	<b>4,574,748</b>	<b>-</b>	<b>-</b>	<b>62,004,650</b>
<b>FUND BALANCES/NET POSITION</b>					
Fund Balances/Position	194,746,766	148,709,506	3,688,645	-	347,144,917
<b>TOTAL FUND BALANCES/NET POSITION</b>	<b>194,746,766</b>	<b>148,709,506</b>	<b>3,688,645</b>	<b>-</b>	<b>347,144,917</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES/NET POSITION</b>	<b>\$ 291,375,041</b>	<b>\$ 1,041,104,018</b>	<b>\$ 19,925,709</b>	<b>\$ (4,483,327)</b>	<b>1,347,921,441</b>

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

**TACOMA SCHOOL DISTRICT No. 10**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2019**

	General Fund	Special Revenue (ASB) Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Total Governmental Funds
<b>REVENUES</b>						
Local	\$ 70,694,921	\$ 1,790,400	\$ 57,817,314	\$ 21,267,566	\$ 8,707	\$ 151,578,908
State	348,990,158	-	-	1,485,018	524,397	350,999,573
Federal	36,392,932	-	-	-	-	36,392,932
Other, Miscellaneous	4,971,420	-	-	574,851	-	5,546,271
<b>TOTAL REVENUES</b>	<b>461,049,431</b>	<b>1,790,400</b>	<b>57,817,314</b>	<b>23,327,435</b>	<b>533,104</b>	<b>544,517,684</b>
<b>EXPENDITURES</b>						
<b>Current:</b>						
Regular Instruction	237,887,291	-	-	-	-	237,887,291
Special Instruction	63,583,104	-	-	-	-	63,583,104
Career & Technical Instruction	15,957,626	-	-	-	-	15,957,626
Compensatory Instruction	42,330,338	-	-	-	-	42,330,338
Other Instructional Programs	7,040,592	-	-	-	-	7,040,592
Community Services	956,012	-	-	-	-	956,012
Support Services	86,538,501	-	-	-	-	86,538,501
Student Activities	-	1,793,287	-	-	-	1,793,287
<b>Debt Service:</b>						
Principal	-	-	31,900,000	-	-	31,900,000
Interest and Other Charges	-	-	24,610,913	-	-	24,610,913
<b>Capital Outlay:</b>						
Other	613,048	-	-	87,652,222	1,264,109	89,529,379
<b>TOTAL EXPENDITURES</b>	<b>454,906,513</b>	<b>1,793,287</b>	<b>56,510,913</b>	<b>87,652,222</b>	<b>1,264,109</b>	<b>602,127,043</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>6,142,918</b>	<b>(2,887)</b>	<b>1,306,401</b>	<b>(64,324,787)</b>	<b>(731,005)</b>	<b>(57,609,359)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from Sale of Surplus Equipment	135,535	-	-	-	-	135,535
Transfers	697,546	-	-	(2,697,546)	2,000,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>833,081</b>	<b>-</b>	<b>-</b>	<b>(2,697,546)</b>	<b>2,000,000</b>	<b>135,535</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>6,975,999</b>	<b>(2,887)</b>	<b>1,306,401</b>	<b>(67,022,333)</b>	<b>1,268,995</b>	<b>(57,473,824)</b>
<b>FUND BALANCE - September 1</b>	<b>32,969,307</b>	<b>1,939,700</b>	<b>10,787,950</b>	<b>204,997,874</b>	<b>1,525,759</b>	<b>252,220,590</b>
<b>FUND BALANCE - August 31</b>	<b>\$ 39,945,306</b>	<b>\$ 1,936,813</b>	<b>\$ 12,094,351</b>	<b>\$ 137,975,542</b>	<b>\$ 2,794,754</b>	<b>\$ 194,746,766</b>

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

**TACOMA SCHOOL DISTRICT No. 10**  
**RECONCILIATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2019**

	<b>Total Governmental Funds</b>	<b>Long-Term Revenue, Expenses *</b>	<b>Capital Related items *</b>	<b>Internal Service Fund *</b>	<b>Long-Term Debt Transactions *</b>	<b>Statement of Activities Total</b>
<b>REVENUES AND OTHER SOURCES</b>						
<b>Revenues:</b>						
Property Taxes	\$ 137,735,719	\$ (14,324,874)	\$ -	\$ -	\$ -	\$ 123,410,845
Local Non-Taxes	13,843,189	-	-	-	-	13,843,189
State	350,999,573	-	-	-	-	350,999,573
Federal	36,392,932	-	-	-	-	36,392,932
Miscellaneous	5,546,271	-	-	-	-	5,546,271
<b>Other Sources:</b>						
Proceeds from Sale of Surplus Equipment	135,535	-	-	-	-	135,535
Transfers	-	-	-	-	-	-
<b>TOTAL REVENUES AND OTHER SOURCES</b>	<b>544,653,219</b>	<b>(14,324,874)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>530,328,345</b>
<b>EXPENDITURES AND OTHER USES</b>						
<b>Current:</b>						
Regular Instruction	237,887,291	(7,560,632)	24,657,860	355,076	-	255,339,594
Special Instruction	63,583,104	(1,772,701)	8,553	94,905	-	61,913,862
Career & Technical Instruction	15,957,626	(521,249)	97,903	23,819	-	15,558,100
Compensatory Instruction	42,330,338	(1,381,257)	39,640	63,183	-	41,051,904
Other Instructional Programs	7,040,592	(257,585)	40,242	10,509	-	6,833,758
Community Services	956,012	(40,057)	-	1,427	-	917,383
Support Services	86,538,501	(2,889,944)	2,450,231	129,169	(102,107)	86,125,850
Student Activities	1,793,287	-	1,548	-	-	1,794,834
<b>Debt Service:</b>						
Principal	31,900,000	-	-	-	(31,900,000)	-
Interest and Other Charges	24,610,913	-	-	-	(6,445,159)	18,165,754
<b>Capital Outlay</b>	<b>89,529,379</b>	<b>-</b>	<b>(64,863,554)</b>	<b>-</b>	<b>-</b>	<b>24,665,826</b>
<b>TOTAL EXPENDITURES AND OTHER USES</b>	<b>602,127,043</b>	<b>(14,423,423)</b>	<b>(37,567,577)</b>	<b>678,088</b>	<b>(38,447,266)</b>	<b>512,366,864</b>
<b>NET CHANGE FOR THE YEAR</b>	<b>\$ (57,473,824)</b>	<b>\$ 98,549</b>	<b>\$ 37,567,577</b>	<b>\$ (678,088)</b>	<b>\$ 38,447,266</b>	<b>\$ 17,961,481</b>

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

**TACOMA SCHOOL DISTRICT No. 10**  
**PROPRIETARY FUND - INTERNAL SERVICE FUND**  
**STATEMENT OF NET POSITION (LIQUIDATION BASIS)**  
**AUGUST 31, 2019**

	<u>The Sound Partnership</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 4,279,579
Restricted Cash	33,827
Premiums Expected to be Received	<u>15,612,303</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 19,925,709</u></b>
<b>LIABILITIES</b>	
Accounts Payable	\$ 249,341
Accrued Claims and Expenses	<u>15,987,723</u>
<b>TOTAL LIABILITIES</b>	<b><u>16,237,064</u></b>
<b>NET POSITION</b>	
Unrestricted	<u>3,688,645</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 3,688,645</u></b>

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



**TACOMA SCHOOL DISTRICT No. 10**  
**PROPRIETARY FUND - INTERNAL SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (LIQUIDATION BASIS)**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2019**

	<u>The Sound Partnership</u>
<b>OPERATING REVENUES</b>	
Premium Contributions	\$ 49,771,633
<b>TOTAL OPERATING REVENUES</b>	<b>49,771,633</b>
<b>OPERATING EXPENSES</b>	
Insurance Premiums	47,372,330
Benefit Claims	2,009,123
Administrative Expenses	692,848
Working on Wellness	-
<b>TOTAL OPERATING EXPENSES</b>	<b>50,074,301</b>
<b>OPERATING INCOME (LOSS) - GOING CONCERN BASIS</b>	<b>(302,668)</b>
<b>EFFECTS OF APPLYING LIQUIDATION BASIS OF ACCOUNTING</b>	
Premiums Expected to be Received	15,612,303
Accrued Claims and Expenses	(15,987,723)
<b>TOTAL EFFECTS OF APPLYING LIQUIDATION BASIS OF ACCOUNTING</b>	<b>(375,420)</b>
<b>CHANGE IN NET POSITION</b>	<b>(678,088)</b>
<b>NET POSITION - September 1</b>	<b>4,366,733</b>
<b>NET POSITION - August 31</b>	<b>\$ 3,688,645</b>

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

**TACOMA SCHOOL DISTRICT No. 10**  
**PROPRIETARY FUND - INTERNAL SERVICE FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2019**

	<u><b>The Sound Partnership</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Premium Contributions	\$ 49,771,633
Restricted Cash	339
Prepaid Insurance	298,762
Benefits Claims	(2,009,123)
Insurance Premium Payments	(47,445,558)
Administrative	<u>(692,848)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(76,795)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(76,795)</b>
<b>CASH AND CASH EQUIVALENTS - Beginning</b>	<u>4,356,374</u>
<b>CASH AND CASH EQUIVALENTS - Ending</b>	<u><b>\$ 4,279,579</b></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating Income (Loss)	\$ (302,668)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>	
(Increase) Decrease in Other Assets	339
(Increase) Decrease in Prepaid Expenses	298,762
Increase (Decrease) in Liabilities	<u>(73,228)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><b>\$ (76,795)</b></u>

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, 2019**

	<b>Private-Purpose Trusts</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 14,643
Investments at Fair Value	1,033,101
Accounts Receivable	<u>14,401</u>
<b>TOTAL ASSETS</b>	<b><u>1,062,146</u></b>
<b>LIABILITIES</b>	
Accounts Payable	172,449
Unearned Revenue - Other	<u>185</u>
<b>TOTAL LIABILITIES</b>	<b><u>172,634</u></b>
<b>NET POSITION</b>	
Held in Trust for Scholarships and Student Aid	<u>889,512</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 889,512</u></b>

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

**TACOMA SCHOOL DISTRICT No. 10**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2019**

	<u>Private-Purpose Trusts</u>
<b>ADDITIONS</b>	
Donations	\$ 464,908
<b>TOTAL ADDITIONS</b>	<u>464,908</u>
<b>DEDUCTIONS</b>	
Scholarships	59,720
Tuition and Fees	5,023
Supplies & Materials	99,751
Field Trips	60,494
Purchased Services	23,526
Salaries & Benefits	5,160
Administrative	-
<b>TOTAL DEDUCTIONS</b>	<u>253,673</u>
<b>CHANGE IN NET POSITION</b>	<b>211,235</b>
<b>NET POSITION - September 1</b>	<u>678,277</u>
<b>NET POSITION - August 31</b>	<u><u>\$ 889,512</u></u>

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, 2018 through August 31, 2019**

**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 and 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 8<sup>th</sup> Street  
Tacoma, Washington 98405

**B. BASIS OF PRESENTATION**

The accounts of the District are organized on the basis of funds in governmental fund financial statements, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, 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 and interest 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 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 in trust for individuals, private organizations, other districts, or other funds in its fiduciary capacity as trustee or agent.

#### Private Purpose Trust Fund

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

### **MAJOR AND NON-MAJOR FUNDS**

The District considers all governmental funds "major funds".

## **C. BUDGETS AND BUDGETARY ACCOUNTING**

### **GENERAL BUDGET POLICIES**

The Tacoma School District budgets its funds in accordance with the Revised Code of Washington Chapter 28A.505 and Chapter 392-123 of the Washington Administrative Code (WAC). The board adopts the budget after public hearings. An appropriation is a prerequisite to expenditure. Appropriations lapse at the end of the fiscal period. Annual appropriated budgets are adopted at the fund level. Each governmental fund's total expenditures cannot, by law, exceed its formal fund appropriation. Management is authorized to modify specific accounts within the overall fund appropriation. However, only the board has the authority to increase or decrease a given fund's annual budget. The board may adopt a revised or supplemental budget appropriation after public hearings anytime during the fiscal year. There were no revisions at the fund level during fiscal year 2018-19.

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 \$207,939 were re-encumbered on September 1, 2019.

Significant encumbrances in the general fund include summer maintenance and repairs that weren't quite complete at August 31<sup>st</sup>, 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 and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and 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 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 US Bank as its fiscal agent for bond principal and coupon interest redemption. Short-term investments are shown on the Statement of Net Position and on the Fund Balance Sheets at cost, net of amortized premium or discount, and the long-term investments are stated at fair value. The investments in governmental funds are held by the Pierce County Treasurer which reports investments at amortized cost. Gains or losses on long-term investments are recognized at year end. The District intends to hold the time deposits and securities until maturity.

### **2. Property Taxes**

Property tax revenues are collected as the result of special levies passed by the voters in the District. Per Revised Code of Washington 84.60.020 the tax assessment date is January 1 of the calendar year of collection. The tax lien date is January 1 of the year of collection and taxes receivable are recognized as of that date. Current year taxes are due in full as of April 30 and are delinquent after that date. However, without incurring penalty, the taxpayer may elect to pay one-half of the taxes due by April 30, with the remaining one-half taxes due October 31, and are delinquent after that date. Typically, a little more than half of the taxes due are collected on the April 30 date. In accordance with state law, Pierce County may begin foreclosure proceedings following the third year of delinquency. 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 2018-2019:

City of Tacoma	Housing projects with 5 or more units	\$2,042,530
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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. Accounts Receivable**

This account represents amounts due for services rendered by the District, net of allowance for doubtful accounts.

### **4. Interfund Receivables/Payables**

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

### **5. Due From Other Governments**

This account represents receivables from 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, 2019, the value of the USDA commodities included in this District’s inventory was \$2,358,497.

Prepaid items consist of software licenses and other prepayments made late in 2018-19 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.

The new GASB 75 reporting requirements shows both deferred inflows and outflows of resources related to Other Post-Employment Benefits (OPEB) on the government-wide statements. Please refer to Note 9F for more details.

## **K. COMPENSATED ABSENCES**

### **1. Sick Leave**

Employees earn sick leave at a rate of 12 days per year up to a maximum of one contract year.

Under the provisions of RCW 28A.400.210, sick leave accumulated by District employees is paid at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This

chapter also provides for an annual buyout of an amount up to the maximum annual accumulation of twelve days for active employees. For buyout purposes, employees may accumulate such leave to a maximum of 195 days, including the annual accumulation, as of December 31 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, 2019, was \$12,017,057 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, 2019, was \$19,208,688 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

**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. The District directs the County Treasurer to invest those financial resources of the District that the District has determined are not needed to meet the current financial obligations of the District. In this capacity, the county treasurer receives, deposits, and transacts investments on the District's behalf.

The District's deposits are mostly covered by federal depository insurance (FDIC) or 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. These provisions help mitigate custodial credit risk, which is the risk that, in the event of a failure of a depository financial institution, the District would not be able to recover deposits or collateral securities that are in the possession of an outside party.

All of the District's investments during the year and year-end were insured or registered and held by the District or its agent in the District's name.

Washington State statutes authorize the District to invest in the following types of securities:

- Certificates, notes, or bonds of the United States, its agencies, or any corporation wholly owned by the government of the United States,



- Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System,
- Bankers' acceptances purchased on the secondary market,
- Repurchase agreements for securities listed in the three items above, provided that the transaction is structured so that the public treasurer obtains control over the underlying securities,
- Investment deposits with qualified public depositories,
- Washington State Local Government Investment Pool, and
- County Treasurer Investment Pools.

The District's investments as of August 31, 2019, are as follows:

Investment Type	Number of Securities	Carrying Amount	Market Value
State Treasurer's Investment Pool	6	\$ 214,682,448	\$ 214,682,448
<b>Total Investments</b>	<b>6</b>	<b>\$ 214,682,448</b>	<b>\$ 214,682,448</b>

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	\$ 2,277,311	\$ 213,649,347
Sound Partnership	4,313,406	-
<b>Total Government-Wide</b>	<b>6,590,717</b>	<b>213,649,347</b>
Fiduciary Funds	14,643	1,033,101
<b>Total Deposits &amp; Investments</b>	<b>\$ 6,605,361</b>	<b>\$ 214,682,448</b>

The Washington State Local Government Investment Pool (LGIP) was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. Participation in the pool is voluntary and the pool does not have a credit rating.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASBS 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The pool maintains a Weighted Average Maturity (WAM) of 60 days or shorter. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

**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 requiring that at least twenty percent of the portfolio is comprised of investments maturing within the next 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. Diversification of the portfolio is achieved by limiting the maximum percentage of investments by type of investment in the portfolio as follows:

Investment Type	Maximum % of Portfolio
Washington State LGIP	100%
U.S. Treasury Obligations	100%
Federal Agency Securities	90%
Certificates of Deposit	40%
Repurchase Agreements	40%
Bonds of State of WA or any local government in the State of WA	20%
Bonds of other states or any local governments in the other state	15%
Commercial Paper	10%
Banker's Acceptance	10%

**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.

**Cash with Fiscal Agent/Trustee.** 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, 2019, 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	\$ 4,300,664	\$ 184,928
Special Revenue Fund	53,158	6,681
Debt Service Fund	900	-
Capital Projects Fund	128,605	4,291,718
<b>Total</b>	<b>\$ 4,483,327</b>	<b>\$ 4,483,327</b>

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

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 (\$2,697,546) was made in August.

**Note 4. CHANGES IN CAPITAL ASSETS**

Purchases of equipment with a unit cost over \$5,000 are capitalized and depreciated in *government-wide financial statements*. The District's capital assets are insured in the amount of \$1,491,296,840 for fiscal year 2019. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

	Beginning Balance	Primary Government Additions	Deletions	Ending Balance
Governmental Activities Capital Assets, not being depreciated:				
Land	\$ 42,750,150	\$ -	\$ (395,680)	\$ 42,354,470
Construction-in-Progress	290,617,414	63,448,204	(275,288,726)	78,776,892
<b>Total Capital Assets, not being depreciated</b>	<b>333,367,564</b>	<b>63,448,204</b>	<b>(275,684,406)</b>	<b>121,131,362</b>
Capital assets, being depreciated:				
Building and Improvements	991,815,402	277,368,521	(12,397,953)	1,256,785,970
Equipment	47,181,044	1,053,643	(2,208,344)	46,026,343
<b>Total Capital assets, being depreciated:</b>	<b>1,038,996,446</b>	<b>278,422,164</b>	<b>(14,606,297)</b>	<b>1,302,812,313</b>
Less Accumulated Depreciation for:				
Building and Improvements	(365,098,449)	(25,564,275)	11,055,650	(379,607,074)
Equipment	(39,645,293)	(1,731,702)	2,228,239	(39,148,756)
<b>Total Accumulated Depreciation</b>	<b>(404,743,742)</b>	<b>(27,295,977)</b>	<b>13,283,889</b>	<b>(418,755,830)</b>
<b>Total Capital assets, being depreciated, net</b>	<b>634,252,704</b>	<b>251,126,187</b>	<b>(1,322,408)</b>	<b>884,056,483</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 967,620,268</b>	<b>\$ 314,574,391</b>	<b>\$ (277,006,814)</b>	<b>\$ 1,005,187,845</b>



Depreciation expense was charged to governmental activities as follows:

	<u>Current Year Total</u>
Regular Instruction	\$ 24,657,860
Special Instruction	8,553
Career & Technical Instruction	97,903
Compensatory Instruction	39,640
Other Instruction Programs	40,242
Support Services	2,450,231
Extracurricular Activities (ASB)	1,548
	<u>\$ 27,295,977</u>

**Note 5. CONSTRUCTION IN PROGRESS**

School	Project	Project Authorization	Accumulated Expenditures to Aug. 31, 2019
<b>Elementary Schools</b>			
Birney	New School	\$ 37,100,000	\$ 7,132,284
Grant	New School	34,800,000	25,838,733
Lyon	New School	34,300,000	32,502,155
Boze	New School	35,300,000	9,001,623
<b>Total Elementary Schools</b>		<u>141,500,000</u>	<u>74,474,795</u>
<b>Middle Schools</b>			
Hunt	New School	48,000,000	4,302,097
<b>Total Middle Schools</b>		<u>48,000,000</u>	<u>4,302,097</u>
<b>GRAND-TOTAL</b>		<u>\$ 189,500,000</u>	<u>\$ 78,776,892</u>

**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 contacting the Washington State Department of Retirement Systems, P.O. Box 48380, Olympia, WA 98504-8380; or online at <http://www.drs.wa.gov/administrations/annual-report>.

**MEMBERSHIP PARTICIPATION**

Substantially all school district full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by DRS: Teachers'

Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS).

Membership participation by retirement plan as of June 30, 2019, was as follows:

Plan	Retirees and Beneficiaries Receiving Benefits	Inactive Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members
PERS 1	45,792	401	1,535
SERS 2	10,072	6,175	28,494
SERS 3	10,007	8,983	35,746
TRS 1	32,645	120	349
TRS 2	5,874	2,779	21,788
TRS 3	13,745	8,675	55,733

### **MEMBERSHIP & PLAN BENEFITS**

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

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

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

TRS Plan 1 provides retirement, disability and death benefits. TRS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the average final compensation (AFC), for each year of service credit, up to a maximum of 60 percent, divided by twelve. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two. Members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **PLAN CONTRIBUTIONS**

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

The employer and employee contribution rates for the various plans are effective as of the dates shown in the table. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2018 and 2019 are listed below:

Pension Rates			
	7/1/19 Rate	9/1/18 Rate	
<b>PERS 1</b>			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	12.86%	12.83%	
Pension Rates			
	9/1/19 Rate	9/1/18 Rate	
<b>TRS 1</b>			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	15.51%	15.41%	
<b>TRS 2</b>			
Member Contribution Rate	7.77%	7.06%	
Employer Contribution Rate	15.51%	15.41%	
<b>TRS 3</b>			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	15.51%	15.41%	**
<b>SERS 2</b>			
Member Contribution Rate	8.25%	7.27%	
Employer Contribution Rate	13.19%	13.58%	
<b>SERS 3</b>			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.19%	13.58%	**
<i>Note: The DRS administrative rate of .0018 is included in the employer rate.</i>			
* = Variable from 5% to 15% based on rate selected by the member.			
** = Defined benefit portion only.			

### **THE COLLECTIVE NET PENSION LIABILITY**

The collective net pension liabilities for the pension plans school districts participated in are reported in the following tables.

The Net Pension Liability as of June 30, 2019:					
Dollars in Thousands	PERS 1	SERS 2/3	TRS 1	TRS 2/3	Total
Total Pension Liability	\$11,696,634	\$6,352,843	\$8,355,496	\$16,545,194	\$42,950,167
Plan fiduciary net position	(\$7,851,279)	(\$6,118,345)	(\$5,879,693)	(\$15,942,660)	(\$35,791,977)
Participating employers' net pension liability	\$3,845,355	\$234,498	\$2,475,803	\$602,534	\$7,158,190
Plan fiduciary net position as a percentage of the total pension liability	67.12%	96.31%	70.37%	96.36%	

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

At June 30, 2019, the school district reported a total liability of \$121,561,796 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, 2019, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2019	PERS 1	SERS 2/3	TRS 1	TRS 2/3	Total
District's Annual Contributions	\$3,794,003	\$5,995,945	\$15,190,799	\$16,014,599	\$40,995,346
Proportionate Share of the Net Pension Liability	\$20,346,519	\$7,024,354	\$75,729,836	\$18,461,089	\$121,561,798

At June 30, 2019, 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 percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.529119%	2.995486%	3.058799%	3.063908%
Prior year proportionate share of the Net Pension Liability	0.512281%	3.029601%	3.121342%	3.123073%
Net difference percentage	0.016838%	-0.034115%	-0.062543%	-0.059165%

### **ACTUARIAL ASSUMPTIONS**

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

The total pension liabilities for TRS 1, TRS 2/3, PERS 1 and SERS 2/3 were determined by actuarial valuation as of June 30, 2018, with the results rolled forward to June 30, 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

## **MORTALITY RATES**

Mortality rates used in the plans were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the *2007–2012 Experience Study Report and the 2017 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report.

## **LONG-TERM EXPECTED RATE OF RETURN**

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

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

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

The long-term expected rate of return of 7.40 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen-year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2019, 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%	2.20%
Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%

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

## **DISCOUNT RATE**

The discount rate used to measure the total pension liability was 7.40 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.50 percent long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.



**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, 2019, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 0	\$ 0
Net difference between projected and actual earnings on pension plan investments	0	(1,359,318)
Changes in assumptions or other inputs	0	0
Changes in proportion and differences between contributions and proportionate share of contributions	0	0
Contributions subsequent to the measurement date	12,662	0
TOTAL	\$ 12,662	\$ (1,359,318)
SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 4,420,084	\$ 0
Net difference between projected and actual earnings on pension plan investments	0	(5,965,146)
Changes in assumptions or other inputs	215,008	(1,491,909)
Changes in proportion and differences between contributions and proportionate share of contributions	54,358	(192,393)
Contributions subsequent to the measurement date	1,490,088	0
TOTAL	\$ 6,179,537	\$ (7,649,449)
TRS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 0	\$ 0
Net difference between projected and actual earnings on pension plan investments	0	(5,807,874)
Changes in assumptions or other inputs	0	0
Changes in proportion and differences between contributions and proportionate share of contributions	0	0
Contributions subsequent to the measurement date	21,071	0
TOTAL	\$ 21,071	\$ (5,807,874)
TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 12,836,291	\$ (594,030)
Net difference between projected and actual earnings on pension plan investments	0	(15,938,348)
Changes in assumptions or other inputs	6,959,758	(4,905,113)
Changes in proportion and differences between contributions and proportionate share of contributions	0	(1,092,636)
Contributions subsequent to the measurement date	5,625,675	0
TOTAL	\$ 25,421,725	\$ (22,530,127)

ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 17,256,374	\$ (594,030)
Net difference between projected and actual earnings on pension plan investments	0	(29,070,687)
Changes in assumptions or other inputs	7,174,766	(6,397,022)
Changes in proportion and differences between contributions and proportionate share of contributions	54,358	(1,285,029)
Contributions subsequent to the measurement date	7,149,496	0
TOTAL	\$ 31,634,994	\$ (37,346,768)

\$7,149,496 reported as Deferred Outflows of Resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2019.

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

Year ended August 31	PERS 1	SERS 2/3	TRS 1	TRS 2/3
2020	(300,077)	(877,804)	(1,192,172)	(2,521,269)
2021	(710,796)	(2,115,295)	(3,117,979)	(5,966,565)
2022	(253,654)	(438,064)	(1,096,398)	(1,399,112)
2023	(94,791)	(71,371)	(401,326)	242,448
2024	-	439,276	-	1,586,300
Thereafter	-	103,259	-	5,324,120

#### **PENSION EXPENSE**

The District recognizes a pension expense for its proportionate share of the collective pension expense. This is determined by using the district's proportion share of the collective net pension liability. For the year ending August 31, 2019, the district recognized a total pension expense as follows:

	Pension Expense
PERS 1	\$ (2,079,216)
SERS 2/3	(2,902,089)
TRS 1	(13,511,859)
TRS 2/3	(6,088,367)
TOTAL	\$ (24,581,530)



**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 7.40%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.40%) or one percentage point higher (8.40%) than the current rate. Amounts are calculated by plan using the district's allocation percentage.

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
<b>PERS 1 NPL</b>	\$4,815,609,000	\$3,845,355,000	\$3,003,532,000
Allocation Percentage	0.529119%	0.529119%	0.529119%
Proportionate Share of Collective NPL	\$ 25,480,321	\$ 20,346,519	\$ 15,892,270
<b>SERS 2/3 NPL</b>	\$1,141,883,000	\$234,498,000	(\$513,722,000)
Allocation Percentage	2.995486%	2.995486%	2.995486%
Proportionate Share of Collective NPL	\$ 34,204,940	\$ 7,024,354	\$ (15,388,468)
<b>TRS 1 NPL</b>	\$3,164,358,000	\$2,475,803,000	\$1,878,531,000
Allocation Percentage	3.058799%	3.058799%	3.058799%
Proportionate Share of Collective NPL	\$ 96,791,349	\$ 75,729,836	\$ 57,460,486
<b>TRS 2/3 NPL</b>	\$3,283,747,000	\$602,534,000	(\$1,577,475,000)
Allocation Percentage	3.063908%	3.063908%	3.063908%
Proportionate Share of Collective NPL	\$ 100,610,998	\$ 18,461,089	\$ (48,332,388)

**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 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 2018-2019 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 2018-2019 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 18-19 – District paid \$3.43/hour  
Contribution amount FY 18-19 - \$10,559

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 by 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 2018-2019 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 18-19 – District paid \$7.32/hour (9/18-5/19) and \$7.59/hour (6/19-8/19)  
Contribution amount FY 18-19 - \$110,700

The CRP does have a withdrawal liability. The District’s estimated withdrawal liability for 2019 is \$322,406.

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. Nineteen 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 2018-2019 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 18-19 – District paid \$4.29/hour (9/18-5/19) and \$4.54/hour (6/19-8/19)  
Contribution amount FY 17-18 - \$168,603

The WWLEPP does have a withdrawal liability. There is no withdrawal liability for 2019.

4. Central Pension Fund of the IUOE (CPF). It is administered by the Board of Trustees of CPF of the IUOE. The entity identification is 36-6052390. Three-hundred three District employees are covered by the plan - sixty-one bus drivers and dispatchers, thirty-four security employees, and two-hundred eight custodians are covered by the CPF. CPF is a “defined benefit plan” providing a benefit determined by accrual rate, years of service and hours worked in the service years. Benefit payments are guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. Contributions to the plan are made monthly pursuant to the terms of the collective bargaining agreement. In fiscal year 2018-2019 all pension contributions are based on 2080 hours compensated per year for dispatchers and bus drivers, full-time security employees, and custodians, and 1,704 hours for part-time security employees

Contribution rates FY 18-19 – District paid \$2.00/hour for dispatchers, \$1.00/hour for bus drivers, \$0.75/hour for 10-month part-time security employees, \$1.50/hour for full-time security employees, and \$1.75/hour for custodians.

Contribution amount FY 18-19 – Total – \$894,138. \$9,139 for dispatchers, \$92,116 for bus drivers, \$36,362 for part-time security employees, \$33,079 for full-time security employees, and \$723,442 for custodians.

There is currently no withdrawal liability for the CPF.

5. IBEW Pacific Coast Pension Fund. It is administered by Rhen & Associates/IBEW Local 76. The entity identification is 94-6128032. Six District employees are covered by the Pacific Coast Pension Fund. The fund is a “defined benefit plan” providing benefit payments guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. The monthly benefit at normal retirement is determined by the accrual rate, years of service and hours worked in the service years. Contributions to the plan are made monthly pursuant to the terms of the collective bargaining agreement. In fiscal year 2018-2019 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 18-19 – District paid \$5.41/hour for IBEW and 3% of gross wages for NEBF.

Contribution amount FY 18-19 - \$76,401

There is currently no withdrawal liability for the Pacific Coast Pension Fund.

6. Western Washington Glaziers Retirement Plan. It is administered by BENESYS, Inc./The Employee Painters’ Trust. The entity identification is 91-6050587. One District employee is covered by the plan. The fund is a “defined benefit fund” providing monthly benefit payments guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. The monthly benefit at normal retirement age is determined by an accrual rate for credited years of service. Contributions to the plan are made monthly pursuant to the terms of the collective bargaining agreement. In fiscal year 2018-2019 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 18-19 – District paid \$10.10/hour (7/18-6/19) and \$11.50/hour (7/19-8/19)

Contribution amount FY 18-19 - \$21,622

There is currently no withdrawal liability for the Western Washington Glaziers Retirement Plan.

7. Plumbers & Pipefitters National Pension Fund. It is administered by the Board of Trustees, Plumbers & Pipefitters National Pension Plan. The entity identification is 52-6152779. Nine District employees are covered by the plan. The fund is a “defined benefit plan” providing monthly benefit payments guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. The monthly benefit at normal retirement age is determined by an accrual rate and years of credited service. Contributions to the plan are made monthly pursuant to the terms of the collective bargaining agreement. In fiscal year 2018-2019 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 18-19 – District paid \$3.90/hour

Contribution amount FY18-19 - \$66,408

The Plumbers & Pipefitters National Pension Fund has been placed in “endangered” status by the Pension Protection Act of 2006. The Plan does have a withdrawal liability. The District’s estimated withdrawal liability for 2019 is \$281,181.

8. WA State Plumbing & Pipefitting Pension Fund. It is administered by Zenith American Solutions. The entity identification is 91-6029141. Nine District employees are covered by the plan. The fund is a “defined benefit plan” with options for the participant based on the value of the benefit at the time of retirement. Benefit accruals are based on contributions made to the plan on behalf of the participant for hours of service earned during a plan year and years of credited service. The plan is guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. Contributions to the plan are made monthly and are pursuant to the collective bargaining agreement. In fiscal year 2018-2019 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 18-19 – District paid \$3.05/hour

Contribution amount FY 18-19 - \$51,934

The WA State Plumbing & Pipefitting Pension Fund does have a withdrawal liability. The District's estimated withdrawal liability for 2019 is \$715,378.

9. Western Conference of Teamsters Pension Plan. It is administered by Northwest Administrators, Inc. The entity identification is 91-6145047. Twelve District employees are covered by the plan. The fund is a "defined benefit plan" providing monthly benefit payments at retirement age. The plan is guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. The monthly benefit is determined by an account benefit formula used for service after 1986 and is based on a percentage of all of the participant's non-forfeited years of service. The five-year average benefit formula is used to determine a monthly benefit based on years of service and the rate of contributions payable for the participants last five years of service. Contributions to the plan are made monthly pursuant to the terms of the collective bargaining agreement. In fiscal year 2018-2019 all pension contributions are limited to 2080 maximum hours in a plan year.

Contribution rate FY 18-19 – District paid \$3.30/hour  
Contribution amount FY 18-19 - \$78,567

The Western Conference of Teamsters Pension Plan does have withdrawal liability. The District's estimated withdrawal liability for 2019 is \$28,854.

10. International Painters & Allied Trades (IUPAT) Industry Pension Plan. It is administered by IUPAT Pension Fund Administrator. The entity identification is 52-6073909. Four District employees are covered by the plan. The plan is a "defined benefit plan" providing guaranteed monthly benefits. The monthly benefit is a combination of 100% of the participant's first \$11 of the Plan's monthly benefit accrual rate, plus 75% of the next \$33 of the accrual rate, multiplied times each year of credited service. The maximum guarantee is \$35.75 per month multiplied by a participant's years of credited service. Benefit payments are guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. Contributions to the plan are made monthly pursuant to the terms of the collective bargaining agreement. In fiscal year 2018-2019 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 18-19 – District paid \$2.25/hour  
Contribution amount FY 18-19 - \$18,768

The IUPAT does have withdrawal liability. The District's estimated withdrawal liability for 2019 is \$145,986.

11. Sheet Metal Workers National Pension Fund. It is administered by Sheet Metal Workers National Benefits Trust (SMWNPF). The entity identification is 52-6112463. One District employee is covered by the plan. The plan is a "defined benefit plan" providing a monthly benefit payment at the normal retirement age. The monthly benefit is determined based on a variable benefit accrual rate, contribution hours worked, and a variable applicable percentage determined annually based on historical investment returns. The plan is guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. Contributions to the plan are made monthly pursuant to the terms of the collective bargaining agreement.

Contribution rate FY 18-19 – District paid \$3.50/hour  
Contributions amount FY 18-19 - \$5,965

The SMWNPF does have a withdrawal liability. We were unable to obtain the District's liability for 2019 from the Fund in a timely manner.

12. Northwest Sheet Metal Workers Pension Plan. It is administered by BeneSys, Inc. The entity identification is 91-6061344. One District employee is covered by the plan. The plan is a "defined benefit plan" providing a monthly benefit at a normal retirement age. The guaranteed monthly benefit is determined based on a benefit accrual rate and years of credited service. Benefit payments are guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. Contributions to the plan are made monthly pursuant to the terms of the collective bargaining agreement. In fiscal year 2018-2019 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 18-19 – District paid \$2.50/hour  
Contributions amount FY 18-19 - \$4,385

There is currently no withdrawal liability for the Northwest Sheet Metal Workers Pension Plan.

13. IUOE Local 302/612 Employers Construction Industry Retirement Plan. It is administered by Construction Industry Funds Admin. Services Inc. The entity identification is 91-6028571. One District employee is covered by the plan. The plan is a “defined benefit plan” providing a monthly benefit once they have obtained age 60 and have five years of credited service or have 7,500 covered hours of employment. Participants are entitled to a monthly benefit for each year of credited past service plus a percentage of the contributions made on the participants’ behalf. Benefit payments are guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. Contributions to the plan are made pursuant to the terms of the collective bargaining agreement. In fiscal year 2018-2019 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 18-19 – District paid \$2.00/hour  
Contributions amount FY 18-19 - \$4,137

There is currently no withdrawal liability for the IUOE Local 302/612 Employers Construction Industry Retirement Plan.

Plan Name	# of Employees Covered	Balance of Contributions
National Roofing Industry Pension Fund	2	\$ 10,559
Carpenters Retirement Plan of Wester Washington	7	110,700
Western Washington Laborers Employers Pension Plan	19	168,603
Central Pension Fund of the IUOE	303	894,138
IBEW Pacific Coast Pension Fund	6	76,401
Western Washington Glaziers Retirement Plan	1	21,622
Plumbers & Pipefitters National Pension Fund	9	66,408
WA State Plumbing & Pipefitting Pension Fund	9	51,934
Western Conference of Teamsters Pension Plan	12	78,567
International Painters & Allied Trades	4	18,768
Sheet Metal Workers National Pension Fund	1	5,965
Northwest Sheet Metal Workers Pension Plan	1	4,385
IUOE Local 302/612 Employers Const. Industry Ret. Plan	1	4,137
Total	375	\$ 1,512,188

The financial reports for each of these plans are available by going to [www.efast.dol.gov](http://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, 2019 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 Middle School, Mary Lyon, Grant, Birney, and Boze Elementary schools; 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 \$539,938 was financed. A financing plan with equal payments of \$114,033 was established to be made over the following five years. Interest rates range from 2.8 to 3.0 percent over the life of the loan.

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 fifth 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.

A prior period adjustment was made on the Statement of Activities to record the correction of an understatement of the prior fiscal year long-term liabilities.

The following is a summary of changes in long-term debt of the District for the fiscal year ended August 31, 2019 and reported in the government-wide financial statements:

GOVERNMENTAL ACTIVITIES	Balance at September 1, 2018	Additions	Reductions	Balance at August 31, 2019	Due within One Year
<b>Bonds and Contracts Payable:</b>					
2012 Refunding of '03,05,05A UTGO's	\$ 53,670,000	\$ -	\$ 2,080,000	51,590,000	5,545,000
2015 Refunding of BAN	54,635,000	-	24,150,000	30,485,000	21,570,000
2014 UTGO	136,600,000	-	-	136,600,000	-
2015 UTGO	266,715,000	-	5,670,000	261,045,000	7,095,000
Long-Term Financing - Scoreboards	425,906	-	102,107	323,798	104,966
<b>Total Bonds and Contracts Payable</b>	<b>512,045,906</b>	<b>-</b>	<b>32,002,107</b>	<b>480,043,798</b>	<b>34,314,966</b>
<b>Net Pension Liabilities:</b>					
PERS Plan 1	22,878,660	-	2,532,142	20,346,519	-
SERS Plans 2/3	9,060,384	-	2,036,031	7,024,354	-
TRS Plan 1	91,161,668	-	15,431,833	75,729,836	-
TRS Plans 2/3	14,057,390	4,403,700	-	18,461,089	-
<b>Total Net Pension Liabilities</b>	<b>137,158,103</b>	<b>4,403,700</b>	<b>20,000,005</b>	<b>121,561,797</b>	<b>-</b>
<b>Other Liabilities:</b>					
Unamortized Bond Premium	88,236,882	-	3,816,583	84,420,299	5,125,336
Total OPEB Liability	164,223,379	14,217,130	11,811,294	166,629,215	3,871,942
Compensated Absences	27,364,993	8,426,437	4,565,685	31,225,745	2,177,510
<b>Total Other Liabilities</b>	<b>279,825,254</b>	<b>22,643,567</b>	<b>20,193,562</b>	<b>282,275,258</b>	<b>11,174,788</b>
<b>Total Governmental Activities</b>	<b>\$ 929,029,262</b>	<b>\$ 27,047,267</b>	<b>\$ 72,195,675</b>	<b>883,880,854</b>	<b>45,489,754</b>

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, Total OPEB Liabilities and Net Pension Liabilities are funded out of the General Fund. At August 31, 2019, the District had \$12,094,351 available in the Debt Service Fund to service the general obligation bonds.

## **B. BOND PREMIUM**

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:

Description	Unamortized Bond Premium Costs			
	Balance at September 1, 2018	Increase	Decrease	Balance at August 31, 2019
2012 Unlimited Tax GO Bonds	\$ 10,959,908	\$ -	\$ 350,731	\$ 10,609,177
2014 Unlimited Tax GO Bonds	22,270,115	-	-	22,270,115
2015 Refunded Bond	7,424,531	-	2,758,747	4,665,785
2015 Unlimited Tax GO bonds	47,582,328	-	707,106	46,875,222
<b>Total</b>	<b>\$ 88,236,882</b>	<b>\$ -</b>	<b>\$ 3,816,583</b>	<b>\$ 84,420,299</b>

## **C. DEBT SERVICE REQUIREMENT TO MATURITY**

The District has implemented the provisions of GASB Statement No. 88 and presented information in the notes related to debt and direct borrowings shown below.

Year Ending August 31,	UTGO Bonds & Refunded Bonds		Notes from Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2020	34,210,000	23,106,738	104,966	9,066	57,430,770
2021	27,425,000	21,454,163	107,905	6,127	48,993,195
2022	11,485,000	20,478,488	110,927	3,106	32,077,520
2023	14,615,000	19,853,288	-	-	34,468,288
2024	15,345,000	19,188,788	-	-	34,533,788
2025-2030	108,270,000	98,028,225	-	-	206,298,225
2031-2040	268,370,000	73,200,919	-	-	341,570,919
TOTAL	\$ 479,720,000	\$ 275,310,606	\$ 323,798	\$ 18,300	\$ 755,372,704

#### **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)				
Year	Balance at September 1,	Additions	Reductions	Ending Balance
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 the following lease agreements: a three-year lease agreement to rent instructional and office space in downtown Tacoma for the Tacoma School of the Arts effective October 1, 2018; a five-year lease agreement to rent 52 copiers to be used throughout the District effective September 1, 2019.

The following is a schedule by years 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, 2019:

Year Ending	Amount
2020	\$ 240,914
2021	240,914
2022	190,914
2023	190,914
2024	190,914
Total	<u>\$ 1,054,568</u>



**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.

Unemployment				
Fiscal Year	Beg. Balance	Additions	Reductions	End. Balance
2018	614,091	321,139	199,823	735,407
2019	735,407	170,762	210,266	695,903

**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
2018	250,401	5,068,800	4,407,922	911,280
2019	911,280	3,924,863	4,039,620	796,523

**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, errors and omissions, equipment breakdown, network security, terrorism, and stop gap liability.

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. Reinsurance or Excess carriers cover losses over \$1 million to the maximum limits of each policy. Since the Pool is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the Pool for a minimum of three years and must give notice three 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 their share of 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 \$3,701,017 for its annual premium contribution to WSRMP for its property and liability insurance coverage in 2018-19. 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 in any of the past three fiscal years.

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

#### **D. EMPLOYEE BENEFITS**

The District made payments totaling \$49,089,299 in 2018-19 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.

In June 2017, the Washington State Legislature established a plan to revise the process for funding and providing benefits to school districts in the state. As part of this plan, all benefits will be administered by the Washington State Healthcare Authority effective January 1, 2020. Due to this change Sound Partnership members approved a plan of liquidation effective on August 31, 2019, and the entity determined, therefore, that liquidation is imminent. As a result, the entity changed its basis of accounting on August 31, 2019, from the going-concern basis to a liquidation basis.

In accordance with generally accepted accounting principles, when applying liquidation basis of accounting, assets are valued at their net realizable values and liabilities are stated at their estimated settlement amounts. Conversion from the going-concern basis to the liquidation basis of accounting required management to make significant estimates and judgments. Accrued liquidation costs represent management's estimate of expenses through dissolution. These estimated costs are also presented in the 'accrued expenses expected to be incurred in liquidation' in the statement of changes in net assets in liquidation (liquidation basis).

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 total self-insured claims reported and approved for payments were \$2,009,123 and insurance premium payments were \$47,445,558 for the year; the total contributions from participants were \$49,771,663.

The total assets and liabilities of the Sound Partnership at August 31, 2019 (liquidation basis) were respectively \$19,925,709 and \$19,925,709.

The Sound Partnership	
Statement of Changes in Net Assets Available in Liquidation (Liquidation Basis)	
Total Assets Available for Benefits	
as of August 31, 2019 (Going-Concern Basis)	\$ 4,366,733
Additions	49,771,633
Deductions	(50,074,301)
Total Assets Available for Benefits	
as of August 31, 2019 (Going-Concern Basis)	\$ 4,064,065
Total effects of applying the liquidation basis of accounting	(375,420)
Net Assets in Liquidation as of August 31, 2019	\$ 3,688,645

#### **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 33 participants in the COBRA program as of August 31, 2019.

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

The following table represents the aggregate OPEB amounts subject to the requirements of GASB Statement 75 for the year 2019:

OPEB Amounts	As of August 31, 2019
OPEB Liabilities	\$ 166,629,215
Deferred Outflows of resources	4,281,179
Deferred Inflows of resources	22,270,490
OPEB expense (benefit)	10,578,532

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

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. The

understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. However, the actuarial assumption used in the valuations presented in this note assume that this substantive plan will be carried into the future.

The District is deemed to provide to its retirees employer-provided subsidies associated with post-employment medical and life insurance benefits provided through the PEBB. According to state law, the Washington State Treasurer collects a fee from all school district entities which are not current active members of the state Health Care Authority but participate in the state retirement system. As outlined in the state's operating budget, school districts are mandated to pay the state HCA \$71.74 per month per full-time equivalent employee in the 2018–19 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.

Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), 76 of the state's K-12 schools and educational service Districts (ESDs), and 249 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 227 K-12 school Districts and ESDs. The District's retirees are eligible to participate in the PEBB plan under this arrangement. District membership in the PEBB plan consisted of the following:

Summary of Plan Participants	
	As of August 31, 2019
Retirees or beneficiaries currently receiving benefits	2,035
Retirees or beneficiaries entitle to but not yet receiving benefits	0
Active employees	3,787
<b>Total</b>	<b>5,822</b>

#### **PLAN DESCRIPTION**

The PEBB retiree OPEB plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums under the provisions of the retirements system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system. 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. Not all employers who participate in the retirement plans offer PEBB to their retirees.

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2017, the average weighted implicit subsidy was valued at \$327 per adult unit per month, and in calendar year 2018, the average weighted implicit subsidy was valued at \$327 per adult unit per month. In calendar year 2019, the average weighted implicit subsidy is projected to be \$348 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2017, the explicit subsidy was up to \$150 per member per month, and it remained up to \$150 per member per month in calendar year 2018. In calendar year 2019 this increased to \$168 per member per month and in 2020 to \$183 per member per month.



Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 Medical coverage for 2019:

Description	Type of Coverage		
	Employee	Employee & Spouse	Full Family
Kaiser Permanente NW Classic	\$ 710.65	\$ 1,415.33	\$ 1,943.84
Kaiser Permanente NW CDHP	604.16	1,196.38	1,596.81
Kaiser Permanente WA SoundChoice	733.39	1,460.80	2,006.37
Kaiser Permanente WA Value	600.44	1,189.46	1,587.47
Kaiser Permanente WA Classic	603.21	1,200.44	1,648.37
Uniform Medical Plan Classic	656.25	1,306.54	1,794.25
Kaiser Permanente WA CDHP	674.85	1,343.72	1,845.38
UMP Plus-UW Medicine Accountable Care Network	600.54	1,189.65	1,587.74
UMP Plus-Puget Sound High Value Network	618.07	1,230.18	1,689.25
Uniform Medical Plan CDHP	618.07	1,230.18	1,689.25

### **FUNDING POLICY**

The funding policy is based upon the pay-as-you-go financing requirements. The plan has no assets accumulating in a qualified trust. For further information on the results of the actuarial valuation for the OPEB plan, refer to: <http://leg.wa.gov/osa/additionalservices/pages/OPEB.aspx>

Each participating employer in the plan is required to disclose additional information regarding the funding policy, the employer's annual OPEB costs and contributions made, the funded status, and funding progress of the employer's individual plan, and the actuarial methods and assumptions made.

To calculate the beginning total OPEB liability balance under GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*, an actuarial valuation was performed with a valuation date of July 1, 2018. This is the date as of which the census data is gathered and the actuarial valuation is performed. The measurement date was August 31, 2019, which is the date as of which the total OPEB liability was determined. GASB 75 allows a lag of up to one year between the measurement date and the reporting date. No adjustment is required between the measurement date and the reporting date. The reporting date is August 31, 2019. The forward projection reflects the plan's assumed service cost, assumed interest, and expected benefit payments.

Projections of benefits for financial reporting purposes are based on the terms of 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 and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. 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.

As of August 31, 2019, the District reported a total OPEB liability of \$166 million. This liability was determined based on a measurement date of August 31, 2018.

### **ASSUMPTIONS AND OTHER INPUTS**

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial assumptions	
Inflation rate	2.75% per year
Projected salary increases	3.50% per year
Post-retirement participation	65%
Percentage with spouse coverage	45%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% 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 lifetimes.

Most demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based on the results of the 2007-2012 Experience Study Report performed by the Washington State Public Retirement System.

In projecting the growth of the explicit subsidy, the cap is assumed to grow at the healthcare trend rate. The Legislature determines the value of the cap and no future increases are guaranteed, however based on historical growth patterns, future increases to the cap are assumed.

Sensitivity of the Healthcare Cost Trend Rate	
1% Decrease	\$ 138,715,392
Current Healthcare Cost Trend Rate	\$ 166,629,215
1% Increase	\$ 203,369,310

**Discount Rate.** Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the 20-year tax-exempt municipal bond yield, or 3.96% percent for the August 31, 2018, measurement date and 2.97% percent for the August 31, 2019, measurement date. The following represents the District's proportionate share of the total OPEB liability, calculated using the discount rate of 2.97%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.97%) or one percentage point higher (3.97%) than the current rate.

Sensitivity of the Discount Rate	
1% Decrease (2.96%)	\$ 198,615,207
Current Discount Rate (3.96%)	\$ 166,629,215
1% Increase (4.96%)	\$ 141,507,313

Changes in assumptions resulted from an decrease in the Bond Buyer General Obligation 20-Bond Municipal Bond Index discount rate resulting in an overall increase in total OPEB liability for the measurement date of August 31, 2019. Additional details on assumptions and methods can be found on the Office of State Actuary's website: <http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>.

As of August 31, 2019, the District reported a total OPEB liability of \$166 million.

### **CHANGES IN TOTAL OPEB LIABILITY**

The following table presents the change in the total OPEB liability as of the August 31, 2019, reporting date:

OPEB Liability	
Reported as of August 31, 2018	\$ 164,223,379
Changes for the year	
Service Cost	8,231,336
Interest on total OPEB liability	5,985,794
Effect of plan changes	-
Effect of economic/demographic gains or losses	(2,750,298)
Effect of assumption changes or inputs	(5,189,054)
Expected benefit payments	(3,871,942)
<b>Reported as of August 31, 2019</b>	<b>\$ 166,629,215</b>

**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources.** The following table shows components of the District's allocated annual OPEB costs reported for fiscal year 2019. The District will recognize OPEB expense of \$10.5 million.

OPEB Expense	
Service cost	\$ 8,231,336
Interest on total OPEB liability	5,985,794
Effect of plan changes	-
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains or losses	(331,361)
Recognition of assumption changes or inputs	(3,307,237)
<b>Total OPEB Expense</b>	<b>\$ 10,578,532</b>

On August 31, 2019, the District reported its share of the deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ (2,418,937)	\$ -
Changes of assumptions	(19,851,553)	-
Contributions made subsequent to measurement date	N/A	4,281,179
<b>Total</b>	<b>\$ (22,270,490)</b>	<b>\$ 4,281,179</b>

Per paragraph 159 of GASB 75, deferred outflows of resources should be reported for benefits that come due subsequent to the measurement date, but prior to the reporting date. \$4,281,179 reported as deferred outflows of resources resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future OPEB expense in the fiscal years ended August 31 as shown. Note that additional future deferred inflows and outflows of resources may impact these numbers. Contributions made subsequent to the measurement date are expected benefit payments in the year between the measurement date and the reporting date.

Future OPEB expense	
Fiscal Year ended August 31,	
2019	\$ (3,638,598)
2020	(3,638,598)
2021	(3,638,598)
2022	(3,638,598)
2023	(3,638,598)
Thereafter	(4,077,500)

A complete description of the funded status and actuarial assumptions of the State of Washington's OPEB plan is included in the Comprehensive Annual Financial Report for the State of Washington. A copy of the report may be obtained by contacting the Statewide Accounting Division of the Office of Financial Management at P.O. Box 43127, Olympia, Washington 98504-3127, or online at <http://www.ofm.wa.gov/cafr>.

**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 | \$ 1,423,943,675        |
| Accumulated Depreciation  | (418,755,830)           |
| Net                       | <u>\$ 1,005,187,845</u> |
2. Long-term liabilities of **\$883,880,854** (due within one year: \$45,489,754 due more than one year: \$838,391,100) applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities – both current and long-term – are reported in the Statement of Net Position.
  3. Deferred inflows of resources related to refunded bonds of **\$2,387,392** (due within one year: \$2,387,392) are not reported in the fund statements but are reported in the Statement of Net Position.
  4. Deferred outflows of resources and deferred inflows of resources related to pension plan experience, assumption changes, and plan contributions:

Deferred Outflows of Resources	<b>\$31,634,994</b>
Deferred Inflows of Resources	<b>\$37,346,768</b>
  5. Deferred outflows of resources and deferred inflows of resources related to Other Post Employment Benefits (OPEB) assumption changes and contributions:

Deferred Outflows of Resources	<b>\$4,281,179</b>
Deferred Inflows of Resources	<b>\$22,270,490</b>
  6. Property tax levies (**\$57,429,902**) that were after year-end and are not considered "available." Therefore, they are reported as unearned revenue in governmental funds.
  7. Interfund Receivables and Payables (**\$4,483,327**) – Internal transfers between governmental funds were eliminated in government-wide statements to avoid the "doubling-up" effect.
  8. Internal service fund (The Sound Partnership) is used to provide medical, dental, and life insurance for the District's employees and their dependents. The assets and liabilities (respectively **\$19,925,709** and **\$16,237,064**) of the internal service fund are included in governmental activities in the Statement of Net Position.
  9. Accrued interest payable on long-term debt is not reflected in fund financial statements. **\$3,938,910** 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. Property tax levies that do not provide current financial resources are reported as deferred inflows of resources in the fund financial statements, but as revenue in the government-wide financial statements. A decrease of **\$14,324,874** of tax revenue is recorded in the conversion from fund financial statements to the statement of activities.



2. The net amount of **-\$14,423,423** represents the current year changes in compensated absences (\$3,860,752), other post-employment benefits expense (\$6,297,353), and the net pension expense (-\$24,581,528) 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	\$ (64,863,554)
Depreciation Expense	27,295,977
Difference	<u>\$ (37,567,577)</u>

- b. Governmental Funds Financial Statements report capital outlay as expenditures while Government-Wide Financial Statements report depreciation expense (\$27,295,977) allocated to various applicable programs.
4. 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. The following principal payments were made:
  - \$31,900,000** - Repayment of bond principal amounts.
  - \$102,107** – Payment on financing agreement for two school sports stadium scoreboards.
5. **\$6,445,159** – 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	\$ 3,816,583
Accrued interest payable decrease	241,183
Deferred inflow on refunded bond decrease	<u>2,387,392</u>
Total	<u>\$ 6,445,159</u>

6. 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 (**\$678,088**).

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

Fund balance as of August 31, 2019 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	\$ 4,333,231	\$ -	\$ -	\$ -	\$ -
Restricted for Carryover of Restricted Revenues	2,084,993	-	-	-	-
Restricted for Construction	-	-	-	125,238,745	-
Restricted for Debt Service	323,798	-	12,094,351	-	-
Restricted to Fund Purposes	-	1,936,813	-	-	2,794,754
Restricted for Technology	-	-	-	9,539,243	-
Committed to Contingencies	1,000,000	-	-	-	-
Assigned to Other Items (Encumbrances)	207,939	-	-	-	-
Assigned to Budget Carryover	2,218,341	-	-	-	-
Assigned to Future Operations	4,393,592	-	-	-	-
Assigned to Curriculum & Instruction	3,157,779	-	-	-	-
Assigned to Fund Purposes	-	-	-	3,197,554	-
Unassigned for Minimum Fund Balance Policy	17,998,409	-	-	-	-
Unassigned for Fund Balance	4,227,223	-	-	-	-
<b>Total Fund Balance</b>	<b>\$ 39,945,306</b>	<b>\$ 1,936,813</b>	<b>\$ 12,094,351</b>	<b>\$ 137,975,542</b>	<b>\$ 2,794,754</b>

**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 lawsuits and claims, which are routine in nature and common to school districts. The majority of 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 any uninsured losses which might arise from such lawsuits and claims.

**Note 14. PRIOR PERIOD CORRECTIONS**

During the fiscal year ended August 31, 2019, a prior period adjustment was made on the Statement of Activities to record the correction of an understatement of the prior fiscal year long-term liabilities.

**Note 15. SUBSEQUENT EVENTS**

In February 2020, voters passed a \$535 million Tacoma Public Schools construction bond that supports the replacement or renovation of 8 aging schools. New roofs and boilers, safety upgrades, energy management systems and ADA improvements to improve accessibility are all part of the construction bond.

Also, in February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, colleges and universities, cancelling public events, and limiting gathering sizes. The length of time these measures will be in place, and the full extent of the financial impact on the District is unknown at this time.

Because of the state of emergency for the 2019-20 fiscal year the District anticipates some effect on cash flow due to deferred tax payments from the County to help with community needs and minor adjustments from State apportionment. For the 2020-21 fiscal year, we anticipate that the State will experience a potentially significant economic downturn. While a budget for the 20-21 year has been approved by the Legislature, it is possible that mid-year budget reductions could occur. The Federal stimulus resources will be allocated through our State and may be used to backfill State shortfalls or may be provided directly to the district. It is unclear what impact Federal stimulus dollars will have on the district. Tacoma does not anticipate any change to enrollment projections and does not expect that enrollment will compound any other economic factors.

In anticipation of potential financial impacts, the district is approaching expenditures as conservatively as possible. After consideration of State impacts, Federal stimulus, and internal savings methods, there may still be a need to draw from the District's 5% emergency reserves, however it is not known at this time what the needs may be.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**TACOMA SCHOOL DISTRICT No. 10**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2019**

	BUDGETED AMOUNTS			VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL *	FINAL *	ACTUAL AMOUNT	
REVENUES				
Local	\$ 67,964,942	\$ 68,171,524	\$ 70,694,921	\$ 2,523,397
State	353,249,200	349,549,390	348,990,158	(559,232)
Federal	39,204,564	40,908,179	36,392,932	(4,515,247)
Other	4,541,885	6,331,181	4,971,420	(1,359,761)
TOTAL REVENUES	464,960,591	464,960,274	461,049,431	(3,910,843)
EXPENDITURES				
Current:				
Regular Instruction	243,744,101	244,487,870	237,887,291	6,600,579
Special Education	57,739,575	61,393,741	63,583,104	(2,189,363)
Career & Technical Education	18,086,478	16,293,773	15,957,626	336,147
Compensatory Education	42,168,504	45,715,301	42,330,338	3,384,963
Other Instructional Programs	14,827,886	9,003,774	7,040,592	1,963,182
Community Services	538,700	538,700	956,012	(417,312)
Support Services	88,442,843	90,677,010	86,538,501	4,138,509
Capital Outlay:				
Other	1,337,550	775,468	613,048	162,420
TOTAL EXPENDITURES	466,885,637	468,885,637	454,906,513	13,979,124
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(1,925,046)	(3,925,363)	6,142,918	(17,889,967)
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	-	-	135,535	135,535
Transfers Out	(2,000,000)	-	(2,000,000)	(2,000,000)
Transfers In	2,000,000	2,000,317	2,697,546	697,229
TOTAL OTHER FINANCING SOURCES (USES)	-	2,000,317	833,081	(1,167,236)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES				
	(1,925,046)	(1,925,046)	6,975,999	(19,057,203)
FUND BALANCE - September 1	28,021,518	28,021,518	32,969,307	4,947,789
FUND BALANCE - August 31	\$ 26,096,472	\$ 26,096,472	\$ 39,945,306	\$ (14,109,414)

\* 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, 2019**

	BUDGETED AMOUNTS			VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL *	FINAL *	ACTUAL AMOUNT	
REVENUES				
General	\$ 1,186,367	\$ 1,186,367	\$ 749,559	\$ (436,808)
Athletics	332,870	332,870	253,226	(79,644)
Classes	501,430	491,430	236,420	(255,010)
Clubs	1,836,527	1,818,227	539,464	(1,278,764)
Private Monies	134,750	134,750	11,731	(123,019)
TOTAL REVENUES	3,991,944	3,963,644	1,790,400	2,173,244
EXPENDITURES				
General	1,291,677	1,291,677	763,313	528,364
Athletics	324,434	324,434	282,890	41,544
Classes	394,061	393,061	214,666	178,395
Clubs	1,747,773	1,747,873	522,706	1,225,167
Private Monies	134,750	134,750	9,711	125,039
TOTAL EXPENDITURES	3,892,695	3,891,795	1,793,287	2,098,508
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	99,249	71,849	(2,887)	(74,736)
FUND BALANCE - September 1	1,521,889	1,521,889	1,939,700	
FUND BALANCE - August 31	\$ 1,621,138	\$ 1,593,738	\$ 1,936,813	\$ 343,075

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

**REQUIRED SUPPLEMENTARY INFORMATION**  
**TACOMA SCHOOL DISTRICT No. 10**  
**SCHEDULE OF THE CHANGES IN TOTAL REPORTED OPEB LIABILITY AND RELATED RATIOS**  
**LAST 10 FISCAL YEARS \***

	FOR REPORTING YEAR ENDED AUGUST 31									
	2018	2019	2021	2022	2023	2024	2025	2026	2027	2028
<b>TOTAL OPEB LIABILITY - September 1</b>	\$ 173,580,758	\$ 164,223,379								
Service cost	9,660,446	8,231,336								
Interest on total liability	5,154,411	5,985,794								
Changes of benefit terms	-	-								
Effect of economic/demographic gains or (losses)	-	(2,750,298)								
Effect of assumption changes or inputs	(20,651,786)	(5,189,054)								
Expected benefit payments	(3,520,450)	(3,871,942)								
Net change in total OPEB liability	(9,357,379)	2,405,836								
<b>TOTAL OPEB LIABILITY - August 31</b>	<b>\$ 164,223,379</b>	<b>\$ 166,629,215</b>								
Covered employee payroll	\$ 255,861,623	\$ 267,277,564								
Total OPEB liability as a % of covered payroll	64.18%	62.34%								

\* This schedule is to be built prospectively until it contains 10 years of data.  
No assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75

**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				
	2015	2016	2017	2018	2019
<b><u>PERS 1</u></b>					
District's proportion of the net pension liability (percentage)	0.477932%	0.481418%	0.512630%	0.512281%	0.529119%
District's proportionate share of the net pension liability (amount)	\$ 25,000,282	\$ 25,854,426	\$ 24,324,672	\$ 22,878,660	\$ 20,346,519
District's covered payroll	\$ 1,460,940	\$ 1,191,024	\$ 63,818,914	\$ 67,759,077	\$ 73,579,452
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	1711.25%	2170.77%	38.12%	33.76%	27.65%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%
<b><u>SERS 2/3</u></b>					
District's proportion of the net pension liability (percentage)	3.004269%	3.030082%	3.049930%	3.029601%	2.995486%
District's proportionate share of the net pension liability (amount)	\$ 12,201,867	\$ 19,900,581	\$ 15,050,642	\$ 9,060,384	\$ 7,024,354
District's covered payroll	\$ 51,718,906	\$ 56,306,976	\$ 62,807,512	\$ 66,936,774	\$ 72,879,090
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	23.59%	35.34%	24.16%	13.54%	9.64%
Plan fiduciary net position as a percentage of the total pension liability	90.92%	86.52%	90.79%	94.77%	96.31%
<b><u>TRS 1</u></b>					
District's proportion of the net pension liability (percentage)	3.282951%	3.234132%	3.180226%	3.121342%	3.058799%
District's proportionate share of the net pension liability (amount)	\$ 104,008,565	\$ 110,420,948	\$ 96,146,769	\$ 91,161,668	\$ 75,729,836
District's covered payroll	\$ 5,368,779	\$ 3,662,363	\$ 176,188,324	\$ 184,637,237	\$ 206,247,360
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	1937.29%	3015.02%	54.63%	49.37%	36.72%
Plan fiduciary net position as a percentage of the total pension liability	65.70%	62.07%	65.58%	66.52%	70.37%
<b><u>TRS 2/3</u></b>					
District's proportion of the net pension liability (percentage)	3.207000%	3.198686%	3.164840%	3.123073%	3.063908%
District's proportionate share of the net pension liability (amount)	\$ 27,060,729	\$ 43,927,460	\$ 29,209,667	\$ 14,057,390	\$ 18,461,089
District's covered payroll	\$ 150,091,121	\$ 160,575,063	\$ 173,807,441	\$ 183,213,142	\$ 205,305,423
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	18.03%	27.36%	16.83%	7.67%	8.99%
Plan fiduciary net position as a percentage of the total pension liability	92.48%	88.72%	93.14%	96.88%	96.36%

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

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

	2015	2016	2017	2018	2019	2020
<b><u>PERS 1</u></b>						
Contractually required contribution	\$ 2,196,565	\$ 2,725,078	\$ 3,062,524	\$ 3,439,664	\$ 3,791,211	
Contributions in relation to the contractually required contributions	2,196,565	2,725,078	3,062,524	3,439,664	3,791,211	
Contribution deficiency (excess)	-	-	-	-	-	
District's covered payroll	\$ 1,460,940	\$ 1,121,556	\$ 64,817,021	\$ 68,022,470	\$ 74,530,414	
Contribution as a percentage of covered payroll	150.35%	242.97%	4.72%	5.06%	5.09%	
<b><u>SERS 2/3</u></b>						
Contractually required contribution	\$ 2,920,801	\$ 3,850,297	\$ 4,249,235	\$ 5,523,532	\$ 6,136,561	
Contributions in relation to the contractually required contributions	2,920,801	3,850,297	4,249,235	5,523,532	6,136,561	
Contribution deficiency (excess)	-	-	-	-	-	
District's covered payroll	\$ 51,718,906	\$ 57,265,517	\$ 63,845,221	\$ 67,205,486	\$ 73,853,416	
Contribution as a percentage of covered payroll	5.65%	6.72%	6.66%	8.22%	8.31%	
<b><u>TRS 1</u></b>						
Contractually required contribution	\$ 7,346,486	\$ 9,846,959	\$ 11,107,688	\$ 12,962,930	\$ 15,180,259	
Contributions in relation to the contractually required contributions	7,346,486	9,846,959	11,107,688	12,962,930	15,180,259	
Contribution deficiency (excess)	-	-	-	-	-	
District's covered payroll	\$ 5,368,779	\$ 3,294,657	\$ 178,267,388	\$ 173,962,768	\$ 210,805,272	
Contribution as a percentage of covered payroll	136.84%	298.88%	6.23%	7.45%	7.20%	
<b><u>TRS 2/3</u></b>						
Contractually required contribution	\$ 8,522,516	\$ 11,602,040	\$ 11,950,960	\$ 14,712,494	\$ 16,709,282	
Contributions in relation to the contractually required contributions	8,522,516	11,602,040	11,950,960	14,712,494	16,709,282	
Contribution deficiency (excess)	-	-	-	-	-	
District's covered payroll	\$ 150,091,121	\$ 162,475,444	\$ 176,049,367	\$ 172,715,474	\$ 209,933,557	
Contribution as a percentage of covered payroll	5.68%	7.14%	6.79%	8.52%	7.96%	

\* 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 REPORTING YEAR ENDED AUGUST 31			
	2017	2018	2019	2020
<b>National Roofing Industry Pension Fund</b>				
Total Contribution	\$ 12,381	\$ 11,887	\$ 10,559	
<b>Carpenters Retirement Plan of Western Washington</b>				
Total Contribution	\$ 94,871	\$ 98,674	\$ 110,700	
<b>Western Washington Laborers Employers Pension Plan</b>				
Total Contribution	\$ 154,903	\$ 154,309	\$ 168,603	
<b>Central Pension Fund of the IUOE</b>				
Total Contribution	\$ -	\$ 905,425	\$ 894,138	
<b>IBEW Pacific Coast Pension Fund</b>				
Total Contribution	\$ -	\$ 87,039	\$ 76,401	
<b>Western Washington Glaziers Retirement Plan</b>				
Total Contribution	\$ -	\$ 20,323	\$ 21,622	
<b>Plumbers &amp; Pipefitters National Pension Fund</b>				
Total Contribution	\$ -	\$ 66,481	\$ 66,408	
<b>WA State Plumbing &amp; Pipefitting Pension Fund</b>				
Total Contribution	\$ -	\$ 51,992	\$ 51,934	
<b>Western Conference of Teamsters Pension Plan</b>				
Total Contribution	\$ -	\$ 83,131	\$ 78,567	
<b>International Painters &amp; Allied Trades Industry Pension Plan</b>				
Total Contribution	\$ -	\$ 22,796	\$ 18,768	
<b>Sheet Metal Workers National Pension Fund</b>				
Total Contribution	\$ -	\$ 7,263	\$ 5,965	
<b>Northwest Sheet Metal Workers Pension Plan</b>				
Total Contribution	\$ -	\$ 5,188	\$ 4,385	
<b>IUOE Local 302/612 Employers Construction Industry Ret. Plan</b>				
Total Contribution	\$ -	\$ 5,131	\$ 4,137	

\* 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 Ended August 31, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
<b>Child Nutrition Cluster</b>								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	School Breakfast Program	10.553	NA	33,339	-	33,339	-	7
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	School Breakfast Program	10.553	NA	176,731	-	176,731	-	7
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	School Breakfast Program	10.553	NA	1,739,231	-	1,739,231	-	7
			<b>Total CFDA 10.553:</b>	<b>1,949,300</b>	-	<b>1,949,300</b>	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	NA	376,178	-	376,178	-	3, 7
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	NA	14,226	-	14,226	-	7
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	NA	180,708	-	180,708	-	7
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	NA	723,036	-	723,036	-	7

*The accompanying notes are an integral part of this schedule.*

**Tacoma School District No. 10**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	NA	5,528,848	-	5,528,848	-	7
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	NA	147,200	-	147,200	-	7
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	NA	59,688	-	59,688	-	7
		<b>Total CFDA 10.555:</b>		<b>7,029,885</b>	<b>-</b>	<b>7,029,885</b>	<b>-</b>	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Summer Food Service Program for Children	10.559	NA	111,024	-	111,024	-	7
		<b>Total Child Nutrition Cluster:</b>		<b>9,090,209</b>	<b>-</b>	<b>9,090,209</b>	<b>-</b>	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Child Nutrition Discretionary Grants Limited Availability	10.579	#0710216	31,536	-	31,536	-	7
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Fresh Fruit and Vegetable Program	10.582	NA	47,463	-	47,463	-	7
<b>Forest Service Schools and Roads Cluster</b>								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Schools and Roads - Grants to States	10.665	NA	19,581	-	19,581	-	7
		<b>Total Forest Service Schools and Roads Cluster:</b>		<b>19,581</b>	<b>-</b>	<b>19,581</b>	<b>-</b>	

The accompanying notes are an integral part of this schedule.

**Tacoma School District No. 10**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENT OF DEFENSE	ROTC	12.U01	WA030389/WA 030390	-	92,119	92,119	-	7
DEPARTMENT OF DEFENSE	ROTC	12.U02	JR0TC192S/JR OTC193S	-	62,357	62,357	-	7
DEPARTMENT OF DEFENSE	ROTC	12.U03	N3951719MJR TC	-	1,075	1,075	-	7
DEPARTMENT OF DEFENSE	ROTC	12.U04	N3951719MJR TC	-	2,015	2,015	-	7
DEPARTMENT OF DEFENSE	ROTC	12.U05	WA030941	-	68,083	68,083	-	7
DEPARTMENT OF DEFENSE	ROTC	12.U06	WA030237	-	82,944	82,944	-	7
DEPARTMENT OF DEFENSE	ROTC	12.U07	WA030237	-	2,820	2,820	-	7
DEPARTMENT OF DEFENSE	ROTC	12.U08	WA030941	-	178	178	-	7
NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE	National Park Service Conservation, Protection, Outreach, and Education	15.954	NA	-	600	600	-	7
NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE	National Park Service Conservation, Protection, Outreach, and Education	15.954	NA	-	657	657	-	7
NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE	National Park Service Conservation, Protection, Outreach, and Education	15.954	NA	-	1,440	1,440	-	7

*The accompanying notes are an integral part of this schedule.*

**Tacoma School District No. 10**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE	National Park Service Conservation, Protection, Outreach, and Education	15.954	NA	-	675	675	-	7
			<b>Total CFDA 15.954:</b>	-	<b>3,372</b>	<b>3,372</b>	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0202810	154,154	-	154,154	-	4, 7
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0203015	10,398,185	-	10,398,185	-	4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0203473	60,556	-	60,556	-	4, 7
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0222554	847	-	847	-	7
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0222575	98,655	-	98,655	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270094	104	-	104	-	7
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270703	23,089	-	23,089	-	

*The accompanying notes are an integral part of this schedule.*

**Tacoma School District No. 10**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270704	5,592	-	5,592	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270021	25,881	-	25,881	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270022	47,195	-	47,195	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270702	24,924	-	24,924	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270023	30,175	-	30,175	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270701	6,090	-	6,090	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270700	27,372	-	27,372	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270020	26,944	-	26,944	-	

*The accompanying notes are an integral part of this schedule.*

**Tacoma School District No. 10**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0271000	10,420	-	10,420	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270501	20,028	-	20,028	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0261205	(15)	-	(15)	-	7
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0263251	2,532	-	2,532	-	7
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0261209	(36)	-	(36)	-	7
Total CFDA 84.010:				10,962,691	-	10,962,691	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	#0223091	1,039	-	1,039	-	7
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	#0223106	143,685	-	143,685	-	
Total CFDA 84.013:				144,724	-	144,724	-	
Special Education Cluster (IDEA)								

The accompanying notes are an integral part of this schedule.



**Tacoma School District No. 10**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	#0306156	63,233	-	63,233	-	7
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	#0306510	6,323,278	-	6,323,278	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	#0338078	11,563	-	11,563	-	7
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	#0338169	358,901	-	358,901	-	7
<b>Total CFDA 84.027:</b>				<b>6,756,975</b>	-	<b>6,756,975</b>	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	#0365653	1,089	-	1,089	-	7
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	#0365994	226,524	-	226,524	-	
<b>Total CFDA 84.173:</b>				<b>227,613</b>	-	<b>227,613</b>	-	
<b>Total Special Education Cluster (IDEA):</b>				<b>6,984,588</b>	-	<b>6,984,588</b>	-	

The accompanying notes are an integral part of this schedule.

**Tacoma School District No. 10**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA OSPI)	Career and Technical Education -- Basic Grants to States	84.048	#0174332	298,698	-	298,698	-	
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA OSPI)	Career and Technical Education -- Basic Grants to States	84.048	#0189149	4,500	-	4,500	-	7
			<b>Total CFDA 84.048:</b>	<b>303,198</b>	<b>-</b>	<b>303,198</b>	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	Indian Education Grants to Local Educational Agencies	84.060	S060A181118	-	169,918	169,918	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	Indian Education Grants to Local Educational Agencies	84.060	S060A191118	-	14,302	14,302	-	7
			<b>Total CFDA 84.060:</b>	<b>-</b>	<b>184,220</b>	<b>184,220</b>	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Education for Homeless Children and Youth	84.196	#0456251	(52)	-	(52)	-	7
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Education for Homeless Children and Youth	84.196	#0456944	46,170	-	46,170	-	
			<b>Total CFDA 84.196:</b>	<b>46,118</b>	<b>-</b>	<b>46,118</b>	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	English Language Acquisition State Grants	84.365	#0402656	425,668	-	425,668	-	

*The accompanying notes are an integral part of this schedule.*

**Tacoma School District No. 10**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	#0524382	4,101	-	4,101	-	7
		<b>Total CFDA 84.367:</b>			-	<b>1,324,663</b>	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	#0524640	1,320,562	-	1,320,562	-	
		<b>Total CFDA 84.377A:</b>			-	<b>1,324,663</b>	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	School Improvement Grants	84.377A	#0225385	4,019	-	4,019	-	7
		<b>Total CFDA 84.377A:</b>			-	<b>181,920</b>	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	School Improvement Grants	84.377A	#0225392	181,920	-	181,920	-	
		<b>Total CFDA 84.377A:</b>			-	<b>185,938</b>	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	Student Support and Academic Enrichment Program	84.424	#0430165	464	-	464	-	7
		<b>Total CFDA 84.424:</b>			-	<b>585,884</b>	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	Student Support and Academic Enrichment Program	84.424	#0430409	585,884	-	585,884	-	
		<b>Total CFDA 84.424:</b>			-	<b>586,348</b>	-	

The accompanying notes are an integral part of this schedule.

**Tacoma School District No. 10**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
IMMED OFFICE OF THE SECRETARY OF HEALTH AND HUMAN SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA OSPI)	Pregnancy Assistance Fund Program	93.500	#0179441	5,167	-	-	7
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	10CH0194-05	-	1,140,153	-	2, 7
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	10CH0194-06	-	4,170,914	-	2, 7
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	10CH0194-05	-	1,226	-	2, 7
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	10CH0194-06	-	2,004	-	2, 7
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	10CH01190-01	-	265,721	-	2, 7
<b>Total CFDA 93.600:</b>				-	<b>5,580,018</b>	-	
<b>Total Federal Awards Expended:</b>				<b>30,157,892</b>	<b>6,079,201</b>	<b>36,237,093</b>	

The accompanying notes are an integral part of this schedule.

Tacoma School District No. 10  
Pierce County  
EIN: 91-6001553  
Schedule of Expenditure of Federal Awards  
For Fiscal Year Ending August 31, 2019

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### NOTE 1 - BASIS OF ACCOUNTING

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

### NOTE 2 - PROGRAM COSTS/MATCHING CONTRIBUTIONS

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

### NOTE 3 - NONCASH AWARDS

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

### NOTE 4 - SCHOOLWIDE PROGRAMS

The Tacoma School District operates a "schoolwide program" in twenty-two elementary schools, six middle schools, two high schools, and one alternative high school. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the Tacoma School District in its schoolwide program. Title I (84.010) expended \$4,073,834.

### NOTE 7 - FEDERAL INDIRECT RATE

The Tacoma School District used the federal restricted rate of 5.34%. The Tacoma School District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. The following CFDA numbers have a different rate set by the individual grant:

10.553 - 0%  
10.555 - 0%  
10.559 - 0%  
10.579 - 0%

10.582 - 0%  
10.665 - 0%  
12.xxx - 0%  
15.954 - 0%  
84.010 - 4.95% - 5.34% - 5.42%  
84.013 - 4.95% - 5.34%  
84.027 - 4.95% - 5.34% - 0%  
84.048 - 5.34%  
84.060 - 5.34% - 5.42%  
84.173 - 4.95% - 5.34%  
84.196 - 4.95% - 5.34%  
84.365 - 5.34%  
84.367 - 4.95% - 5.34%  
84.377 - 4.95% - 5.34%  
84.408 - 5.00%  
84.424 - 4.95% - 5.34%  
93.500 - 0%  
93.600 - 10.5%

## 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	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>