



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

**Financial Statements and Federal Single Audit  
Report**

**Auburn School District No. 408**

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

**Published July 23, 2020**

**Report No. 1026672**





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

July 23, 2020

Board of Directors  
Auburn School District No. 408  
Auburn, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on Auburn School District No. 408'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

### Auburn School District No. 408 September 1, 2018 through August 31, 2019

#### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Auburn School District No. 408 are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

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

##### Internal Control over Financial Reporting:

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

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

#### Federal Awards

##### Internal Control over Major Programs:

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

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

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

### **Identification of Major Federal Programs**

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

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

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The District did not qualify 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.



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Auburn School District No. 408 September 1, 2018 through August 31, 2019

This schedule presents the status of federal findings reported in prior audit periods.

<b>Audit Period:</b> 9/1/2017 through 8/31/2018	<b>Report Ref. No.:</b> 1023593	<b>Finding Ref. No.:</b> 2018-001	<b>CFDA Number(s):</b> 84.010
<b>Federal Program Name and Granting Agency:</b> U.S. Department of Education		<b>Pass-Through Agency Name:</b> Office of Superintendent of Public Instruction	
<b>Finding Caption:</b> The District did not have adequate internal controls to ensure compliance with eligibility requirements when allocating funds to Title 1 schools.			
<b>Background:</b> The federal Title I program’s objective is to improve the teaching and learning of children who are at risk of not meeting state academic standards and who reside in areas with high concentrations of children from low-income families. During fiscal year 2018, the District spent \$3,751,456 in Title I program funds. Federal regulations require recipients of federal awards to establish and maintain effective internal controls to ensure compliance with program requirements. These controls include knowledge of grant requirements and monitoring of program controls. Federal regulations require the District to allocate Title I grant funds to each attendance area or school in rank order based on the total number of children from low-income families residing in the area or attending the school. A school attendance area or school is generally eligible to participate if the percentage of children from low-income families is at least as high as the percentage of children from low-income families in the District as a whole or at least 35 percent. The District must serve areas or schools with over 75 percent students from low-income families in rank order first. Then it may serve areas or schools with a rate of low-income families between 35 percent and 75 percent in rank order. If the District elects to serve schools with a rate of low-income families that is less than 35 percent, it must allocate to all its participating schools an amount per child from a low-income family that equals at least 125 percent of the District’s			

Title I allocation per child from a low-income family. The District chose to serve one school with less than 35 percent students from low-income families.

**Status of Corrective Action: (check one)**

☒ Fully Corrected      ☐ Partially Corrected      ☐ Not Corrected      ☐ Finding is considered no longer valid

**Corrective Action Taken:**

- 1. Per the Auburn School District's corrective action plan for Audit finding ref # 2018-001, consolidated programs professional technical assistant was trained on compliance associated with FP 201 and FP validation and review processes. The training was specific but not limited to: 125% rule, Rank Order, and funding re-allocation.*
- 2. Director of Student Learning completed FP 201 for the 19-20 school year fall of 2019.*
- 3. Professional technical assistant reviewed FP 201 for compliance.*
- 4. A final review was performed by the Assistant Superintendent of Student Learning before submitting to OSPI staff.*
- 5. FP 201 was submitted fall of 2019.*
- 6. FP 201 has been reviewed and approved by OSPI for the 19-20 school year.*

**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**

**Auburn School District No. 408  
September 1, 2018 through August 31, 2019**

Board of Directors  
Auburn School District No. 408  
Auburn, 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 Auburn School District No. 408, 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 July 15, 2020.

As discussed in Note 14 to the financial statements, in February 2020, a state of emergency was declared which could have a negative financial effect on the District.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and



corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

In addition, we noted certain matters that we have reported to the management of the District in a separate letter dated July 15, 2020.

## **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.

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Pat McCarthy

State Auditor

Olympia, WA

July 15, 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**

**Auburn School District No. 408  
September 1, 2018 through August 31, 2019**

Board of Directors  
Auburn School District No. 408  
Auburn, Washington

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

We have audited the compliance of Auburn School District No. 408, 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.

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Pat McCarthy  
State Auditor  
Olympia, WA

July 15, 2020

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Auburn School District No. 408 September 1, 2018 through August 31, 2019**

Board of Directors  
Auburn School District No. 408  
Auburn, 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 Auburn School District No. 408, 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 18.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Auburn School District No. 408, as of August 31, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 14 to the financial statements, in February 2020, a state of emergency was declared which could have a negative financial effect in the District. 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 18 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 July 15, 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.

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

Pat McCarthy

State Auditor

Olympia, WA

July 15, 2020

## **FINANCIAL SECTION**

### **Auburn School District No. 408 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 – Balance Sheet with the Statement of Net Position – 2019

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

Reconciliation – Statement of Revenues, Expenditures and Changes in Fund Balance –  
Statement of Activities – 2019

Fiduciary Funds – Statement of Fiduciary Net Position – 2019

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

Notes to Financial Statements – 2019

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule – General Fund – 2019

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

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

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

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

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

Schedule of Expenditures of Federal Awards – 2019

Notes to the Schedule of Expenditures of Federal Awards – 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Auburn School District No. 408, we offer readers of the district's generally accepted accounting principles (GAAP) this narrative overview and analysis of the financial activities of the district for the fiscal year ended August 31, 2019.

### FINANCIAL HIGHLIGHTS

- The district's net position of governmental activities as of August 31, 2019 was \$204,185,470.
- During the year, the district had revenues that were \$8.6 million greater than the \$268.5 million in expenses incurred for all governmental activities.
- The general fund revenues exceeded expenditures by \$17,257,022.
- In November 2016, the Auburn community passed a \$456,056,000 bond to construct and equip two new elementary schools; rebuild and equip Chinook Elementary, Dick Scobee Elementary, Lea Hill Elementary, Pioneer Elementary, Terminal Park Elementary schools and Olympic Middle School. The funds may also be used to acquire sites as needed to accomplish these capital projects.
- The District has issued bonds in 2017 with a total value of \$95,096,000 and a second issue in 2018 with a total value of \$156,510,000. These issues reduced the Authorized Bond Authority to \$204,450,000.
- Subsequent to the District's fiscal year end on August 31, 2019, Bonds were issued on December 3, 2019 with a value of \$80,000,000. Following the sale of the 2019 Bonds, the District has \$124,450,000 of unissued Bond Authorization, from the original Bonds Authorized, \$456,056,000 on Resolution No. 1291.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: an introductory section, a financial section, and a statistical section. The financial section includes 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 financial views of the district:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the district's overall financial status and activities. For district activities, these statements tell how these services were financed in the short term as well as what remains for future spending.
- All of the remaining statements are *fund financial statements* that report district operations in more detail by providing information about the district's most significant funds. Information is also provided about activities for which the district acts solely as a trustee for the benefit of those outside of the government.

## DISTRICT-WIDE FINANCIAL STATEMENTS

The district-wide financial statements are designed to provide a broad overview of district finances, similar to a private-sector business. The *statement of net position* presents information on all of the assets and liabilities of the district. The difference between the two is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

*The statement of activities* presents information showing how the district's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying financial event takes place, regardless of when the cash is actually received or disbursed. Thus, revenues and expenses are reported in this statement for some items that will result in cash receipts or disbursements in future fiscal periods. Earned but unused vacation leave and uncollected taxes are examples of these types of items.

## FUND FINANCIAL STATEMENTS

A fund is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. The district uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All district funds can be divided into two categories: governmental funds and fiduciary funds.

### GOVERNMENTAL FUNDS

Governmental funds account for essentially the same functions reported as governmental activities in the *district-wide financial statements*. However, unlike these statements, *governmental fund financial statements* focus on how money flows into and out of the funds and the balances left at year-end that are available to spend. These funds use an accounting method called *modified accrual accounting* which measures cash and all other financial assets that can easily be converted to cash. Such information may be useful in evaluating the district's ability to finance the district's educational programs and support operations in the near future.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the *district-wide financial statements*. By doing so, readers may better understand the long-term impact of the district's near-term financing decisions. Both the governmental fund *balance sheet* and the governmental fund *statement of revenues, expenditures, and changes in fund balances* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the *governmental fund statement of revenues, expenditures and changes in fund balance* for the General Fund, Associated Student Body (ASB) Fund, Capital Projects Fund, Transportation Vehicle Fund and the Debt Service Fund, all of which are considered major funds.

### FIDUCIARY FUNDS

The district is the trustee or fiduciary, for individuals, private organizations and other governments for scholarships. 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 that the assets reported in this fund are used for their intended purposes.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **STATEMENT OF NET POSITION**

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

These statements report the district's net position and changes in them. The district's net position (the difference between assets and liabilities/deferred inflows) may be viewed as one way to measure the district's financial health or financial position.

Auburn School District's assets exceeded liabilities by \$204,185,470 at the end of the fiscal year, August 31, 2019.

The **INCREASE** in total net position for the year was \$8,673,281. Key elements of this increase are as follows:

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**Auburn School District's Net Position**  
**August 31, 2019 and 2018**

	Governmental Activities		
	2019	2018	Change
Current and other assets	\$298,468,003	\$371,161,570	\$ (72,693,567)
Capital assets	404,608,502	343,202,679	61,405,823
Deferred charges on refunding	2,412,046	2,921,059	(509,013)
Deferred outflows on pensions	16,671,431	8,703,640	7,967,791
Deferred outflows on OPEB	10,040,300	3,572,896	6,467,404
Total Assets & Deferred Outflows	<u>\$732,200,282</u>	<u>\$729,561,844</u>	<u>\$ 2,638,438</u>
			-
Other liabilities	18,384,371	8,755,254	9,629,117
Long-term debt outstanding	490,344,379	509,413,783	(19,069,404)
Deferred inflows on pensions	19,286,062	15,880,618	3,405,444
Total Liabilities & Deferred Inflows	<u>528,014,812</u>	<u>534,049,655</u>	<u>(6,034,843)</u>
			-
Net Position			-
Net investment in capital assets	35,352,990	(47,361,735)	82,714,725
Restricted	219,491,755	292,378,466	(72,886,711)
Unrestricted	<u>(50,659,276)</u>	<u>(49,504,543)</u>	<u>(1,154,733)</u>
Total Net Position	<u><u>\$204,185,470</u></u>	<u><u>\$195,512,189</u></u>	<u><u>\$8,673,281</u></u>

The Auburn School District reflects a large positive change in the net position for investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure, less any related outstanding debt that was used to acquire those assets). This increase is the result Olympic Middle School's reconstruction being completed and added to the balance sheet as a Capital Asset of the District. The District continues to work on similar large projects authorized on the November 2016 ballot.

An additional portion of the Auburn School District's net position represents resources that are subject to external restrictions on how they may be used. Of the \$219,491,755 reported as Restricted District wide, \$171,312,146 is for Capital Projects.

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## STATEMENT OF ACTIVITIES

Governmental activities improved the district's overall financial position, increasing the district's net position by \$8,673,281. Key elements of the increase are as follows:

<b>AUBURN SCHOOL DISTRICT'S Changes in Net Position</b> <b>Governmental Activities</b> <b>For the Fiscal Years Ended August 31, 2019 and 2018</b>			
<b><u>Revenues</u></b>	2019	2018	Changes
Program Revenues			
Charges for services	\$6,273,007	\$ 6,270,762	\$ 2,245
Operating grants and contributions	62,972,092	57,208,464	5,763,628
Capital grants and contributions	2,540,934	1,240,097	1,300,837
General revenues			
Property taxes for levies for educational programs	6,693,690	43,188,067	(36,494,377)
Property taxes for levies for debt service	25,233,353	32,437,563	(7,204,210)
Property taxes for levies for capital improvements and technology	3,177,908	3,563,321	(385,413)
	-	-	-
Unallocated state apportionment and other	160,058,986	124,595,613	35,463,373
Interest and investment earnings	10,268,998	657,913	9,611,085
Total Revenues	277,218,968	269,161,800	8,057,168
<b><u>Expenses</u></b>			
Regular instruction	143,726,820	129,967,809	13,759,011
Special instruction	31,460,671	28,800,007	2,660,664
Vocational instruction	8,490,337	7,686,692	803,645
Compensatory education	21,730,074	17,654,659	4,075,415
Other instructional programs	2,092,081	1,359,020	733,061
Community services	1,241,258	1,199,914	41,344
Support services	27,537,174	23,979,112	3,558,062
Child nutrition services	7,227,766	7,089,551	138,215
Pupil transportation services	9,190,569	8,770,315	420,254
Extracurricular activities (ASB)	2,198,321	2,272,830	(74,509)
Interest on long-term debt	13,650,616	8,181,353	5,469,263
Bond issuance costs	-	657,417	(657,417)
Total Expenses	268,545,687	237,618,679	30,927,008
Increase (decrease) in Net Position	8,673,281	31,543,121	(22,869,840)
Beginning Net Position	195,512,189	182,201,400	13,310,789
Cumulative Change in Accounting Principle OPEB	-	(18,232,332)	18,232,332
Ending Net Position	\$ 204,185,470	\$ 195,512,189	\$ 8,673,281

The largest revenue increase of \$35,463,373 million was in general apportionment. This increase was a result of an increase in enrollment, and changes to levy and State funding for school districts, as a result of “McCleary” funding bills (EHB 2242/ESSB 6614/ESSB 6362). Subsequently, the largest revenue decrease of \$36,494,377 was a result from the same legislation that resulted in a significant reduction in taxing levy authority.

The second largest revenue decrease of slightly over \$7.2 million is in property taxes collected for debt service, keeping our tax rates consistent with collecting revenues to meet Debt obligations.

## GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The focus of the district’s *governmental funds* is to provide information on short-term cash inflows, outflows, and balances of spendable resources. Such information is useful in assessing 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 in the Governmental Fund Financial Statement section) reported a combined fund balance of \$260,207,188 and decrease in fund balance of \$53,728,953 over the prior year combined fund balance of \$313,936,141. This change is primarily the result of the District accelerating with several Capital Projects, reducing their Fund Balance by \$66,381,643. The increase in enrollment helped revenues exceed expenditures in the general fund, which offset the decrease in the levy collections.

### GENERAL FUND

The General Fund is the major operating fund of the district, providing the majority of the resources for educational programs and support operations.

### GENERAL FUND REVENUES

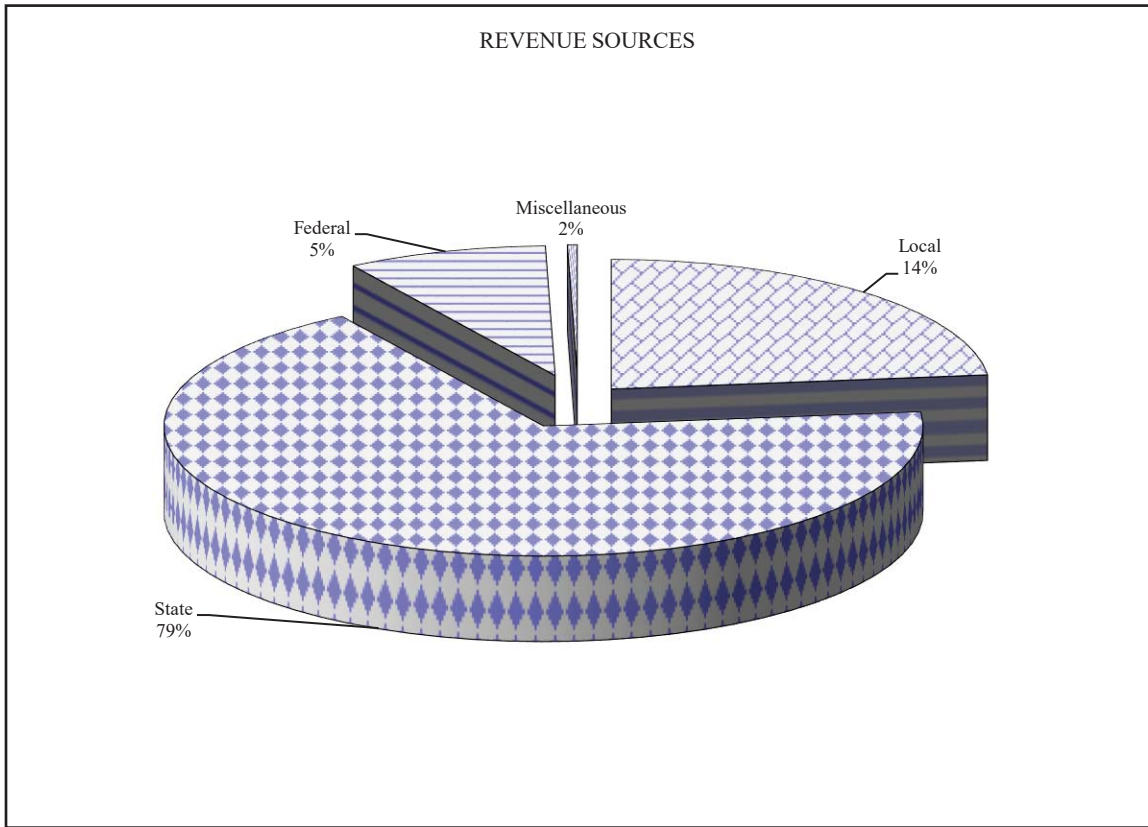
Revenues for the General Fund totaled \$258,984,890 in the fiscal year ending August 31, 2019. This was \$38,490,734 or 14.86% more than the prior year. The State of Washington provides over 79% or the largest portion of the District’s revenue. Local revenues from local property taxes, and local fees and charges account for over 14% of total revenues. Federal grants provide just over 5% of revenue.

#### GENERAL FUND REVENUES

<u>Revenue Source</u>	2018-19	2017-18	Increase (Decrease) Amount	Increase (Decrease) Percent
Local Taxes & Non-taxes	\$36,879,752	\$46,584,681	\$ (9,704,929)	-20.83%
State Revenues	205,310,314	157,611,735	47,698,579	30.26%
Federal Revenues	15,064,111	15,200,585	(136,474)	-0.90%
Other Revenues	1,730,714	1,097,156	633,558	57.75%
<b>Totals</b>	<b>\$258,984,890</b>	<b>\$ 220,494,157</b>	<b>\$ 38,490,734</b>	<b>17.46%</b>



The increase of \$47,698,579 state revenues is due to an increase in enrollment, additional MSOC funding, along with the “McCleary” legislation that increased State Apportionment funding and reduced local levy tax funds.



### **GENERAL FUND EXPENDITURES**

Expenditures in the General Fund totaled \$241,727,868 for the fiscal year. This represents an increase of \$26,098,984 or 12.1% over the prior year.

<b><u>GENERAL FUND EXPENDITURES</u></b>	2018-19	2017-18	Increase (Decrease) Amount	Increase (Decrease) Percent
<b>Current</b>				
Regular Instruction	\$137,108,206	\$123,474,719	\$ 13,633,487	11.04%
Special Education	29,994,918	27,385,339	2,609,579	9.53%
Vocational Instruction	7,928,434	7,184,605	743,829	10.35%
Compensatory Education	20,608,434	16,665,093	3,943,341	23.66%
Other Instructional Programs	1,978,922	1,212,921	766,001	63.15%
Community Services	1,171,710	1,167,512	4,198	0.36%
Support Services	26,851,151	23,462,431	3,388,720	14.44%
Child Nutrition Services	7,098,480	6,646,862	451,618	6.79%
Pupil Transportation Services	8,244,242	7,801,675	442,567	5.67%
<b>Capital Outlay</b>				
Equipment	743,371	627,727	115,644	18.42%
<b>Totals</b>	<b>\$241,727,868</b>	<b>\$ 215,628,884</b>	<b>\$ 26,098,984</b>	<b>12.10%</b>

Increases of \$13.6 million in state funded regular instructional expenditures and \$743,829 in vocational instruction were the result of increased student enrollments.

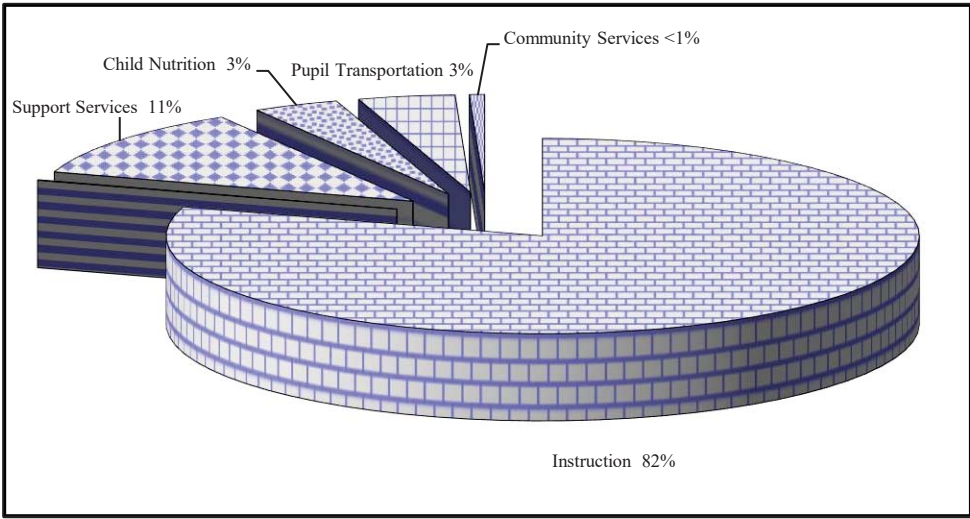
Compensatory education expenditures increased by \$3,943,341 due to increased federal dollars for Title I programs and increased state dollars for the state counterpart of Title I known as Learning Assistance (LAP). In addition, a continuing growing enrollment of students for whom English is not their first language generated additional state assistance to meet their educational needs.

Child Nutrition cost's increased by \$451,618 last year due to the new federal nutrition guidelines. New guidelines define what types of ingredients the District can purchase, and ultimately serve for student meals.

Pupil Transportation costs increased by 5.67% or \$442,567 during the year. The increase was due to hiring additional staff to transport increasing enrollment.

Special Education expenditures increase by \$2,609,579 during the year. Increased costs occurred due to an increased need to provide services for a growing special needs student population.

EXPENDITURE USES



**MAJOR FUND BUDGETARY HIGHLIGHTS**

Appropriations are a prerequisite to expenditures in the governmental funds. Appropriations lapse at the end of the fiscal year. The fiscal year 2018-19 budget adopted by the Board of Directors for the district totaled \$405,703,979 including General Fund appropriations of \$247,818,777, Special Revenue Fund (ASB) appropriations of \$5,063,369, Debt Service Fund appropriations of \$33,016,833 Capital Projects Fund appropriations of \$118,855,000 and Transportation Vehicle Fund appropriations totaling \$950,000.

Reasons for the significant variances in the general fund between the budget and actual results include:

- Total actual general fund revenues were \$479,870 less than budgeted. Almost all of that decrease was due to an over estimation of local non tax revenue received.
  - This total includes \$222,429 of NBN premiums from plan members and \$3,604 in NBN interest earnings, as well as the net fair market value adjustments of positive \$431,147.
- Total actual general fund expenditures were \$6,644,313 less than budgeted as a result of conservative budget practices.
  - This total includes \$276,702 of NBN expenses

Reasons for the significant variances in the capital projects fund between the budget and actual results include:

- Due to the large fund balance of the Capital Projects fund, the District received a significant increase in interest income, \$3,478,936 more than budgeted.
- Expenditures were \$36,379,067 less than budgeted. Expenditures are largely based on the progress of several projects of the District's facilities that span over multiple fiscal periods.
- Revenues were less than projected in the Associated Study Body Fund by approximately \$2.9 million and expenditures were less than projected by \$2.8 million. Students and their adult advisors did an outstanding job of spending within their budget.
- Transportation Vehicle expenditures were \$168,346 less than projected due to delayed plans to replace aging buses.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **CAPITAL ASSETS**

The District's investment in capital assets for its governmental type activities as of August 31, 2019 amounted to \$404,608,502 (net of accumulated depreciation of \$143,632,004). This investment in capital assets includes land, buildings, land and building improvements, furniture and equipment.

During the fiscal year, \$63,693,440 was added to buildings for improvements that met the capitalization policy of \$100,000. In addition, \$1,586,601 was added to equipment that met the capitalization policy of \$5,000 per unit, and \$71,637,138 was taken out from construction in progress primarily for projects finalized.

See Note 4, Changes in Capital Assets, for more information.

<b>CAPITAL ASSETS</b>			
	<b>Capital Assets</b>	<b>Accumulated Depreciation</b>	<b>Net</b>
Land	\$45,119,405	\$ (463,631)	44,655,774
Building & Improvements	454,549,172	(125,862,984)	328,686,188
Equipment	23,041,423	(17,305,389)	5,736,034
Construction In Progress	25,530,506	-	25,530,506
<b>Total</b>	<b>\$548,240,506</b>	<b>\$ (143,632,004)</b>	<b>\$ 404,608,502</b>

### **DEBT ADMINISTRATION**

At the end of the current fiscal year, the district had \$335,825,000 in unlimited general obligation bonds outstanding. This debt is secured by a pledge of the full faith and credit of the district. \$12,830,000 of that debt is due within the next twelve months.

The Washington State Constitution and the Revised Code of Washington 39.36.015 and 39.36.020 limit the amount of general obligation (GO) debt that may be issued. With a vote of the people, debt cannot be incurred in excess of 5% of the value of the taxable property of the district, provided the indebtedness in excess of 2.5% is for capital outlay. For the fiscal year ended August 31, 2019, the maximum GO debt authorized by statutory limit was \$650 million. The district had \$335,825,000 of debt outstanding at August 31, 2019, which was subject to that limitation. With \$7.790 million of assets in the Debt Service Fund available for payment of principal, there is a legal debt margin of \$322 million.

The district's most recent underlying bond rating from Moody's is Aa2.

See Note 8, Long-Term Liabilities, for more information.

### **NEXT YEAR'S APPROPRIATIONS AND BUDGET RATES**

The 2018-19 appropriations for governmental funds of the district were approved at \$405,703,979, an increase of 20% from total appropriations of \$324,379,915 million last year.

Property tax rates of \$4.30 per \$1,000 were projected for 2020, consistent with the 2019 actual tax rates of \$3.81 per \$1,000.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide the district's citizens, taxpayers, customers, investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, visit [www.auburn.wednet.edu](http://www.auburn.wednet.edu) or contact

Troy Dammel  
Executive Director of Business Services  
Auburn School District No. 408  
915 4<sup>th</sup> Street NE  
Auburn, WA 98002

**AUBURN SCHOOL DISTRICT NO. 408**  
**STATEMENT OF NET POSITION**  
**August 31, 2019**

		Primary Government
	Note #	Governmental Activities
<b>ASSETS</b>		
Cash and cash equivalents	1.E.1 and 2	\$ 271,189,021
Property tax receivable	1.E.2	23,070,465
Receivables, net	1.E.3	888,785
Due from other governments	1.E.5	2,385,723
Inventories	1.E.6	934,009
Capital assets, net of accumulated depreciation, where applicable:		
Land	4	44,655,774
Buildings & Improvements		328,686,188
Equipment		5,736,034
Construction in Progress	5	25,530,506
<b>TOTAL ASSETS</b>		<b>703,076,505</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refunding		2,412,046
Deferred charge on Pension Plans	6	16,671,431
Deferred charge on OPEB Plans	7	10,040,300
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>		<b>29,123,777</b>
<b>LIABILITIES</b>		
Accounts payable		13,226,824
Accrued wages and benefits payable		800,043
Due to other governments		627,724
Accrued interest		3,538,223
Unearned revenue	1.E.9	191,557
Net Pension Liability	8	62,446,192
OPEB Liability due within one year	8	1,261,069
OPEB Liability due in more than one year	8	52,219,299
Long-Term liabilities		
Due within one year	8	15,260,009
Due in more than one year		359,157,810
<b>TOTAL LIABILITIES</b>		<b>508,728,750</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow on Pension Plans	6	19,286,062
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>		<b>19,286,062</b>
<b>NET POSITION</b>		
Net investment in capital assets		35,352,990
Restricted for:		
Child nutrition services		4,140,813
Carryovers		2,723,432
Student activities		1,728,797
Debt service		7,789,823
Capital projects		171,312,146
State Proceeds		29,069,660
Acquisition of school buses		2,727,083
Unrestricted		(50,659,276)
<b>TOTAL NET POSITION</b>		<b>\$ 204,185,470</b>

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

**AUBURN SCHOOL DISTRICT NO. 408**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended August 31, 2019**

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
					PRIMARY GOVERNMENT
Functions/Programs	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Regular Instruction	\$ 143,726,820	\$ 583,478	\$ -	\$ 1,710,211	\$ (141,433,131)
Special Instruction	31,460,671	-	21,740,135	-	(9,720,536)
Vocational Instruction	8,490,337	11,078	110,786	-	(8,368,472)
Compensatory Education	21,730,074	-	22,290,006	-	559,932
Other Instructional Programs	2,092,081	19,241	2,663,341	-	590,501
Community Services	1,241,258	672,124	-	-	(569,134)
Support Services	27,537,174	840,727	-	-	(26,696,447)
Child Nutrition Services	7,227,766	1,951,767	6,485,327	-	1,209,327
Pupil Transportation Services	9,190,569	-	9,682,496	830,724	1,322,651
Extracurricular Activities (ASB)	2,198,321	2,194,593	-	-	(3,728)
Interest Expense on Long-Term Debt	13,650,616	-	-	-	(13,650,616)
Bond Issuance Costs	-	-	-	-	-
<b>Total Governmental Activities</b>	<b>\$ 268,545,688</b>	<b>\$ 6,273,007</b>	<b>\$ 62,972,092</b>	<b>\$ 2,540,934</b>	<b>\$ (196,759,655)</b>
<b>General Revenues:</b>					
Taxes:					
Property taxes, levies for educational and other programs					6,693,690
Property taxes, levies for debt service					25,233,353
Property taxes, levies for capital improvements and technology					3,177,908
Unallocated State Apportionment & Others					160,058,986
Interest and Investment earnings					10,268,998
<b>Total General Revenues and Special Items</b>					<b>205,432,936</b>
<b>Changes in Net Position</b>					<b>8,673,281</b>
<b>Net Position - Beginning</b>					<b>195,512,189</b>
<b>Net Position - Ending</b>					<b>\$ 204,185,470</b>

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

**AUBURN SCHOOL DISTRICT NO. 408**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**August 31, 2019**

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TRANSPORTATION VEHICLE FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ 38,965,922	\$ 1,977,551	\$ 7,779,235	\$ 219,742,899	\$ 2,723,415	\$ 271,189,021
Property Tax Receivable	9,881,555	-	13,045,742	1,662,164	(50)	24,589,411
Accounts Receivable, Net	381,711	-	-	-	-	381,711
Interest Receivable	69,455	3,190	14,315	416,117	3,997	507,074
Interfund Receivable	108,043	-	-	-	-	108,043
Due From Other Government Units	2,078,798	-	-	306,926	-	2,385,723
Inventories at Cost	934,009	-	-	-	-	934,009
<b>TOTAL ASSETS</b>	<b>52,419,492</b>	<b>1,980,741</b>	<b>20,839,292</b>	<b>222,128,105</b>	<b>2,727,362</b>	<b>300,094,992</b>
<b>LIABILITIES:</b>						
Accounts Payable	2,315,990	59,937	3,727	10,847,169	-	13,226,824
Accrued Liabilities	800,043	-	-	-	-	800,043
Due to Other Governments	615,360	543	-	11,493	328	627,724
Interfund Payable	-	4,820	-	103,223	-	108,043
Unearned Revenue-Other	1,110	186,643	-	3,804	-	191,557
<b>TOTAL LIABILITIES</b>	<b>3,732,503</b>	<b>251,943</b>	<b>3,727</b>	<b>10,965,689</b>	<b>328</b>	<b>14,954,191</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue-Property Taxes	9,881,555	-	13,045,742	1,662,164	(50)	24,589,411
Unavailable Revenue - Other	344,203	-	-	-	-	344,203
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>10,225,757</b>	<b>-</b>	<b>13,045,742</b>	<b>1,662,164</b>	<b>(50)</b>	<b>24,933,614</b>
<b>FUND BALANCES:</b>						
<b>Nonspendable:</b> Inventories	933,968.64	-	-	-	-	933,969
<b>Restricted:</b>						
Child Nutrition Federal Grant	4,140,813.34	-	-	-	-	4,140,813
Carryovers	2,723,431.73	-	-	-	-	2,723,432
Student Activities	-	1,728,797.41	-	-	-	1,728,797
Debt Service	-	-	7,789,823.00	-	-	7,789,823
Bond Issue Project	-	-	-	171,054,835.39	-	171,054,835
Impact Fee Projects	-	-	-	257,310.63	-	257,311
State Proceeds	-	-	-	29,069,659.96	-	29,069,660
Acquisition of School Buses	-	-	-	-	2,727,083.34	2,727,083
<b>Committed:</b>						
Capital Levy Projects	-	-	-	879,031.16	-	879,031
Technology Levy Projects	-	-	-	1,631,813.67	-	1,631,814
Held for Employee Benefits	159,581.66	-	-	-	-	159,582
<b>Assigned:</b>						
Other Capital Projects	-	-	-	6,607,601.45	-	6,607,601
Other Purposes	8,000,000.00	-	-	-	-	8,000,000
Unassigned	22,503,436.27	-	-	-	-	22,503,436
<b>TOTAL FUND BALANCES</b>	<b>38,461,232</b>	<b>1,728,797</b>	<b>7,789,823</b>	<b>209,500,252</b>	<b>2,727,083</b>	<b>260,207,188</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 52,419,492</b>	<b>\$ 1,980,741</b>	<b>\$ 20,839,292</b>	<b>\$ 222,128,105</b>	<b>\$ 2,727,362</b>	<b>\$ 300,094,993</b>

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



AUBURN SCHOOL DISTRICT NO. 408  
RECONCILIATION  
BALANCE SHEET WITH THE STATEMENT OF NET POSITION  
August 31, 2019

	Total Governmental Funds	Long-Term Assets, Liabilities *	Reclassifications and Eliminations*	Statement of Net Position Totals
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 271,189,021	\$ -	\$ -	\$ 271,189,021
Property Tax Receivable	24,589,411	(1,518,946)	-	23,070,465
Receivables, Net	381,711	-	-	381,711
Interest Receivable	507,074	-	-	507,074
Interfund Receivable	108,043	-	(108,043)	-
Due from Other Governments	2,385,723	-	-	2,385,723
Inventories	934,009	-	-	934,009
Capital Assets, Net	-	404,608,502	-	404,608,502
<b>TOTAL ASSETS</b>	<b>300,094,992</b>	<b>403,089,556</b>	<b>(108,043)</b>	<b>703,076,505</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Charge on Refunding	-	2,412,046	-	2,412,046
Pension Plan Experience Difference	-	8,851,423	-	8,851,423
Pension Plan Assumption Changes	-	3,736,521	-	3,736,521
Pension Plan Changes in Proportions	-	359,521	-	359,521
Pension Plan Contributions	-	3,723,967	-	3,723,967
OPEB Plan Experience Difference	-	1,764,576	-	1,764,576
OPEB Plan Assumption Changes	-	8,275,724	-	8,275,724
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>29,123,777</b>	<b>-</b>	<b>29,123,777</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>300,094,992</b>	<b>432,213,333</b>	<b>(108,043)</b>	<b>732,200,282</b>
<b>LIABILITIES</b>				
Accounts Payable	13,226,824	-	-	13,226,824
Accrued Liabilities	800,043	-	-	800,043
Due to Other Governments	627,724	-	-	627,724
Interfund Payable	108,043	-	(108,043)	-
Accrued Interest	-	3,538,223	-	3,538,223
Unearned Revenue-Other	191,557	-	-	191,557
Long-Term Liabilities - Pension	-	62,446,192	-	62,446,192
Long-Term Liabilities - OPEB	-	53,480,368	-	53,480,368
Long-Term Liabilities - Non Pension/OPEB	-	374,417,818	-	374,417,818
<b>TOTAL LIABILITIES</b>	<b>14,954,191</b>	<b>493,882,602</b>	<b>(108,043)</b>	<b>508,728,750</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue-Property Taxes	24,933,614	(24,933,614)	-	-
Pension Plan Investment Earnings & Charges in Proportion (net difference)	-	14,913,177	-	14,913,177
Pension Plan Experience Difference	-	309,981	-	309,981
Pension Plan Assumption Changes	-	3,286,355	-	3,286,355
Pension Plan Changes in Proportions	-	776,550	-	776,550
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>24,933,614</b>	<b>(5,647,552)</b>	<b>-</b>	<b>19,286,062</b>
<b>FUND BALANCES</b>				
Total Fund Balances	<b>260,207,188</b>	<b>(56,021,717)</b>	<b>-</b>	<b>204,185,470</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 300,094,993</b>	<b>\$ 432,213,333</b>	<b>\$ (108,043)</b>	<b>\$ 732,200,282</b>

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

\* See Note 10A



AUBURN SCHOOL DISTRICT NO. 408  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2019

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TRANSPORTATION VEHICLE FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>						
Local Taxes	\$ 30,845,645	\$ -	\$ 27,881,378	\$ 3,532,985	\$ -	\$ 62,260,008
Local Non-Tax	6,034,107	2,259,471	328,355	10,289,702	85,625	18,997,261
State, General Purpose	159,142,670	-	-	-	-	159,142,670
State, Special Purpose	46,167,644	-	-	180,895	830,724	47,179,263
Federal, General Purpose	122,020	-	-	-	-	122,020
Federal, Special Purpose	14,942,091	-	-	-	-	14,942,091
Revenues From Other Sources	1,664,122	-	-	-	-	1,664,122
<b>TOTAL REVENUES</b>	<b>258,918,298</b>	<b>2,259,471</b>	<b>28,209,733</b>	<b>14,003,583</b>	<b>916,349</b>	<b>304,307,434</b>
<b>EXPENDITURES</b>						
<b>Current:</b>						
Regular Instruction	137,108,206	-	-	-	-	137,108,206
Special Instruction	29,994,918	-	-	-	-	29,994,918
Vocational Instruction	7,928,434	-	-	-	-	7,928,434
Compensatory Education	20,608,434	-	-	-	-	20,608,434
Other Educational Programs	1,978,922	-	-	-	-	1,978,922
Community Services	1,171,710	-	-	-	-	1,171,710
Support Services	26,851,151	-	-	-	-	26,851,151
Child Nutrition Services	7,098,480	-	-	-	-	7,098,480
Pupil Transportation Services	8,244,242	-	-	-	-	8,244,242
Extracurricular Activities (ASB)	-	2,196,400	-	-	-	2,196,400
<b>Debt Service:</b>						
Principal	-	-	19,370,000	-	-	19,370,000
Interest and Other Charges	-	-	13,641,831	-	-	13,641,831
Bond Issuance Costs	-	-	-	-	-	-
<b>Capital Outlay:</b>						
Sites	-	-	-	3,857,362	-	3,857,362
Buildings	-	-	-	72,925,933	-	72,925,933
Equipment	743,371	-	-	3,601,930	781,654	5,126,955
Energy	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>241,727,868</b>	<b>2,196,400</b>	<b>33,011,831</b>	<b>80,385,225</b>	<b>781,654</b>	<b>358,102,979</b>
<b>Excess of Revenues Over</b>						
(Under) Expenditures	17,190,430	63,071	(4,802,098)	(66,381,643)	134,695	(53,795,545)
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds of Long-Term Debt	-	-	-	-	-	-
Issuance of Bonds	-	-	-	-	-	-
Issuance Premium	-	-	-	-	-	-
Payment to Refunded Bonds Escrow Agent	-	-	-	-	-	-
Sale of Equipment	66,592	-	-	-	-	66,592
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>66,592</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,592</b>
<b>NET CHANGE IN FUND BALANCE</b>						
Fund Balances - September 1	17,257,021	63,071	(4,802,098)	(66,381,643)	134,695	(53,728,953)
Fund Balances - August 31	38,461,232	1,728,797	7,789,823	209,500,252	2,727,083	260,207,187

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

**AUBURN SCHOOL DISTRICT NO. 408**  
**RECONCILIATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**STATEMENT OF ACTIVITIES**  
**August 31, 2019**

	<b>Total Governmental Funds</b>	<b>Long-Term Revenue, Expenses *</b>	<b>Capital Related items *</b>	<b>Long-Term Debt Transactions *</b>	<b>Statement of Activities Totals</b>
<b>REVENUES AND OTHER SOURCES</b>					
Property Taxes	\$ 62,260,008	\$ (27,155,057)	\$ -	\$ -	\$ 35,104,951
Local Non-Taxes	18,997,261	-	66,592	-	19,063,853
State, General Purpose	159,142,670	-	-	-	159,142,670
State, Special Purpose	47,179,263	-	-	-	47,179,263
Federal, General Purpose	122,020	-	-	-	122,020
Federal, Special Purpose	14,942,091	-	-	-	14,942,091
Revenues From Other Sources	1,664,122	-	-	-	1,664,122
<b>TOTAL</b>	<b>304,307,434</b>	<b>(27,155,057)</b>	<b>66,592</b>	<b>-</b>	<b>277,218,969</b>
<b>EXPENDITURES/EXPENSES</b>					
<b>Current:</b>					
Regular Instruction	137,108,206	(10,573,828)	12,740,046	-	139,274,424
Special Instruction	29,994,918	529,396	936,357	-	31,460,671
Vocational Instruction	7,928,434	130,402	431,501	-	8,490,337
Compensatory Education	20,608,434	338,040	783,600	-	21,730,074
Other Instructional Programs	1,978,922	29,931	83,228	-	2,092,081
Community Services	1,171,710	69,547	-	-	1,241,258
Support Services	26,851,151	390,611	295,411	-	27,537,174
Child Nutrition Services	7,098,480	88,223	41,064	-	7,227,766
Pupil Transportation Services	8,244,242	207,426	738,901	-	9,190,569
Extracurricular Activities (ASB)	2,196,400	-	1,921	-	2,198,321
<b>Debt Service:</b>					
Principal	19,370,000	-	-	(19,370,000)	-
Interest and Other Charges	13,641,831	-	-	8,785	13,650,616
Bond Issuance Cost	-	-	-	-	-
<b>Capital Outlay:</b>					
Sites	3,857,362	-	(3,857,362)	-	-
Buildings	72,925,933	-	(68,885,838)	-	4,040,095
Equipment	5,126,955	-	(4,714,654)	-	412,301
Energy	-	-	-	-	-
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>358,102,979</b>	<b>(8,790,252)</b>	<b>(61,405,824)</b>	<b>(19,361,215)</b>	<b>268,545,688</b>
<b>EXCESS OF REVENUES OVER UNDER EXPENDITURES</b>					
	<b>(53,795,545)</b>	<b>(18,364,805)</b>	<b>61,472,416</b>	<b>19,361,215</b>	<b>8,673,281</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of Long-Term Debt	-	-	-	-	-
Issuance Premium	-	-	-	-	-
Sale of Equipment	66,592	-	(66,592)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>66,592</b>	<b>-</b>	<b>(66,592)</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE FOR THE YEAR</b>	<b>\$ (53,728,953)</b>	<b>\$ (18,364,805)</b>	<b>\$ 61,405,824</b>	<b>\$ 19,361,215</b>	<b>\$ 8,673,281</b>

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

\* See Note 10B

**AUBURN SCHOOL DISTRICT NO. 408**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**August 31, 2019**

Private Purpose Trust Fund		
ASSETS		
Cash and Cash Equivalents	\$	616,100
Due From Other Funds		-
Interest Receivable		1,309
TOTAL ASSETS	\$	617,409
LIABILITIES		
Accounts Payable		698
Due to Other Funds		
TOTAL LIABILITIES		698
NET POSITION		
Held in Trusts for Scholarships and Student Aid		616,711
NET POSITION	\$	616,711

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

**AUBURN SCHOOL DISTRICT NO. 408**  
**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**For the Fiscal Year Ended August 31, 2019**

	<b>Private Purpose Trust Fund</b>
<b>ADDITIONS</b>	
Donations	\$ 216,227
Investment Earnings	22,245
<b>Total Additions</b>	<b>238,472</b>
<b>DEDUCTIONS</b>	
Scholarships	215,396
Loss On Investments	-
<b>Total Deductions</b>	<b>215,396</b>
<b>Change in Net Position</b>	<b>23,076</b>
Net Position, Beginning of the year	593,635
<b>Net Position, End of the year</b>	<b>\$ 616,711</b>

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

**AUBURN SCHOOL DISTRICT NO. 408**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Auburn School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals. The more significant accounting policies of the District are described below:

**A. REPORTING ENTITY**

The Auburn 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 grades P-12. Auburn School District operates under an independently elected board of directors. Management of the district is appointed by and is accountable to the board of directors. Fiscal responsibility, including budget authority, the power to set fees, levy property taxes and issue debt consistent with provisions of state statutes, also rests with the board of directors.

**B. BASIS OF PRESENTATION**

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

**1). Government – Wide Financial Statements**

Overall governmental activities are reported here without displaying individual funds or fund types and display information about the district as a whole. The Government-Wide financial statements do not include Fiduciary Funds. 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, buildings, 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, and special and extraordinary items. The expenses and revenues are reported as follows:

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

**II). Revenues** – 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. These revenues reduce the net cost of the function to be financed from the district’s general revenue. Program-specific grants and contributions include revenues arising from mandatory and voluntary non-exchange transactions with federal or state governments, organizations, or individuals. These revenues 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 revenue such as interest and investment earnings.

## **2). Fund Financial Statements**

### **a. Governmental Funds**

Governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. It includes general fund, special revenue fund (associated student body fund), capital projects fund, transportation vehicle fund, and debt service fund. The district considers all governmental funds to be “major funds”.

**I). General Fund** - This fund is the general operating fund of the district. It accounts for all financial resources of the district, except those required to be accounted for in another fund. In keeping with the principle of as few funds as necessary, child nutrition, maintenance, information services, printing and pupil transportation activities are included in the fund.

**II). Special Revenue Fund (Associated Student Body Fund)** - This fund is used to account for the extracurricular fees and resources collected in fund-raising events for students. Disbursements require the joint approval of the appropriate student body organization and the district's board of directors. This fund is accounted for as a special revenue fund since the financial resources legally belong to the district.

**III). Debt Service Fund** - This fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and related expenditures. All of the district's issues are serial bonds rather than term bonds and do not require sinking funds for each issue. Therefore, the district maintains one debt service fund for all bond issues. Also, there are no legal requirements that mandate a separate fund for each bond issue.

**IV). Capital Projects Fund** – This fund is used to account for the 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, intergovernmental resources, major private donations, special levies or insurance recoveries. This fund is also used to account for energy capital improvements.

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

### **b. Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary Funds such as the private-purpose trust fund is used by a district in its fiduciary capacity as trustee for assets held for individuals, private organizations, and other governments.

**D). Private-Purpose Trust Fund** - All of the income and principal in the private-purpose trust may be disbursed in the course of its operation. It includes money for scholarships donated by community supporters and funds for student aid provided by InvestED, a public charity formerly known as the Saul Haas Foundation.

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

The *government-wide financial statements* measure and report all financial and capital assets, liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and 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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

*Governmental fund financial statements* include the General Fund, Special Revenue Fund, Debt Service Fund, Capital Projects Fund and Transportation Vehicle Fund. They 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 district 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

*Fiduciary fund financial statements* include the Private-Purpose Trust Fund. This fund is reported on the accrual basis of accounting.

### **1). Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances are liquidated at the end of the year; therefore, there are no outstanding encumbrances at year-end.

### **2). Eliminations and Reclassifications**

In the process of aggregating data for the government-wide *statements of net position* and the *statement of activities*, the inter-fund receivables and payables within governmental funds, except those with fiduciary funds, were eliminated.

## **D. BUDGETS AND BUDGETARY ACCOUNTING**

### **1). General Budget Policies**

The Auburn 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 School District Board adopts the budget after a public hearing. 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 a public hearing at any time during the fiscal year.

## **2). Budgetary Basis of Accounting**

For budget purposes, revenues and expenditures are accounted for on a modified accrual basis of accounting as prescribed in law for all governmental funds. Beginning fund balance is budgeted as available resources and, pursuant to law; the budgeted ending fund balance cannot be negative.

Formal budgetary accounting is employed as a management control for all governmental funds. Budgets are adopted on the same basis of accounting used to reflect actual revenues and expenditures on a generally accepted accounting principles basis.

## **E. ASSETS, LIABILITIES, NET POSITION AND FUND BALANCES**

### **1). Cash and Cash Equivalents**

The district's cash and cash equivalents consist of cash balances, net of warrants outstanding, and cash equivalents with original maturities of three months or less. At August 31, 2019, total district cash and cash equivalents were \$271,805,122. Of that amount, \$271,189,021 was in the governmental funds and \$616,100 was in the fiduciary funds. At August 31, 2019 total district imprest funds were \$88,975, total district cash on hand was \$0, total district warrants outstanding were \$4,571,296 and the fair market value of the districts funds in the King County Investment Pool was \$271,805,122. In accordance with authorized investment laws, the district's cash equivalents are deposited in the King County Investment Pool. The Pool invests in U.S. Agency mortgage-backed securities to enhance yield. As of August 31, 2019, such securities comprised 0.1% of the Pool's portfolio. As of August 31, 2019, the district's funds invested in the Pool comprised 3.97% of the Pool's portfolio. (See Note 2)

### **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 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 taxes due are collected on the April 30 date. King County forecloses on property following the third year of delinquency. In *governmental fund financial statements*, property tax revenue that is measurable but not available (taxes that are not expected to be collected within the current period) is recorded as receivable and deferred revenue. In *government-wide financial statements*, property tax revenue, net of estimated uncollectible amounts, is accrued at year-end.

#### **a) Tax Abatements**

The Auburn School District independently has entered into agreements that affect the levy rate assessed by the District:

<b>Tax Abatement Program</b>	<b>Total Amount of Taxes Abated</b>
Current Use	\$164,629
Home Improvement	\$2,218

**Current Use:** State law provides for agricultural land, timber land and other open space to be assessed at its current use, rather than its highest and best use. For farm and agricultural land, and designated forest land, call the assessor at 206-263-2374. For Open space and Timber Lands, contact the Department of Natural Resources and Parks – Water and Land Resource Division at 206-296-8351 or 206-296-1470. For more information regarding Current Use Program visit <https://www.kingcounty.gov/environment/stewardship/sustainable-building/resource-protection-incentives.aspx>.



**Home Improvement:** All owners of detached single family dwellings (including mobile homes on fee-owned land) may be eligible for relief from tax increases caused by major additions or remodels. Claims for exemption must be filed with the assessor BEFORE construction is complete. For more information, call 206-263-2338.

### **3). Accounts Receivable**

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

### **4). Due From/To Other Funds**

Interfund receivables and payables and the associated revenues and expenditures/expenses are recorded in the respective funds in *governmental fund financial statements*. Interfund receivables and payables are eliminated in *government-wide financial statements*, except those with fiduciary funds.

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

This account represents \$2,385,723 of receivables for federal grants of \$2,078,798, and local government impact fees of \$306,926. Grant revenues are recorded in the year in which the related expenditures are incurred.

### **6). Inventories**

Inventories of instructional materials are valued at cost using the first-in first-out method. Warehoused inventories of food and maintenance and food service supplies are valued at cost using the weighted average method perpetual inventory system. Inventory is charged as an expenditure when it is issued for consumption

### **7). Bond Discounts, Premiums, Issuance Costs and Refunding Losses**

In governmental fund types, bond discounts, premium, issuance costs and refunding losses are recognized in the period of issuance.

### **8). 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*. Capital assets are defined by the district as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year for land, furniture, equipment, vehicles and school buses and \$100,000 for buildings, building improvements and depreciable land improvements with an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized, but are charged to expenditures in the current period. In *governmental fund financial statements*, there is no depreciation for capital assets. However, depreciation is charged to expenses and allocated to various functions/programs in *government-wide financial statements* 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. Depreciation is provided over the assets' estimated useful life using the straight- line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	50 years
Building Improvements	20 years
Depreciable Land Improvements	20 years
School Buses	8-18 years
Equipment and Vehicles	4-10 years

## 9). 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, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The district has three items that qualifies for reporting in this category; deferred charge on refunding, deferred charge on pension plans, and deferred charge on OPEB plans. All three are reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district has two types of items; deferred inflows on pension plans and unavailable revenue, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

## 10). Net Position (Government-wide Financial Statements)

In government-wide financial statements, the “Invested in Capital Assets, Net of Related Debt” 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 net position where constraints have been placed on net position by external laws, regulations, or legislation. Therefore, they are available for disbursements only for specific purposes such as debt service and capital projects. 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.

## 11). Fund Balances (Governmental Fund Financial Statements)

The District has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds,

but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. In accordance with GASB 54, the District classified governmental fund balances as follows:

**Nonspendable** – includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid items and long term receivables.

**Restricted** – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes the child nutrition program, retirement of long term debt, construction programs and other federal and state grants.

**Committed** – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the District's Board of Directors.

**Assigned** – includes fund balance amounts that are self-imposed by the District to be used for a particular purpose. For funds other than the General Fund, the amount of residual fund balance that is spendable after all restrictions, commitments, and other assignments have been made is classified as assigned in accordance with the *Accounting Manual for Public School Districts for the State of Washington*.

**Unassigned** – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and the unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

## **12). Compensated Absences**

### **a). Sick Leave –**

Full-time 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 25% of each day of accrued leave, limited to 180 accrued days. This statute also provides for an annual buy-back of an amount up to the maximum annual accumulation of twelve days. To qualify for annual sick leave buy-back, the employee must have accumulated an excess of 60 days sick leave as of January 1. Sick leave is reported under long-term liabilities in the *Statement of Net Position*. For reporting purposes, 25% of the sick leave liability (up to 180 days) for those eligible for retirement is considered accruable. The vesting method in *GASB Statement No. 16* was applied in calculating the sick leave. The amount of accrued sick leave as of August 31, 2019 was \$2,974,127 and reported as a long-term liability in the *government-wide financial statements*.

**b). Vacation Leave –**

Vacation leave is accrued according to bargaining agreement rules for those employees eligible. Annual leave accumulated by district employees is paid upon retirement at 100% of per diem value. In addition, annual leave accumulated by classified employees represented by the Public School Employees of Washington bargaining groups is paid upon termination at 100% of per diem value. As of August 31, 2019, vacation leave payable, estimated to be \$2,188,180 is reported as a long-term liability in the *government-wide financial statements*.

**NOTE 2. DEPOSITS AND INVESTMENTS**

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

**A. DEPOSITS**

At year-end, the carrying amounts of the district's deposits with financial institutions and with the King County Treasurer were respectively \$75,000 and \$276,287,443, the warrants outstanding were \$4,571,296 and the petty cash, change funds and cash on hand totaled \$11,355. Total district cash and cash equivalents were \$271,805,122. Of this amount, \$271,189,021 were in governmental funds and \$616,100 were in fiduciary funds. (See Note 1). In addition to FDIC insurance, the district's deposits are protected by the Washington Public Deposit Protection Commission (a multiple financial institution collateral pool). The provision for guaranteed coverage against loss applies not only to demand deposits, but also to certificates of deposit, money market deposit accounts, and savings deposits as well as accrued interest through the date of repayment.

**B. INVESTMENTS**

In accordance with state investment laws, the district's governing body has entered into a formal inter-local agreement with the district's *ex officio* treasurer, King County, to have all of its funds not required for immediate expenditure to be invested in the King County Investment Pool (Pool). All non-invested cash is held in this external investment pool administered by King County, Washington and consequently is not subject to categorization. At August 31, 2019, the fair value of the district investment in the pool was \$276,287,443 with an effective duration of 0.96 years. The pool is not registered by the SEC and does not operate in a manner consistent with the SEC's rule 2a7 which would allow it to be treated as a money market fund for basis of presentation.

Oversight of the Investment Pool is provided by the King County Executive Finance Committee (EFC) pursuant to RCW 36.29.020. The EFC consists of the Chair of the County Council, the County Executive, the Chief Budget Officer, and the Director of the Finance and Business Operations Division. All investments are subject to written policies and procedures adopted by the EFC. The EFC reviews Pool performance monthly.

All investments in cash equivalents are stated at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Fair value for the King County Investment Pool is provided by the County's safekeeping bank or Bloomberg L.P., a provider of fixed income analytics, market monitors, and security pricing. The net increase in fair value of the district's proportionate share of the King County Investment Pool for 2018-19 was \$1,748,977. This decrease has been recognized and reported against investment income.

***Impaired Investments.***

As of August 31, 2019, all impaired commercial paper assets have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The

Impaired Pool also held the residual investments in four commercial paper assets that were part of completed enforcements events, where the Impaired Pool accepted the cash-out option. The district's share of the impaired investment pool principal is \$58,819 and the District's fair value of these investments is \$1,748,977.

***Interest Rate Risk.***

As of August 31, 2019, the Pool's average duration was 0.96 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

***Custodial Credit Risk.***

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. County policy mandates that all security transactions, including repurchase agreements, are settled "delivery versus payment." This means that payment is made simultaneously with the receipt of the security. These securities are delivered to the County's safekeeping bank or its tri-party bank.

***Credit Risk.***

As of August 31, 2019, the district's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

***Concentration Risk***

Credit risk also can arise in the wake of a failure to adequately diversity investments. However since Pool investments are concentrated in U.S. government obligations and obligations explicitly guaranteed by the U.S. government, this risk is minimal.

**NOTE 3. INTERFUND RECEIVABLES AND PAYABLES**

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:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 108,043	\$ -
Capital Projects Fund	-	\$ 103,223
ASB Fund	-	4,820
Tran Vehicle	-	-
Total	<u>\$ 108,043</u>	<u>\$ 108,043</u>

The interfund balances are typically liquidated to zero on a monthly basis. Almost all of the interfund transfers are to reimburse the general fund from other funds for processing payroll and other accounts payable in the general fund. In addition, all funds collected in the district are electronically swept on a daily basis into the general fund bank account at the county treasurer. Funds are then disbursed to the appropriate fund as soon as the receipts are reconciled to the daily deposit reports. Total funds disbursed from the General Fund were \$7,336,707. Of this amount \$222,700 was disbursed to the Fiduciary funds and the difference to other Governmental Funds.

**NOTE 4. CHANGES IN CAPITAL ASSETS**

Purchases of equipment over \$5,000 and building and depreciable land improvements over \$100,000 are capitalized and depreciated in the government-wide financial statements. Land is excluded from depreciation. The district's property valuation of buildings and contents for insurance purposes was \$472,282,672 on August 31, 2019. In the opinion of the district's insurance consultant, the amount is sufficient to adequately fund replacement of the district's assets.

	Balance 9/1/2018	Additions	Deletions	Balance 8/31/2019
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Land	\$ 43,312,565	\$ 1,806,840	\$ -	\$ 45,119,405
Construction in progress	16,782,419	80,385,225	(71,637,138)	25,530,506
Total capital assets, not being depreciated	60,094,984	82,192,065	(71,637,138)	70,649,911
Capital assets, being depreciated:				
Buildings and improvements	398,129,808	63,693,440	(7,274,076)	454,549,172
Furniture and equipment	22,708,396	1,586,601	(1,253,573)	23,041,424
Total capital assets, being depreciated	420,838,205	65,280,041	(8,527,650)	477,590,596
Less: accumulated depreciation				
Buildings and improvements	(120,812,683)	(8,747,913)	3,233,982	(126,326,615)
Furniture and equipment	(16,917,827)	(1,228,835)	841,272	(17,305,390)
Total accumulated depreciation	(137,730,510)	(9,976,749)	4,075,254	(143,632,005)
Total capital assets, being depreciated, net	283,107,695	55,303,292	(4,452,396)	333,958,591
<b>Governmental activities capital assets, net</b>	<b>\$ 343,202,679</b>	<b>\$ 137,495,357</b>	<b>\$ (76,089,534)</b>	<b>\$ 404,608,502</b>

The increases to buildings and improvements include completed projects transferred from construction in progress less those portions of the projects classified as capitalized and non-capitalized equipment. Only those building improvements and depreciable land improvements that are greater than \$100,000 are capitalized. Additions to equipment include only those capital outlay purchases with a unit cost greater than \$5,000 in accordance with the district's capitalization policy. Decreases to equipment were the result of the sale or trade-in of obsolete equipment.

**Depreciation**

Depreciation expense was charged to governmental activities as follows:

Regular instruction	\$ 6,646,414
Special instruction	936,357
Vocational instruction	431,501
Compensatory education	783,600
Other instructional programs	83,228
Support services	295,411
Child Nutrition services	41,064
Transportation services	738,901
ASB	20,271
Total depreciation expense	
charged to governmental activities	<u>\$ 9,976,749</u>

**NOTE 5. CONSTRUCTION IN PROGRESS**

Project	Authorized	Expended
DICK SCOBEE ELEMENTARY	\$ 53,418,352	\$ 8,627,958
ELEMENTARY NO. 15	63,463,830	12,897,671
PIONEER ELEMENTARY	59,773,894	1,784,199
ELEMENTARY NO. 16	65,962,383	1,850,510
CHINOOK ELEMENTARY	60,116,202	341,080
LEA HILL ELEMENTARY	66,091,138	16,771
TERMINAL PARK ELEMENTARY	56,492,581	12,318
Totals Contruction in Progress	<u>\$ 425,318,380</u>	<u>\$ 25,530,506</u>

**NOTE 6. PENSION PLANS****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			
	9/1/18 Rate	7/1/19 Rate	
<b>PERS 1</b>			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	12.83%	12.86%	
Pension Rates			
	9/1/18 Rate	9/1/19 Rate	
<b>TRS 1</b>			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	15.41%	15.51%	
<b>TRS 2</b>			
Member Contribution Rate	7.06%	7.77%	
Employer Contribution Rate	15.41%	15.51%	
<b>TRS 3</b>			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	15.41%	15.51%	**
<b>SERS 2</b>			
Member Contribution Rate	7.27%	7.27%	
Employer Contribution Rate	13.58%	13.19%	
<b>SERS 3</b>			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.58%	13.19%	**

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

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

\*\* = Defined benefit portion only.

### The Collective Net Pension Liability

The collective net pension 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 Pension Liability	\$11,696,634	\$6,352,843	\$8,355,496	\$16,545,194
Plan fiduciary net position	(\$7,851,279)	(\$6,118,345)	(\$5,879,693)	(\$15,942,660)
Participating employers' net pension liability	\$3,845,355	\$234,498	\$2,475,803	\$602,534
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 \$62,446,192 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
District's Annual Contributions	1,839,631	2,920,738	7,928,483	8,356,842
Proportionate Share of the Net Pension Liability	9,865,589	3,421,695	39,525,422	9,633,486

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	0.256559%	1.459158%	1.596469%	1.598829%
Prior year proportionate share of the Net Pension Liability	0.252266%	1.513636%	1.625845%	1.628735%
Net difference percentage	0.004292%	-0.054478%	-0.029376%	-0.029906%

### Actuarial Assumptions

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

The total pension liabilities for TRS 1, TRS 2/3, PERS 1 and SERS 2/3 were determined by actuarial valuation as of June 30, 2017, with the results rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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, 2019, valuation were based on the results of the 2007–2012 Experience Study Report and the 2018 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2019 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:

TRS1, 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.

### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The table below presents the Auburn 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>PERS1 NPL</b>	\$4,815,609,000	\$3,845,355,000	\$3,003,532,000
Allocation Percentage	0.256559%	0.256559%	0.256559%
Proportionate Share of Collective NPL	\$ 12,354,860	\$ 9,865,589	\$ 7,705,820
<b>SERS2/3 NPL</b>	\$1,141,883,000	\$234,498,000	(\$513,722,000)
Allocation Percentage	1.459158%	1.459158%	1.459158%
Proportionate Share of Collective NPL	\$ 16,661,871	\$ 3,421,695	\$ (7,496,013)
<b>TRS1 NPL</b>	\$3,164,358,000	\$2,475,803,000	\$1,878,531,000
Allocation Percentage	1.596469%	1.596469%	1.596469%
Proportionate Share of Collective NPL	\$ 50,517,987	\$ 39,525,422	\$ 29,990,161
<b>TRS2/3 NPL</b>	\$3,283,747,000	\$602,534,000	(\$1,577,475,000)
Allocation Percentage	1.598829%	1.598829%	1.598829%
Proportionate Share of Collective NPL	\$ 52,501,485	\$ 9,633,486	\$ (25,221,121)

### 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	\$ 623,299
SERS 2/3	\$ 1,501,232
TRS 1	\$ 786,796
TRS 2/3	\$ 5,409,738
<b>TOTAL</b>	<b>\$ 8,321,065</b>

### 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	\$(659,104)
Changes in assumptions or other inputs	\$0	\$0

Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$0
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	\$319,407	\$0
TOTAL	\$319,407	\$(659,104)
SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$2,153,106	\$0
Net difference between projected and actual earnings on pension plan investments	\$0	\$(2,905,735)
Changes in assumptions or other inputs	\$104,734	\$(726,737)
Changes in proportion and differences between contributions and proportionate share of contributions	\$11,408	\$(343,239)
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	\$506,304	\$0
TOTAL	\$2,775,552	\$(3,975,711)

TERS 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	\$(3,031,285)
Changes in assumptions or other inputs	\$0	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$0
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	\$1,413,404	\$0
TOTAL	\$1,413,404	\$(3,031,285)
TERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$6,698,317	\$(309,981)
Net difference between projected and actual earnings on pension plan investments	\$0	\$(8,317,052)

Changes in assumptions or other inputs	\$3,631,786	\$(2,559,618)
Changes in proportion and differences between contributions and proportionate share of contributions	\$348,113	\$(433,311)
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	\$1,484,851	\$0
<b>TOTAL</b>	<b>\$12,163,067</b>	<b>\$(11,619,962)</b>

\$3,723,967 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	(145,501)	(494,663)	(622,226)	(1,217,589)
2021	(344,650)	(1,097,468)	(1,627,357)	(3,017,046)
2022	(122,991)	(280,457)	(572,239)	(679,251)
2023	(45,962)	(70,541)	(209,463)	177,358
2024	-	191,508	-	878,616
Thereafter	-	45,157	-	2,916,166

#### **NOTE 7. DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLANS**

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year ending August 31, 2019:

Aggregate OPEB Amounts – All Plans	
OPEB Liabilities	\$53,480,368
OPEB Assets	\$0
Deferred Outflows of Resources	\$10,040,300
Deferred Inflows of Resources	\$0
OPEB Expense	\$5,038,525

#### **Plan Description**

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 insurance.

The relationship between the PEBB OPEB plan and its member employers are their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a

substantive plan. A substantive plan is one, which the employers and plan members understand the plan terms. This understanding is based on communication between the HCA, employers and plan members, and historical pattern of practice with regard to sharing of benefit costs.

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), 76 of the state's K-12 school 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 Auburn School District's retirees (approximately 336) are eligible to participate in the plan under this arrangement.

#### Covered Individuals

An individual who is employer by Auburn School District and who is eligible to participate in the benefits provided through the Public Employee Benefits Board (PEBB).

#### Eligibility

A covered Individual who retires from service with the District and who meets the requirements of their respective retirement system (PERS, TRS, SERS):

##### Plan 1

- Age 60 with 5 years of service
- Age 55 with 25 years of service
- Any age when years of service is equal or exceeds 30

##### Plan 2

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

##### Plan 3

- Age 65 with 5 years of service
- Age 55 with 10 years of service

#### Insurance Benefits

The Washington State Health Care Authority (HCA) administers PEBB plan benefits. The insurance coverages listed below are available.

#### Life Insurance

PEBB provides subsidized basic term life insurance coverage to retirees. The coverage is available only if enrolled in life insurance through PEBB Program as an active employee, so retirees of the District are not eligible.

#### Duration of Coverage

Coverage is provided as long as the required contributions are paid.

#### Spouse/Dependent Coverage

Spousal/Dependent coverage is provided as long as the required contributions are paid. Surviving spouses may continue coverage.

#### Funding Policy

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



### Plan Membership

As of August 31, 2019, plan membership consisted of the following:

Inactive members currently receiving benefits	373
Inactive member entitled to but not yet receiving benefits	0
Active members	<u>1,798</u>
Total	2,171

### Investment Policy

The District's obligation is unfunded at August 31, 2019. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

### Retiree Contributions

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

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**Non-Medicare Health Insurance:**

	Retiree	Retiree & Spouse
Group Health Classic	\$ 733.39	\$ 1,460.80
Group Health CDHP	\$ 600.44	\$ 1,189.46
Group Health SoundChoice	\$ 603.21	\$ 1,200.44
Group Health Value	\$ 656.25	\$ 1,306.54
Kaiser Permanente Classic	\$ 710.65	\$ 1,415.33
Kaiser Permanente CDHP	\$ 604.16	\$ 1,196.38
UMP Classic	\$ 674.85	\$ 1,343.72
UMP CDHP	\$ 600.54	\$ 1,189.65
UMP Plus	\$ 618.07	\$ 1,230.18

**Medicare Health Insurance:**

(after explicit subsidy of 50%, up to \$168 in 2019)\*

	Retiree	Retiree & Spouse
Kaiser Permanente WA Medicare Plan	\$ 167.91	\$ 329.85
Kaiser Permanente NW Medicare Plan	\$ 169.80	\$ 333.63
UMP Classic	\$ 313.09	\$ 620.20
Premiera Blue Cross Plan F	\$ 112.16	\$ 218.35

\*The maximum explicit subsidy is increasing to \$183 in 2020.

**Dental Insurance:**

	Retiree	Retiree & Spouse
Uniform Dental Plan	\$ 47.01	\$ 94.02
DeltaCare	\$ 39.53	\$ 79.06
Willamette Dental	\$ 44.45	\$ 88.90

**Changes in the Total OPEB Liability**

	Fiscal Year Ending August 31, 2019
Total OPEB Liability – Beginning of Year	\$43,613,186
Service Cost	2,249,829
Interest	1,794,607
Changes in Benefit Terms	-
Difference between Expected and Actual Experience	1,495,247
Changes of Assumptions	5,966,246
Benefit Payments	(1,638,747)
Net Change in Total OPEB Liability	9,867,182
Total OPEB Liability – End of Year	\$53,480,368

## OPEB Expense Recognized

	Fiscal Year Ending August 31, 2019
Service Cost	\$2,249,829
Interest on Total OPEB Liability	1,794,607
Effect on Plan Changes	0
Administrative Expenses	0
Recognition of Deferred (inflows)/Outflows of Resources	
Economic/Demographic (Gains)/Losses	174,710
Assumption Changes	819,379
OPEB Expense	<u>5,038,525</u>

## Expected Remaining Service Lives

The amortization period for the for the September 1, 2018 to August 31, 2019 measurement period was determined as follows:

As of September 1, 2018	Number of Members	Expected Remaining Service Lives
Active Members	1,798	13.352
Inactive Members	373	0.000
Weighted Average Rounded to Nearest Tenth		11.1

## Deferred Inflows and Outflows of Resources

As of August 31, 2019 the deferred inflows and outflows of resources are a follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	0	1,764,575
Changes in assumptions	0	8,275,723
Net difference between projected and actual earnings	0	0
Contributions made subsequent to measurement date	<u>0</u>	<u>0</u>
	0	10,040,300

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future years' OPEB expense as follows:

Year ending August 31:	Annual Recognition:
2020	994,089
2021	994,089
2022	994,089
2023	994,089
2024	994,089
Thereafter	5,069,854

## Schedule of Deferred Inflows and Outflows of Resources

	Original Amount	Date Established	Original Recognition Period*	Amount Recognized in Expense Aug 31, 2019	Balance of Deferred Inflows Aug 31, 2019	Balance of Deferred Outflows Aug 31, 2019
Economic/Demographic	1,495,247	8/31/2019**	11.1	134,707	-	1,360,540
(Gains)/Losses	484,043	8/31/2018	12.1	40,004	-	404,034.89
Assumption Changes	5,966,246	8/31/2019	11.1	537,500	-	5,428,746
(Gains)/Losses	3,410,735	8/31/2018	12.1	281,879	-	2,846,977.15
Investment						
(Gains)/Losses	-	8/31/2018	5	-	-	-
	<u>11,356,271</u>			<u>994,089</u>	<u>-</u>	<u>10,040,298</u>

\* Economic/demographic (gains) and losses along with assumption changes are recognized over a closed period equal to the weighted average of expected remaining service lives for all active and inactive members.

\*\*Economic/demographic (gains) and losses for the period ending August 31, 2019 should be adjusted by the difference between actual employer contributions for the period September 1, 2018 to August 31, 2019 and the expected employer contribution of \$1,089,289 shown on page 6.

### Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

<b>Measurement Date</b>	August 31, 2019
<b>Valuation Date</b>	August 31, 2019
<b>Reporting Date</b>	August 31, 2019
<b>Measurement Period</b>	September 1, 2018 to August 31, 2019
<b>Discount Rate</b>	2.97% Per Year

As an unfunded plan, the discount rate reflects the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date. The index rate used to measure the total pension liability was 2.97% as of August 31, 2019.

<b>General Inflation</b>	3.0% per year
<b>Salary Increases</b>	4.5% per year

(including administrative expenses)

<u>Age</u>		<u>Per Participant</u>	
Under Age 65 (Age 60 rates)		Retiree	Spouse
Group Health Classic	\$	13,247	\$ 13,151
Group Health CDHP	\$	10,779	\$ 10,590
Group Health SoundChoice	\$	10,894	\$ 10,798
Group Health Value	\$	11,571	\$ 11,476
Kaiser Permanente Classic	\$	12,358	\$ 12,263
Kaiser Permanente CDHP	\$	11,416	\$ 11,253
UMP Classic	\$	11,624	\$ 11,494
UMP CDHP	\$	11,198	\$ 11,041
UMP Plus	\$	11,191	\$ 11,064
<b>Weighted Average</b>	<b>\$</b>	<b>12,296</b>	<b>\$ 12,201</b>

Age 65 and Over		Retiree	Spouse
Kaiser Permanente WA Medicare	\$	4,136	\$ 4,007
Kaiser Permanente NW Medicare	\$	4,134	\$ 4,012
UMP Classic	\$	5,953	\$ 5,888
Premiera Blue Cross Plan F	\$	2,703	\$ 2,574
<b>Weighted Average</b>	<b>\$</b>	<b>4,979</b>	<b>\$ 4,890</b>

The assumed under age 65 claim costs were determined from the premiums and underlying claim experience of the OPEB Plans and actuarial age adjustment factors. The assumed age 65 and over claims costs were determined from the premiums and the PEBB's stated explicit subsidy.

#### Annual Dental Claims Costs

The dental costs were assumed to be equal to the dental premiums.

#### Age Based Morbidity

The assumed under age 65 health coverage claim costs are assumed to increase related to age as follows:

<u>Ages</u>	<u>Rate</u>
18-29	1.0%
30-39	2.5
40-49	3.0
50-54	3.3
55-59	3.6
60-64	4.2

#### Health Care Cost Trend

5.0% All Years

#### Mortality

RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2018 generational projection of future mortality improvement

#### Future Retiree Participation Rate

45%

**Initial Spouse Participation Rate**

Male Employees: 35%  
 Female Employees: 35%  
 Husbands are assumed to be three years older than wives.

**Turnover:**

Rates based on Scale T-4 of the Actuary's Pension Handbook.

Sample rates varying by age:

<u>Age</u>	<u>Rate</u>
20	5.4%
25	5.3
30	5.1
35	4.7
40	4.2
45	3.5
50	2.5
55	0.9
60	0.1

**Disability**

None.

**Retirement**

Sample rates varying by age:

<u>Age</u>	<u>Rate</u>
55	5.0%
56-57	2.5
58-59	5.0
60-61	10.0
62	20.0
63-64	10.0
65-66	30.0
67-68	40.0
69 or over	100.0

**Actuarial Methods**

The Entry Age Normal Level of Pay Actuarial Cost Method was used to determine the total OPEB liability.

The actuarial present value of future benefits is the present value necessary today to provide for a benefit payment or series of benefit payments in the future for all plan participants. It is determined by discounting the future benefit payments as the assumed investment return and reflect the probability of payment.

The service costs is determined as the sum of the individual normal costs for each active participant. A normal cost accrual rate is determined for each active participant. The normal cost accrual rate is equal to the actuarial present value of future benefits determined as of the participant's entry age, divided by the actuarial present value of the assumed salaries paid to the participant from entry age to assumed exit age. The normal cost accrual rate is multiplied by current salary to provide the participant's individual normal cost.

The total OPEB liability is the sum of the individual accrued liabilities for all plan participants. Each participant's actuarial accrued liability equals the actuarial present value of future benefits, less the actuarial present value of the participant's normal costs payable in the future. These present values are calculated at the participant's attained age.

The net OPEB liability equals the total OPEB liability less the value of plan assets.

#### **Asset Valuation Method**

The actuarial value of assets must be determined based on some recognition of the fair market value of assets. The District's obligation is unfunded at August 31, 2019. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

#### **Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the total OPEB liability, calculated using the current healthcare cost trend rate of 5.0%, as well as the total OPEB liability calculated using a healthcare cost trend rate that is 1-percentage point lower (4.0%) or 1-percentage point higher (6.0%) than the current rate:

	1% Decrease 4.0%	Current Healthcare Cost Trend Rate 5.0%	1% Increase 6.0%
Total OPEB Liability	\$44,391,343	\$53,480,368	\$65,458,431

#### **Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability, calculated using the current discount rate of 2.97%, as well as the total OPEB liability calculated using a discount rate that is 1-percentage point lower (1.97%) or 1-percentage point higher (3.96%) than the current rate:

	1% Decrease 1.97%	Current Discount Rate 2.97%	1% Increase 3.97%
Total OPEB Liability	\$63,275,071	\$53,480,368	\$45,691,365

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**NOTE 8. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended August 31, 2019 is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
Governmental activities:					
Bonds Payable:					
2010 UTGO Refunding Bonds	29,350,000	-	6,540,000	22,810,000	7,020,000
2012 UTGO Refunding Bonds	8,655,000	-	100,000	8,555,000	100,000
2013 UTGO and Refunding Bonds	64,205,000	-	2,485,000	61,720,000	1,300,000
2014 UTGO and Refunding Bonds	32,190,000	-	1,460,000	30,730,000	2,025,000
2017 UTGO Bonds	82,040,000	-	8,785,000	73,255,000	1,910,000
2018 UTGO Bonds	138,755,000	-	-	138,755,000	475,000
Total Bonds Payable	355,195,000	-	19,370,000	335,825,000	12,830,000
Unamortized Bond Premium	35,369,414	-	1,938,902	33,430,512	1,938,902
Net Bonds Payable	390,564,414	-	21,308,902	369,255,512	14,768,902
Net Pension Liabilities:					
PERS Plan 1	11,266,299	-	1,400,708	9,865,591	-
SERS Plans 2/3	4,526,709	-	1,105,014	3,421,695	-
TRS Plan 1	47,484,306	-	7,958,884	39,525,422	-
TRS Plans 2/3	7,331,162	-	-	9,633,485	-
Total Net Pension Liabilities	70,608,475	-	10,464,606	62,446,192	-
Other Liabilities:					
Compensated Absences	4,627,708	4,627,708	4,627,708	5,162,307	491,107
Total OPEB Liability	43,613,186	9,867,182	-	53,480,368	1,261,069
GRAND TOTAL	\$ 509,413,783	\$ 17,331,812	\$ 36,401,216	\$ 490,344,379	\$ 16,521,078

The debt service fund is established to redeem the outstanding bonds. Compensated Absences payments are liquidated by the general fund.

**General Obligation Bonds**—The annual requirements to amortize all general obligation bonds outstanding as of August 31, 2019, including interest payments, are listed as follows:

<b>Year Ending August 31, 2019</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	12,830,000	14,475,650	27,305,650
2021	16,260,000	13,842,738	30,102,738
2022	12,735,000	13,177,281	25,912,281
2023	11,750,000	12,685,350	24,435,350
2024	11,785,000	12,239,025	24,024,025
2025-2029	75,590,000	52,727,975	128,317,975
2030-2034	115,895,000	31,119,575	147,014,575
2035-2037	78,980,000	6,623,900	85,603,900
Total	\$ 335,825,000	\$ 156,891,494	\$ 492,716,494

General obligation school building bonds payable at August 31, 2019, with their outstanding balances are comprised of the following individual issues:



## OUTSTANDING BONDS

\$36,025,000 2010 general obligation refunding bonds, due in installments of \$575,000 to \$8,215,000 beginning December 1, 2010 to December 1, 2021, interest 2% to 5.00%	22,810,000
\$9,290,000 2012 general obligation refunding bonds, due in installments of \$135,000 to \$8,210,000 beginning December 1, 2012 to December 1, 2022, interest 2% to 3.00%	8,555,000
\$78,855,000 2013 general obligation and refunding bonds, due in installments of \$570,000 to \$10,280,000 beginning December 1, 2013 to December 1, 2032, interest 1.5% to 4.00%	61,720,000
\$43,555,000 2014 general obligation and refunding bonds, due in installments of \$775,000 to \$4,275,000 beginning December 1, 2014 to December 1, 2033, interest 1.00% to 5.00%	30,730,000
\$90,535,000 2017 general obligation bonds, due in installments of \$475,000 to \$16,000,000 beginning December 1, 2017 to December 1, 2036, interest 2.25% to 5.00%	73,255,000
\$138,755,000 2018 general obligation bonds, due in installments of \$475,000 to \$18,005,000, beginning December 1, 2019 through December 1, 2037, interest from 3.00% to 5.00%	\$ 138,755,000
	<hr/>
	\$ 335,825,000
	<hr/>

## LEGAL DEBT MARGIN

RCW 39.36.015 and RCW 39.36.020 provide that debt cannot be incurred in excess of the following percentages of the value of the taxable property of the district:

- 0.375% Without a vote of the people (Non-bonded debt only per RCW 28A51.010)
- 2.5% With a vote of the people
- 5.0% With a vote of the people, if the indebtedness in excess of 2.5% is for capital outlay.

Assessed valuation of taxable property for 2019 tax collection for bond purposes is \$13 billion.

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## **NOTE 9. RISK MANAGEMENT**

### **A. UNEMPLOYMENT**

Auburn School District self-insures for unemployment compensation for all of its 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 costs the district less than full participation in the state unemployment compensation program. Since actual claims paid during the fiscal year were only \$30,923 it is clear that all of the major prior year claims have been completely paid.

### **B. INDUSTRIAL INSURANCE**

For the fiscal year ended August 31, 2019, Auburn School district made payments totaling \$1,533,315 to the Workers' Compensation Trust administered by Puget Sound Educational Service district No. 121 for industrial insurance for all district employees. This trust is operated for the benefit of several neighboring school districts in-lieu-of districts making monthly premium payments to the State of Washington for industrial insurance. This practice enables these districts to pay industrial insurance claims as they occur and minimizes the districts' costs for the program.

### **C. RISK MANAGEMENT POOL**

The district is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. In order to obtain general liability insurance at a cost it considered to be economically justifiable, the district joined the Washington Schools Risk Management Pool administered by Puget Sound Educational Service District No. 121. This pool is a public entity risk pool currently operating as a common risk management and insurance program. It provides coverage for property, liability, vehicle, public official liability, crime, employment practices, machinery breakdown and network security. The district pays an annual premium to the pool for its general insurance coverage. For the fiscal year ended August 31, 2019, the district contributed \$1,557,643 to the pool.

The agreement for formation of the Washington School Risk Management Pool in 1986 provides that the pool will be self-sustaining through member premiums and reinsure through commercial companies for claims in excess of \$1 million for each property loss. The Pool maintains an excess reinsurance contract with Lexington Insurance Company which provides \$500 million limit of coverage over the Pool's self-insured retention (SIR) limit of \$1 million. This includes boiler and machinery coverage insurance through Hartford Steam Insurance Company with a Pool retention of \$25,000. The Pool purchased liability reinsurance coverage from Alterra for \$2 million excess of \$1 million SIR per occurrence; United Educators for \$7 million excess of \$3 million per occurrence; and excess liability insurance coverage through Chartis for \$10 million excess of \$10 million per occurrence. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Washington School risk Management Pool has published its own financial report for the year ended August 31, 2019. This report can be obtained from:

Washington Schools Risk Management Pool  
320 Andover Park East  
P. O. Box 88700  
Tukwila WA 98138-2700

**NOTE 10. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND FINANCIAL STATEMENTS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**A. RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

Total fund balances for governmental funds		\$ 260,207,188
Total net position for governmental activities in the statement of net position differs because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land, net of \$463,631 applicable accum. depreciation	\$ 44,655,774	
Construction in progress	328,686,188	
Buildings and improvements, net of \$112,298,214 accum. depreciation	5,736,034	
Furniture and equipment, net of \$ 16,175,599 accumulated depreciation	<u>25,530,506</u>	
		404,608,502
Property taxes that are deferred in government funds since not available soon enough to pay for the current period's expenditures.		23,070,465
		344,203
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is recognized.		(3,538,223)
Long-term liabilities and deferred outflows of resources that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities or deferred outflows of resources. All liabilities and deferred outflows of resources, both current and long-term are reported in the statement of net position. Balances at year-end are:		
Deferred Outflows of Resources:		
Deferred Outflow on Refunding		2,412,046
Deferred Outflow on Pension Plans		16,671,431
Deferred Outflow on OPEB Plans		10,040,300
Liabilities:		
Bonds Payable	(\$335,825,000)	
Unamortized bond premiums	(33,430,512)	
Compensated Absences	(5,162,307)	
Net Pension Liability - all plans	(62,446,192)	
Net OPEB Obligation	<u>(53,480,368)</u>	
		(490,344,379)
Deferred Inflows of Resources:		
Deferred Inflow on Pension Plans		(19,286,062)
Total net position of governmental activities		<u><u>\$ 204,185,470</u></u>

## B. RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

**Net change in fund balances-total governmental funds** \$ (53,728,953)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for furniture and equipment and \$100,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period (Schedule 4A):

Capital outlays	\$ 75,834,968	
Depreciation expense	(9,976,749)	
Loss on disposal of assets	<u>(4,452,396)</u>	\$ 61,405,824

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. The repayment of principal reduces the liability. Governmental funds expend issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. However, interest expense is recognized as it accrues, regardless of when it is due. The effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	\$ 19,370,000	
Interest and other charges - general obligation bonds	(8,785)	
Bond Sale	<u>-</u>	19,361,215

Property tax revenues received prior to the year for which they are being levied are reported as unavailable revenue in the governmental funds. They are, however, recorded as revenues in the statement of activities. Unavailable property tax revenues decreased this year due to changed legislation limiting the District's levy authority. (27,155,057)

In the statement of activities, certain operating expenses such as compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. During this year, accrued vacation and sick leave payable increased by (534,599)

Net Pension Expense 12,724,629

Net OPEB Obligation (3,399,778)

**Change in net position of governmental activities** \$ 8,673,281

**NOTE 11. SUMMARY OF SIGNIFICANT CONTINGENCIES****LITIGATION**

Auburn School District is party to various pending legal actions arising from its normal educational activities. It is the opinion of the administration that these will be resolved without any material impact on the operations or the financial position of the district.

**CLAIMS AND JUDGMENTS**

The district participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Since these have not been completed, the amount, if any, of expenditures that may be disallowed by the granting agencies has not yet been determined. The district believes that disallowed expenditures, if any, will not have a material effect on any of the governmental funds or the overall financial position of the district.

**NOTE 12. FUND BALANCE (GOVERNMENTAL FUNDS)****CHANGES IN FUND BALANCES**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund
Total Fund Balance 8/31/18	\$ 21,204,210	\$ 1,665,726	\$12,591,921	\$275,881,895	\$ 2,592,388
Nonspendable: Inventories	337,215	-	-	-	-
Restricted:					
Child Nutrition Services	492,333	-	-	-	-
Student Activities	-	63,071	-	-	-
Debt Service	-	-	(4,802,098)	-	-
Capital Projects	-	-	-	(70,697,201)	-
Acquisition of Buses	-	-	-	-	134,695
Carryovers	1,922,489				
Committed:					
Capital Levy Projects	-	-	-	1,767,466	-
Held for Employee Benefits	(49,414)	-	-	-	-
Assigned:					
Other Purposes	-	-	-	-	-
Other Capital Projects	-	-	-	2,548,092	-
Unassigned	14,554,399	-	-	-	-
Total Fund Balance 8/31/18	\$ 38,461,232	\$ 1,728,797	\$ 7,789,823	\$209,500,252	\$ 2,727,083

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**NOTE 13. OTHER DISCLOSURES**

**KING COUNTY DIRECTORS' ASSOCIATION**

The district is a member of the King County Directors' Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. This association serves 294 public school districts. District purchases for the calendar year 2018 totaled \$1,200,174. Auburn School District's equity in KCDA totaled \$210,557 as of December 31, 2018. This equity is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the district compared to all other districts applied against paid administrative fees. The district may withdraw inventory at a maximum rate of ten (10) percent per year for a ten year period, or the district may withdraw cash equally over a fifteen-year period.

**NOTE 14. SIGNIFICANT EFFECT OF SUBSEQUENT EVENTS**

**2019 BOND ISSUE**

On December 3, 2019, the District issued Unlimited Tax General Obligation Bonds, 2019 (the "2019 Bonds"), with a par amount of \$73,815,000, plus the deposit of \$6,185,000 of net original issue premium generated by the sale of the 2019 Bonds to provide moneys that are necessary to pay the cost and expenses to construct and equip two new elementary schools; rebuild and equip Chinook Elementary, Dick Scobee Elementary, Lea Hill Elementary, Pioneer Elementary, Terminal Park Elementary schools and Olympic Middle School. The funds may also be used to acquire sites as needed to accomplish these capital projects. The bonds bear interest rates from 3.00 to 5.00 percent and will be redeemed over the next 20 years with proceeds from property tax levy.

As a result of this issuance of debt, subsequent to the fiscal period ending August 31, 2019, the District's total voted debt increased from \$335,825,000 to \$409,640,000 as of December 2019.

Following the sale of the 2019 Bonds, the District has \$124,450,000 of unissued Bond Authorization, from the original Bonds Authorized, \$456,056,000 on Resolution No. 1291, passed in November 2016 to fund the projects listed above.

**COVID-19 Pandemic**

In February 2020, Governor Inslee 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 include closing schools, canceling public events, limiting gathering sizes, and requiring people to stay home unless they are leaving for an essential function. On April 6, 2020, the Governor closed all public and private K-12 school buildings throughout the remainder of the 2019-20 school year. The school district, however, continues to operate; educating students using continuous learning models.

The District maintains a healthy fund balance and does not anticipate any financial difficulties in the near future, as a result of this subsequent event. Appropriate controls are in place to ensure expenditures are deemed necessary. OSPI has stated it will continue to fund school districts during the closure.

The length of time these measures will be in place, and the full extent of the financial impact on the school district, is unknown at this time.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**AUBURN SCHOOL DISTRICT NO. 408**  
**BUDGETARY COMPARISON SCHEDULE\***  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2019**

	BUDGETED AMOUNTS		ACTUAL AMOUNT	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Local	\$ 47,260,163	\$ 38,341,766	\$ 36,879,752	\$ (1,462,014)
State	137,654,735	203,668,795	205,310,314	1,641,519
Federal	16,633,159	15,865,620	15,064,111	(801,509)
Other	627,700	1,588,579	1,664,122	75,543
TOTAL REVENUES	202,175,757	259,464,760	258,918,298	(546,462)
EXPENDITURES				
CURRENT				
Regular Instruction	118,949,723	133,435,178	137,108,206	(3,673,028)
Special Education	25,389,715	30,696,362	29,994,918	701,444
Vocational Instruction	6,835,926	8,733,044	7,928,434	804,610
Compensatory Education	14,643,285	20,685,528	20,608,434	77,094
Other Instructional Programs	4,560,157	6,005,634	1,978,922	4,026,712
Community Services	1,382,601	1,528,981	1,171,710	357,271
Support Services	22,023,795	30,147,133	26,851,151	3,295,982
Child Nutrition Services	7,746,702	7,872,616	7,098,480	774,136
Pupil Transportation Services	7,593,855	8,241,593	8,244,242	(2,649)
CAPITAL OUTLAY				
Equipment	602,444	472,708	743,371	(270,663)
TOTAL EXPENDITURES	209,728,203	247,818,777	241,727,868	6,090,909
Excess of Revenues Over (Under) Expenditures				
	(7,552,446)	11,645,983	17,190,430	5,544,447
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	-	-	66,592	66,592
Total Other Financing Sources (Uses)	-	-	66,592	66,592
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Uses				
	(7,552,446)	11,645,983	17,257,021	5,611,038
FUND BALANCE-September 1	14,000,000	16,450,000	21,204,210	4,754,210
FUND BALANCE -August 31	\$ 6,447,554	\$ 28,095,983	\$ 38,461,232	\$ 10,365,248

\* Prepared on the GAAP Budgetary Basis of Accounting

**REQUIRED SUPPLEMENTARY INFORMATION**  
**AUBURN SCHOOL DISTRICT NO. 408**  
**BUDGETARY COMPARISON SCHEDULE\***  
**SPECIAL REVENUE FUND (ASSOCIATED STUDENT BODY FUND)**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2019**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNT	
REVENUES				
General	\$ 1,988,966	\$ 1,988,966	\$ 633,813	\$ (1,355,153)
Athletics	\$ 273,180	273,180	209,432	(63,748)
Classes	\$ 280,325	280,325	119,364	(160,961)
Clubs	\$ 2,486,304	2,486,304	1,209,109	(1,277,195)
Private Monies	\$ 135,150	135,150	87,754	(47,396)
Total Revenues	5,163,925	5,163,925	2,259,471	(2,904,454)
EXPENDITURES				
General	1,390,266	1,390,266	461,037	929,229
Athletics	400,287	400,287	242,440	157,847
Classes	314,322	314,322	143,333	170,989
Clubs	2,818,062	2,818,062	1,290,877	1,527,185
Private Monies	140,432	140,432	58,713	81,719
Total Expenditures	5,063,369	5,063,369	2,196,400	2,866,969
Excess of Revenues Over (Under) Expenditures				
	100,556	100,556	63,071	(37,485)
FUND BALANCE - September 1				
	1,171,528	1,171,528	1,665,726	494,198
FUND BALANCE - August 31				
	\$ 1,272,084	\$ 1,272,084	\$ 1,728,797	\$ 456,713

\*Prepared on the GAAP Budgetary Basis of Accounting.



**REQUIRED SUPPLEMENTARY INFORMATION**

**AUBURN SCHOOL DISTRICT NO. 408**

**SCHEDULE OF CHANGE IN TOTAL OPEB LIABILITY AND RELATED RATIOS**

	2019	2018
Total OPEB Liability - Beginning of Year	\$ 43,613,186	\$ 37,547,954
Service Costs	2,249,829	1,876,702
Interest	1,794,607	1,752,186
Changes of Benefit Terms	-	-
Difference between Expended and Actual Experience	1,495,247	484,043
Changes of Assumptions	5,966,246	3,410,735
Benefit Payments	(1,638,747)	(1,458,434)
Net Change in Total OPEB Liability	<u>9,867,182</u>	<u>6,065,232</u>
Total OPEB Liability - End of Year	\$ 53,480,368	\$ 43,613,186
Covered Employee Payroll	127,141,630	111,674,533
Total OPEB Liability as a Percentage of the Covered Employee Payroll	42.06%	39.05%

\*There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, so the Net Fiduciary Position is \$0 and the Net OPEB Liability would be equal to the Total OPEB Liability.

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

**REQUIRED SUPPLEMENTARY INFORMATION**  
**AUBURN SCHOOL DISTRICT NO. 408**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**AS OF JUNE 30, 2019**  
**LAST 10 FISCAL YEARS\***

	2019	2018	2017	2016	2015
<b>Plan: PERS 1</b>					
District's Proportion of the net pension liability (percentage)	0.256559%	0.252266%	0.249462%	0.243299%	0.235030%
District's proportionate share of the net pension liability (amount)	9,865,589	11,266,298	11,837,143	13,066,316	12,294,252
District's covered-employee payroll	35,583,697	33,395,807	31,117,271	29,293,377	26,627,617
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	27.73%	33.74%	38.04%	44.61%	46.17%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	63.22%	61.24%	57.03%	59.10%
<b>Plan: SERS 2/3</b>					
District's Proportion of the net pension liability (percentage)	1.459158%	1.513636%	1.510411%	1.565491%	1.527114%
District's proportionate share of the net pension liability (amount)	3,421,695	4,526,709	7,453,500	10,281,628	6,202,389
District's covered-employee payroll	35,315,829	33,114,142	30,856,255	28,969,671	26,284,813
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	9.69%	13.67%	24.16%	35.49%	23.60%
Plan fiduciary net position as a percentage of the total pension liability	96.31%	94.77%	90.79%	86.52%	90.92%
<b>Plan: TRS 1</b>					
District's Proportion of the net pension liability (percentage)	1.596469%	1.625845%	1.601673%	1.623871%	1.563259%
District's proportionate share of the net pension liability (amount)	39,525,422	47,484,306	48,422,876	55,442,817	49,526,279
District's covered-employee payroll	107,170,555	95,441,919	88,949,650	81,961,169	75,062,155
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	36.88%	49.75%	54.44%	67.65%	65.98%
Plan fiduciary net position as a percentage of the total pension liability	70.37%	66.52%	65.58%	62.07%	65.70%
<b>Plan: TRS 2/3</b>					
District's Proportion of the net pension liability (percentage)	1.598829%	1.628735%	1.605022%	1.622560%	1.567497%
District's proportionate share of the net pension liability (amount)	9,633,486	7,331,162	14,813,440	22,282,564	13,226,568
District's covered-employee payroll	106,728,609	94,733,298	88,002,945	80,831,106	73,340,017
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	9.03%	7.74%	16.83%	27.57%	18.03%
Plan fiduciary net position as a percentage of the total pension liability	96.36%	96.88%	93.14%	88.72%	92.48%

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

**REQUIRED SUPPLEMENTARY INFORMATION**  
**AUBURN SCHOOL DISTRICT NO. 408**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**AS OF AUGUST 31, 2019**  
**LAST 10 FISCAL YEARS\***

	2019	2018	2017	2016	2015
<b>Plan: PERS 1</b>					
Contractually required contribution	\$ 1,839,631	\$ 1,686,207	\$ 1,500,575	\$ 1,379,743	\$ 1,080,193
Contributions in relation to the contractually required contributions	\$ 1,839,631	\$ 1,686,207	\$ 1,500,575	\$ 1,379,743	\$ 1,080,193
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$ 34,386,173	\$ 33,726,589	\$ 31,429,235	\$ 29,688,039	\$ 27,045,866
Contribution as a percentage of covered-employee payroll	5.34%	5.00%	4.77%	4.65%	3.99%
<b>Plan: SERS 2/3</b>					
Contractually required contribution	\$ 2,920,738	\$ 2,647,962	\$ 2,045,807	\$ 1,872,865	\$ 1,484,686
Contributions in relation to the contractually required contributions	\$ 2,920,738	\$ 2,647,962	\$ 2,045,807	\$ 1,872,865	\$ 1,484,686
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$ 34,629,930	\$ 33,435,467	\$ 31,171,337	\$ 29,372,449	\$ 26,710,560
Contribution as a percentage of covered-employee payroll	8.43%	7.92%	6.56%	6.38%	5.56%
<b>Plan: TRS 1</b>					
Contractually required contribution	\$ 7,928,483	\$ 6,761,779	\$ 5,604,834	\$ 4,935,204	\$ 3,498,213
Contributions in relation to the contractually required contributions	\$ 7,928,483	\$ 6,761,779	\$ 5,604,834	\$ 4,935,204	\$ 3,498,213
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$ 109,220,862	\$ 96,706,447	\$ 89,873,171	\$ 83,219,448	\$ 76,034,791
Contribution as a percentage of covered-employee payroll	7.30%	6.99%	6.24%	5.93%	4.60%
<b>Plan: TRS 2/3</b>					
Contractually required contribution	\$ 8,356,842	\$ 7,241,036	\$ 5,913,706	\$ 5,296,086	\$ 4,165,580
Contributions in relation to the contractually required contributions	\$ 8,356,842	\$ 7,241,036	\$ 5,913,706	\$ 5,296,086	\$ 4,165,580
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$ 108,824,797	\$ 96,042,036	\$ 88,963,252	\$ 82,150,225	\$ 74,410,975
Contribution as a percentage of covered-employee payroll	7.68%	7.54%	6.65%	6.45%	5.60%

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

**Auburn School District No. 408**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2019**

Federal Agency (Pass-Through Agency)	Expenditures						Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	School Breakfast Program	10.553	n/a	1,426,371	-	1,426,371	-	3
	National School Lunch Program	10.555	n/a	4,655,958	-	4,655,958	-	
	Summer Food Service Program for Children	10.559	n/a	158,169	-	158,169	-	
Total Child Nutrition Cluster:				6,240,498	-	6,240,498	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Fresh Fruit and Vegetable Program	10.582	n/a	26,535	-	26,535	-	
	Forest Service Schools and Roads Cluster							
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Schools and Roads - Grants to States	10.665	n/a	4,670	-	4,670	-	
	Total Forest Service Schools and Roads Cluster:				4,670	-	4,670	-
US Department of Defense	JROTC Program	12.999	n/a	-	91,722	91,722	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	270715 (5189/2070)	17,661	-	17,661	-	5

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

**Auburn School District No. 408**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2019**

Federal Agency (Pass-Through Agency)	Expenditures					Passed through to Subrecipients	Note
	Federal Program	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	271008 (5189/4080)	8,273	-	8,273	5
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	270074 (5189/2030)	41,689	-	41,689	5
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	270006 (5189/2020)	35,359	-	35,359	5
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	270521 (5189/5040)	18,464	-	18,464	5
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	270742 (5189/1480)	14,845	-	14,845	5
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	270712 (5189/2060)	8,385	-	8,385	5
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	203143 (5100- 5185)	3,898,245	-	3,898,245	4, 5
<b>Special Education Cluster (IDEA)</b>		<b>Total CFDA 84.010:</b>		<b>4,042,921</b>	<b>-</b>	<b>4,042,921</b>	<b>-</b>

The accompanying notes are an integral part of this schedule.

**Auburn School District No. 408**  
**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 SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	306488 (2400)	2,753,325	-	2,753,325	-	5
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	338103 (2402)	204,249	-	204,249	-	5
			<b>Total CFDA 84.027:</b>	<b>2,957,574</b>	-	<b>2,957,574</b>	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	365977 (2480)	89,074	-	89,074	-	5
			<b>Total Special Education Cluster (IDEA):</b>	<b>3,046,647</b>	-	<b>3,046,647</b>	-	
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA OSPI)	Career and Technical Education -- Basic Grants to States	84.048	174272 (3860)	110,786	-	110,786	-	5
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	Indian Education Grants to Local Educational Agencies	84.060	n/a	-	84,086	84,086	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via PSES)	Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	6904	7,055	-	7,055	-	2

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

**Auburn School District No. 408**  
**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 POSTSECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via University of Washington)	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	7979	332,492	-	332,492	-	2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	English Language Acquisition State Grants	84.365	402626 (6400 & 6405)	354,396	-	354,396	-	5
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	English Language Acquisition State Grants	84.365	410557 (6436)	17,372	-	17,372	-	5
			<b>Total CFDA 84.365:</b>	<b>371,767</b>	<b>-</b>	<b>371,767</b>	<b>-</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	524666 (5237)	518,604	-	518,604	-	5
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	Student Support and Academic Enrichment Program	84.424	430284 (5205)	235,233	-	235,233	-	5
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Public Health Seattle & King County)	Sodium Reduction in Communities	93.082	9809	13,497	-	13,497	-	

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

**Auburn School District No. 408**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2019**

Federal Agency (Pass-Through Agency)	Expenditures					Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via SOWA)	Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	5859	30,000	-	30,000	-
<b>Medicaid Cluster</b>							
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA HCA)	Medical Assistance Program	93.778	6310	104,721	-	104,721	-
		<b>Total Medicaid Cluster:</b>		<b>104,721</b>	<b>-</b>	<b>104,721</b>	<b>-</b>
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via King County)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	6905	141,247	-	141,247	-
		<b>Total Federal Awards Expended:</b>		<b>15,226,674</b>	<b>175,808</b>	<b>15,402,483</b>	<b>-</b>

The accompanying notes are an integral part of this schedule.



**Auburn School District #408**

**Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended August 31, 2019**

**Note 1 – Basis of Accounting**

This Schedule is prepared on the same basis of accounting as the District's financial statements. The 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**

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

**Note 3 – Noncash Awards**

The amount of commodities reported on the Schedule is the value of commodities received by the District during current year and priced as prescribed by OSPI.

**Note 4 – School Wide Programs**

The District operates a "schoolwide program" in four elementary building, four middle schools, and four high schools (twelve buildings total). Using the 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 amount was expended by the district in its school wide program: Title I (84.010A) \$3,898,245

**Note 5 – Indirect Cost Rate**

The District claimed indirect costs under this grant using its federal restricted rate of 3.38%.

The District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>