



Office of the Washington State Auditor  
Pat McCarthy

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

# **Tacoma School District No. 10**

**For the period September 1, 2019 through August 31, 2020**

*Published July 12, 2021*

Report No. 1028667



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

July 12, 2021

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

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

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### Tacoma School District No. 10 September 1, 2019 through August 31, 2020

## SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

### Financial Statements

We issued an unmodified opinion on the fair presentation of the basic 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 identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

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

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
84.010	Title I Grants to Local Educational Agencies
84.425D	COVID-19 – Elementary and Secondary School Emergency Relief Fund (ESSER)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$1,246,340.

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

## SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2020-001.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Tacoma School District No. 10 September 1, 2019, through August 31, 2020

#### **2020-001 Tacoma School District did not have adequate internal controls to ensure compliance with federal requirements for time and effort for its Title I grant program.**

<b>CFDA Number and Title:</b>	84.010 Title I Grants to Local Educational Agencies
<b>Federal Grantor Name:</b>	U.S. Department of Education
<b>Federal Award/Contract Number:</b>	N/A
<b>Pass-through Entity Name:</b>	State of Washington Office of Superintendent of Public Instruction
<b>Pass-through Award/Contract Number:</b>	0270793, 0270783, 0270095, 0270094, 0270815, 0270096, 0270112, 0270805, 0270806, 0270093, 0271029, 0270529, 0270549, 0270021, 0270700, 0270501, 0203473, 0203718, 0203015, 0222595
<b>Questioned Cost Amount:</b>	\$0

#### ***Background***

The objective of the Title I program 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 2020, the District spent \$10,795,958 in Title I program funds.

Federal regulations require recipients to establish and follow internal controls to ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established program controls.

The District is responsible for ensuring it supports salaries and benefits charged to the grant with adequate time and effort documentation, as required by federal regulations and the Office of Superintendent of Public Instruction (OSPI). OSPI's time and effort requirements are more restrictive than the federal requirements. Depending upon the number and type of activities employees perform, time and

effort documentation can be a semi-annual certification or monthly personnel activity report, such as a timesheet.

### ***Description of Condition***

We found the District's internal controls were not effective to ensure it completed adequate time-and-effort records, as required by federal regulations and OSPI. The District said that it did not obtain monthly time and effort documentation signed by the employee attesting to the accuracy of time worked in the program during the COVID-19 school closure from March 24, 2020, through August 31, 2020.

We consider this deficiency in internal controls to be a significant deficiency.

### ***Cause of Condition***

The District has procedures in place to obtain the required monthly time and effort documentation through an electronic timekeeping system. However, due to the COVID-19 school closure and staff not working at school buildings, most employees were unable to access the timekeeping system. While the District did use an alternate method to track the time employees worked, it did not establish alternative methods to obtain the employee's signatures or some sort of certification of time worked to meet this grant's requirements.

### ***Effect of Condition***

The District's noncompliance with grant requirements could jeopardize future federal funding and might require it to return federal funds to the grantor. By not keeping proper time-and-effort records, the District did not comply with OSPI's documentation requirements to support payroll costs charged to the federal program. Further, it cannot assure federal grantors that \$660,229 in payroll costs charged to the program from March through August 2020 were accurate and valid. The District provided alternative documentation to demonstrate the employees worked in the program during this time period; therefore, we are not questioning costs.

### ***Recommendation***

We recommend the District follow time-and-effort internal controls, or modify them during remote working, to ensure it meets federal requirements for documentation of all payroll costs charged to grants.

## ***District's Response***

*We appreciate the State Auditor's efforts to help our District improve. The description and write-up of the events are correct. Prior to COVID-19, the District utilized an effective methodology to obtain the required time and effort records. However, during the school closure period associated with COVID-19, employees began working remotely and access to the District's timekeeping system was limited. During that time the District did not employ an alternative method to collect time and effort documentation which resulted in incomplete records.*

*Tacoma School District No. 10 is committed to meeting the federal requirements for time and effort recordkeeping and has taken or will take the following steps to ensure there is a system and controls in place to ensure grant funded employees attest to their time and effort.*

- 1) A review and analysis of the time reporting process during normal operations and while working remotely (completed April 2021)*
- 2) The designation of one employee to oversee the reporting process (August 2021)*
- 3) Training all grant funded employees to properly report hours (August 2021 and ongoing)*

## ***Auditor's Remarks***

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

## ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303 Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Office of Superintendent of Public Instruction Addendum to Bulletin 048-17, establishes requirements for documenting time-and-effort.



## INDEPENDENT AUDITOR'S REPORT

### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

#### **Tacoma School District No. 10 September 1, 2019 through August 31, 2020**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Tacoma School District No. 10, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 26, 2021.

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

As discussed in Note 14 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 14.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

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

internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

February 26, 2021

## INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

### **Tacoma School District No. 10 September 1, 2019 through August 31, 2020**

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

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

We have audited the compliance of Tacoma School District No. 10, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2020. 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, 2020.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

### **District's Response to Findings**

The District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **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 over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-001, that we consider to be significant deficiencies.

### **District's Response to Findings**

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

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

Pat McCarthy, State Auditor

Olympia, WA

June 9, 2021

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **Tacoma School District No. 10** **September 1, 2019 through August 31, 2020**

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

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Tacoma School District No. 10, as of and for the year ended August 31, 2020, 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 did not audit the financial statements of the Sound Partnership, which represents 57 percent, 80 percent and 98 percent, respectively, of the assets, net position and revenues of the aggregate remaining fund information. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Sound Partnership, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Sound Partnership were not audited in accordance with *Government Auditing Standards*.

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

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

## **Opinions**

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Tacoma School District No. 10, as of August 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 14 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 14. 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 February 26, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor  
Olympia, WA  
February 26, 2021

## FINANCIAL SECTION

### **Tacoma School District No. 10 September 1, 2019 through August 31, 2020**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2020

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2020

Statement of Activities – 2020

Balance Sheet – Governmental Funds – 2020

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2020

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2020

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2020

Statement of Net Position – Proprietary Funds – 2020

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2020

Statement of Cash Flows – Proprietary Funds – 2020

Statement of Net Position – Fiduciary Funds – 2020

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2020

Notes to Financial Statements – 2020

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule – General Fund – 2020

Budgetary Comparison Schedule – Special Revenue Fund (Associate Student Body Fund) – 2020

Schedule of Changes in the Total Reported OPEB Liability and Related Ratios – 2020

Schedule of the District's Proportionate Share of Net Pension Liability– PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2020

Schedule of District's Contributions – PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2020

Schedule of District's Contributions – Non-Governmental Pension Plans – 2020

## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

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## MANAGEMENT’S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Tacoma School District’s financial performance provides an overview of the District’s financial activities for the fiscal year ended August 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information presented in the financial statements and notes to the financial statements.

### FINANCIAL HIGHLIGHTS

- The District’s total net position for governmental activities as of August 31, 2020, was \$375.9M, a increase of \$28.7M from 2018-19.
- During the year, the District had revenues of \$569.2M and expenses of \$540.5M incurred for all governmental activities, resulting in a corresponding increase in the District’s net position by \$28.7M.
- The District’s governmental funds reported a combined ending fund balance of \$119.1M; a decrease of \$75.6M from the prior year. The general fund’s total fund balance was \$36.9M; a decrease of \$3.0M from the previous year. Approximately \$11M is available for spending at the District’s discretion (assigned and unassigned fund balance - not including Unassigned for Minimum Fund Balance Policy).
- The District also refunded its 2014 and 2015 bonds in July 2020, realizing a net present value savings of over 15 percent. The refunding bonds were issued at \$366M.
- The District utilized \$2.71M in Elementary and Secondary School Emergency Relief (ESSER) Funds to purchase laptops for online learning; to pay nutrition services staff unable to perform duties on-site; and to purchase personal protective equipment and supplies to sanitize school buildings.

### USING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

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

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

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

### REPORTING THE DISTRICT AS A WHOLE

#### The Statement of Net Position and the Statement of Activities

Our analysis of the District as a whole begins in the *government-wide financial statement* section. Is the

District as a whole better or worse as a result of the year's financial activities? The *statement of net position* and the *statement of activities* report information about the District as a whole and about its activities in a way that helps answer this question. The financial statements of the District present an increase in financial position from the prior year as reflected in the *statement of net position*. Increases in deferred outflows for pensions, OPEB and refunding bonds and decreases in deferred inflow for pensions and OPEB contributed to the \$28.7M increase in the District's net position.

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

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

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

## **REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

### **Governmental Fund Financial Statements**

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

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

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

## **THE DISTRICT AS TRUSTEE**

### **Reporting the District's Fiduciary Responsibilities**

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

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

Net position may serve as a useful indicator of a government's financial position. The Tacoma School District's assets and deferred outflows exceeded liabilities and deferred inflows by \$375.9M at the end of the fiscal year, August 31, 2020.

The ratio of liabilities and deferred inflows of resources to assets and deferred outflows of resources is 73 percent. The value of the district's capital assets (i.e. land, buildings, and equipment) net of depreciation was \$1,051.3M. The net investment in capital assets is the historical cost of capital assets, net of accumulated depreciation, plus capital-related deferred outflows of resources, less capital related borrowing (bonded debt incurred to acquire the capital assets) and deferred inflows of resources related to capital assets. This value represents the largest portion of net position at \$545.8M. The substantial investment in capital assets represents the District's history of building and modernizing its schools in accordance with its long-term mission of providing academic excellence in safe and healthy facilities. These assets are not available for future spending and the debt associated with these assets will be paid from levied property taxes (authorized by the voters in 2013).

Total liabilities of \$988.7M have increased as compared to the prior year by approximately \$50M. The increase in liabilities is due to the refunding of the 2014 and 2015 bonds outstanding as well as an increase in pension liabilities.

Restricted net position total of \$92.7M are resources subject to external restrictions on how they may be used. They consist of funds that have constraints imposed by law through enabling legislation (Capital, Transportation Vehicle, and ASB Funds), externally imposed debt covenants (Debt Service Fund), externally imposed regulations of contributors, and external contractual impositions of grantors and regulations of other governments upon state and federal grant funds (Carryover Restricted Revenues for Education and Operations).

The unrestricted portion of net position is any portion not already classified as either net investment in capital assets or restricted. The unrestricted portion represents resources that may be considered available to finance normal district government activities without external constraints imposed by law through constitutional provisions or enabling legislation, laws and regulations of other governments; or constraints established by debt covenants. It is possible for a negative unrestricted net position to exist where liabilities, deferred inflows of resources, net investment in capital assets, and other restricted portions exceed assets and deferred inflows of resources.

Tacoma School District's Net Position As of August 31			
	2020	Governmental Activities 2019	Changes
<b>ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>			
Current and Other Assets	\$ 237,929,157	\$ 291,205,120	\$ (53,275,963)
Premiums Expected to be Received	-	15,612,303	(15,612,303)
Capital Assets	1,051,270,648	1,005,187,845	46,082,803
<b>Total Assets</b>	<b>1,289,199,805</b>	<b>1,312,005,268</b>	<b>(22,805,463)</b>
Refunded Bonds - Charge on Refunding	18,624,286	-	18,624,286
Deferred Outflows - Pension Plan	50,864,660	31,634,994	19,229,666
Deferred Outflows – OPEB	34,463,675	4,281,179	30,182,496
<b>Total Deferred Outflows</b>	<b>103,952,621</b>	<b>35,916,173</b>	<b>68,036,447</b>

**LIABILITIES & DEFERRED INFLOWS OF RESOURCES**

Long-Term Liabilities	903,447,553	838,391,100	65,056,453
Accrued Claims and Expenses	142,376	15,987,723	(15,845,347)
Other Liabilities	85,137,105	84,393,050	744,055
<b>Total Liabilities</b>	<b>988,727,035</b>	<b>938,771,873</b>	<b>49,955,161</b>

Refunded Bonds - Gain on Refunding	-	2,387,392	(2,387,392)
Deferred Inflows - Pension Plan	9,917,630	37,346,768	(27,429,138)
Deferred Inflows - OPEB	18,631,892	22,270,490	(3,638,598)
<b>Total Deferred Inflows</b>	<b>28,549,522</b>	<b>62,004,650</b>	<b>(33,455,128)</b>

**NET POSITION**

Net Investment in Capital Assets	545,811,549	544,221,882	1,589,667
Restricted	92,691,976	81,895,142	10,796,835
Unrestricted	(262,627,656)	(278,972,107)	16,344,451
<b>TOTAL NET POSITION</b>	<b>\$375,875,869</b>	<b>\$347,144,917</b>	<b>\$28,730,952</b>

**Governmental Activities**

The 2019-20 revenues of \$569.2M exceeded expenses by \$28.7M resulting in an increase in net position. Total revenues increased by \$38.9M, while overall expenses increased by \$28.1M. Revenues consistently outpacing expenses contribute to a stronger financial position.

The most significant revenue increases were evident in the program revenues, operating grants and contributions (increase of \$10.3M) and general revenues, unallocated revenue (increase of \$30.2M). Increases in operating grants and contributions are due to COVID targeted assistance grants, COVID assistance funds for community service nutrition distribution while schools were closed. Unallocated revenue increase is from basic state apportionment funds as a result of increased annual average enrollment and increased state legislative investments toward fully funding basic education (per the McCleary decision).

The overall increase in program expenses is most evident in regular instruction (increase of \$19.3M), community services (\$8.4M increase), and support services (\$3.3M increase). Increases in regular instruction and support services are due primarily to salary and benefit increases. Community services increases are due to COVID nutrition services and day care services for essential workers after the close of schools.

Governmental Activities Changes in Net Position			
PRIMARY GOVERNMENT			
As of August 31			
	2020	2019	Changes
<b>REVENUES</b>			
Program Revenues:			
Charges for Services	\$ 8,416,279	\$ 11,289,173	\$ (2,872,894)
Operating Grants and Contributions	148,521,409	138,240,571	10,280,838
Capital Grants and Contributions	705,168	613,048	92,119
General Revenues:			
Property Taxes	141,584,202	137,735,719	3,848,483
Interest and Investment Earnings	2,048,895	4,758,306	(2,709,410)
Unallocated Revenues	267,929,860	237,691,528	30,238,332
<b>TOTAL REVENUES</b>	<b>569,205,813</b>	<b>530,328,345</b>	<b>38,877,468</b>

**PROGRAM EXPENSES:**

Regular Instruction	288,140,972	268,804,673	19,336,300
Special Instruction	66,286,484	65,178,828	1,107,656
Career & Technical Instruction	17,563,495	16,378,540	1,184,954
Compensatory Instruction	42,475,373	43,216,735	(741,362)
Other Instructional Programs	3,065,470	7,194,129	(4,128,659)
Community Services	9,407,923	965,760	8,442,164
Support Services	93,922,997	90,667,611	3,255,387
Extracurricular Activities	1,102,346	1,794,834	(692,489)
Debt Payment	18,509,800	18,165,754	344,047
<b>TOTAL EXPENSES</b>	<b>540,474,860</b>	<b>512,366,864</b>	<b>28,107,996</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>28,730,952</b>	<b>17,961,481</b>	<b>10,769,472</b>
<b>NET POSITION - 9/1</b>	<b>347,144,917</b>	<b>329,297,469</b>	17,847,448
Prior Period Correction	-	(114,033)	114,033
<b>NET POSITION - 8/31</b>	<b>\$ 375,875,869</b>	<b>\$ 347,144,917</b>	<b>\$ 28,730,953</b>

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

	Governmental Activities			
	Total Cost of Services		Net Cost of Services	
	2019-20	2018-19	2019-20	2018-19
Regular Instruction	\$ 288,140,972	\$ 268,804,673	\$ (283,526,719)	\$ (266,498,272)
Special Instruction	66,286,484	65,178,828	(12,294,525)	(14,340,931)
Career & Tech Instruction	17,563,495	16,378,540	857,067	608,808
Compensatory Instruction	42,475,373	43,216,735	2,176,457	906,581
Other Instructional Programs	3,065,470	7,194,129	42,638	(2,492,755)
Community Services	9,407,923	965,760	(3,315,969)	(39,120)
Support Services	93,922,997	90,667,611	(68,303,233)	(62,198,195)
Extracurricular Activities	1,102,346	1,794,834	42,079	(4,435)
Debt payments	18,509,800	18,165,754	(18,509,800)	(18,165,754)
<b>TOTALS</b>	<b>\$ 540,474,860</b>	<b>\$ 512,366,864</b>	<b>\$ (382,832,005)</b>	<b>\$ (362,224,072)</b>

**GOVERNMENTAL FUNDS FINANCIAL ANALYSIS**

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

As the District completed the fiscal year, its governmental funds (as presented in the balance sheets under the governmental financial statement section) reported a combined fund balance of \$119.2M, a decrease of \$75.6M from the prior year. This change is the result of the following factors:

- The fund balance in the General Fund decreased by \$3.1M. The District planned for its fund balance to reduce by \$9.2M to encompass changes due to levy reductions, special education formula changes, implementing a shift to state-run benefits, carryover of specific-use funds, building improvements, curriculum needs and an inter-fund transfer to the Transportation Vehicle Fund. Labor (salaries and benefits) costs increased \$14.5M over the previous year and were under budget by \$2.6M. Spending

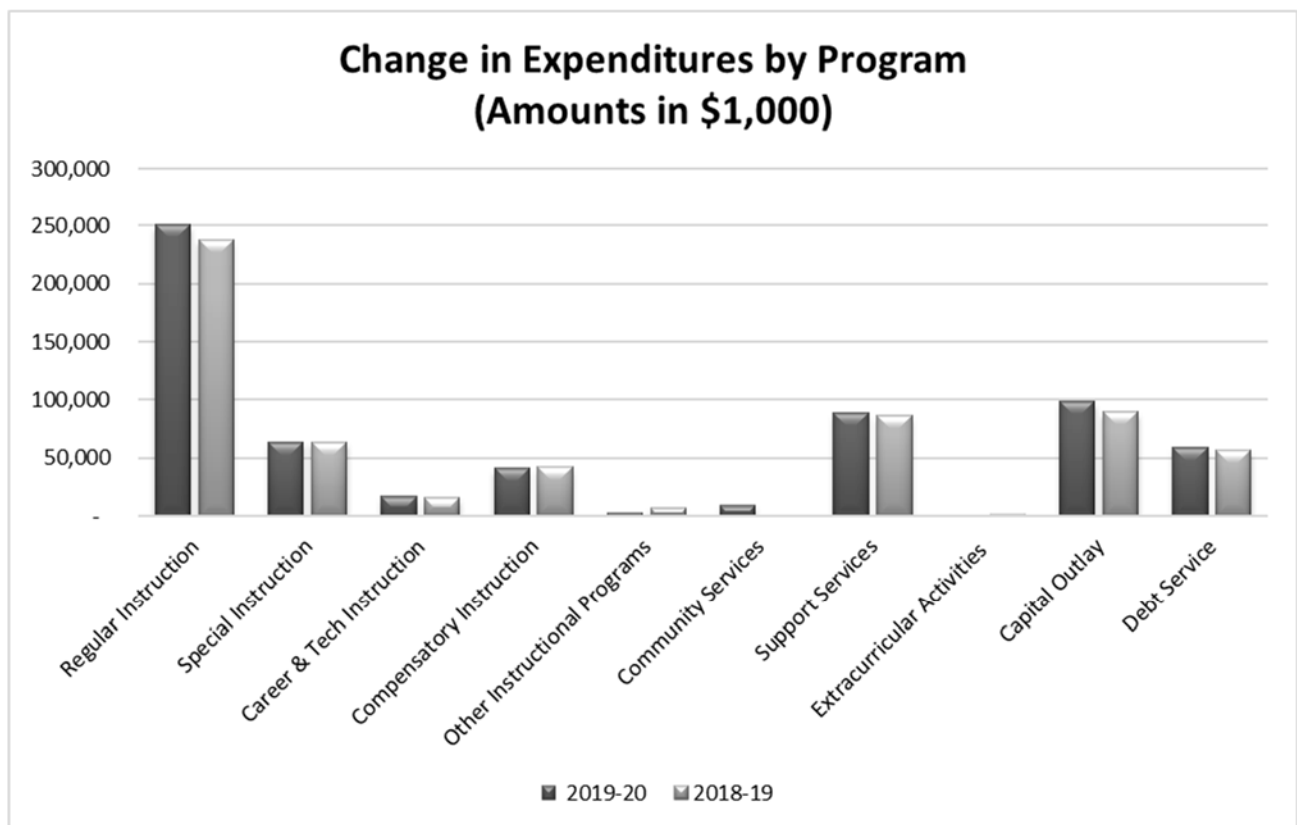
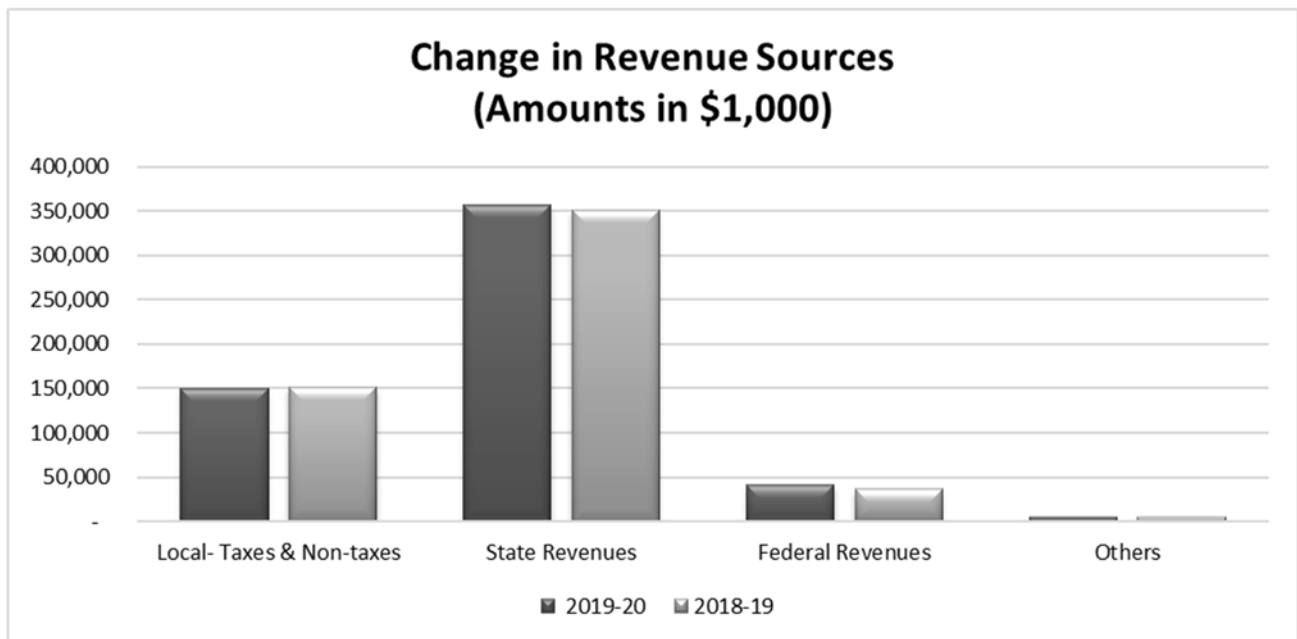


on supplies, materials, travel and capital outlay increased \$4.6M from the prior year but came in under budget by \$5.5M. Even though personnel and other costs increased by \$19M, planned increases in revenues and overall decreased spending across the District caused the General Fund balance to decrease \$6.1M less than planned. Twenty-two percent of the fund balance is in the nonspendable, committed, or restricted categories; \$17.7M (or 48 percent of the fund balance) is categorized as Unassigned for Minimum Fund Balance Policy.

- The fund balance in the Special Revenue Fund (ASB) increased by \$44K. All secondary schools and most elementary schools had some activity in their ASB funds in 2019-20 though there was a drop in activity and an increase in refunds after schools closed due to COVID.
- The fund balance in the Debt Service Fund increased by \$1.7M from the prior year. The expenditure amounts are set by the payment schedules on the District's outstanding bonds. Revenues are generated by setting an annual property tax rate at a level which will generate enough funds to repay the debt. The ending fund balance is slightly higher than the prior year and the District's cash flow projections indicate this reserve is adequate to meet future needs.
- The fund balance in the Capital Projects Fund decreased by \$74M. The District issued the last bonds in its \$500M authority in October 2015 and is spending down the cash as it completes its capital construction projects. Virtually all the fund balance is in restricted categories.
- The fund balance in the Transportation Vehicle Fund decreased by \$133K. Funding for buses is provided from the state through its bus depreciation schedule and interest earnings. Eleven busses were purchased in 2019-20.

The following table presents a summary of the governmental fund's revenues and expenditures for 2019-20 and the amounts and percentages of increases and decreases in relation to the prior year.

Changes in Revenues and Expenditures Governmental Funds				
	2019-20	Percent of Total	Increase	Percent
			(Decrease) Over 2018-19	Increase (Decrease)
<b>Revenue Source</b>				
Local- Taxes & Non-taxes	\$ 150,240,878	27.11%	\$ (1,338,030)	-0.88%
State Revenues	357,329,888	64.48%	6,330,315	1.80%
Federal Revenues	41,693,662	7.52%	5,300,729	14.57%
Others	4,922,380	0.89%	(623,890)	-11.25%
<b>Total</b>	<b>\$ 554,186,807</b>	<b>100.00%</b>	<b>9,669,124</b>	<b>1.78%</b>
<b>Expenditures</b>				
Regular Instruction	\$ 250,947,841	39.74%	13,060,550	5.49%
Special Instruction	63,633,055	10.08%	49,951	0.08%
Career & Tech Instruction	16,769,563	2.66%	811,937	5.09%
Compensatory Instruction	41,006,503	6.49%	(1,323,835)	-3.13%
Other Instructional Programs	2,921,475	0.46%	(4,119,117)	-58.51%
Community Services	9,191,096	1.46%	8,235,083	861.40%
Support Services	88,748,907	14.05%	2,210,406	2.55%
Extracurricular Activities	1,100,716	0.17%	(692,570)	-38.62%
Capital Outlay	98,485,599	15.60%	8,956,219	10.00%
Debt Service	58,687,259	9.29%	2,176,346	3.85%
<b>Total</b>	<b>\$ 631,492,013</b>	<b>100.00%</b>	<b>\$ 29,364,971</b>	<b>4.88%</b>



#### General Fund Budgetary Highlights

Appropriations are a prerequisite to expenditures in the governmental funds. Appropriations lapse at the end of the fiscal year. The Board may adopt a revised or supplemental budget appropriation after a public hearing anytime during the fiscal year. There were no budget revisions during 2019-20. The general fund's beginning fund balance in 2019-20 was \$39.9M as reported in the Required Supplemental Information, Schedule A-1.

Revenues were \$3M under budget, and expenditures were \$8.1M under budget. Washington State statutes establish expenditure budgets as absolute expenditure limits, encouraging contingency budgeting.

Property tax revenues came in close to budget, and local non-tax collections were \$2.7M below the prior year – this reflects the legislative changes in local voter-approved levy capacity. The District received \$269.5M in general state apportionment revenues in 2019-20, an increase of \$6.9M over 2018-19 which reflects increases in school and district generated entitlement. Federal revenues from grant sources were \$5.3M more than the prior year. New federal grant revenues included COVID revenues for targeted assistance and community services for nutrition services.

Expenditures in the general fund were less than budgeted. While spending in most program categories were above the prior year, expenditures were \$8.1M below budget. Certificated and classified salaries were greater than the prior year due to increased wages. Supply and material expenditures were \$7M under budget. Purchased services and capital outlay were \$2.3M over and \$615K under budget, respectively. Travel was down significantly compared to the prior year and came in under budget by \$200K due to COVID closures.

Other financing sources were \$231K and \$868K above budget. The District had a planned transfer of \$2M from the capital projects fund to the general fund for District-wide technology software licenses as directed under state statute. A total of \$2.9M in eligible software licenses were transferred between the funds.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2019-20, the District had \$1.51M invested in a broad range of capital assets, including technology equipment and school buildings. This amount represents a net increase (including additions and deletions) of \$46.1M over last year.

Capital Assets As of August 31, 2020			
Asset Type	Historical Cost	Accumulated Depreciation	Net
Land Building and Improvements	\$ 42,354,470	\$ -	\$ 42,354,470
Equipment	1,322,090,121	(404,094,894)	917,995,227
Construction-in-Progress	46,857,158	(40,341,005)	6,516,153
	84,404,798	-	84,404,798
<b>Total</b>	<b>\$ 1,495,706,547</b>	<b>\$ (444,435,899)</b>	<b>\$ 1,051,270,648</b>

Two elementary schools listed for replacement or modernization with the 2013 capital bond issue were completed and moved from construction into building and improvements. In addition, work increased for modernization of one middle school, which increased the building and improvements category over the prior year. Additional information can be found in the Notes to the Financial Statements, Note 4.

Construction in Progress - Changes from Prior Year:	
Elementary Schools	\$ (10,889,424)
Middle Schools	16,517,330
	<u>\$ 5,627,906</u>

The District's 2019-20 fiscal year budget for capital projects fund expenditures was set at \$125.7M.

Mary Lyon Elementary School celebrated their first day of school in their new building on September 5, 2019. Construction continued on the new Birney Elementary, Boze Elementary, and Hunt Middle Schools. Birney

Elementary and Boze Elementary Schools are scheduled to open in September 2020, with Hunt Middle School scheduled to open September 2021. In addition, Downing Elementary and Skyline Elementary Schools were in the early stages of design during 2019-20.

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

The District maintains a fleet yellow buses to serve its Special Education routes, and these buses are purchased from the Transportation Vehicle Fund. In 2000, the District began a long-term bus replacement plan which was meant to be self-supporting using state bus depreciation payments.

In 2019-20, the District received \$521K in bus depreciation payments from the state. The District purchased eleven buses in 2019-20 on its bus replacement plan to keep its fleet of yellow buses current at a total cost of \$706K.

## Debt

At year end, the District owed \$516M in outstanding bonds, versus \$480M last year – an increase of \$36.2M. The District has an ending balance of \$219K in additional long-term financing costs related to new scoreboards purchased for Lincoln and Stadium Bowl.

This debt is secured by a pledge of the full faith and credit of the District. In the fall of 2014 the District received a rating from Moody's of Aa2, and a Standard and Poor's rating of AA. The credit ratings for the District haven't changed since this review. Additionally, the District uses the State School Bond Guarantee Program, which enhances our ratings to Aa1/AA+ at a nominal fee to the district. More detailed information on the District's debt can be found in Note 7 of the notes to the financial statements.

Outstanding Debt				
Governmental Activities	2019-20	2018-19	Increase/(Decrease)	
2012 Refunding of the 03, 05, 05A UTGO's	\$ 46,045,000	\$ 51,590,000	\$ (5,545,000)	-10.75%
2014 UTGO (refunded)	6,240,000	136,600,000	(130,360,000)	-95.43%
2015 UTGO (refunded)	88,755,000	261,045,000	(172,290,000)	-66.00%
2015 Refunding of the 2005A UTGO	8,915,000	30,485,000	(21,570,000)	-70.76%
2020 Refunding of '14, '15 UTGOs	366,010,000	-	366,010,000	100.00%
Long-Term Financing - Scoreboards	218,832	323,798	(104,966)	-32.42%
<b>Total</b>	<b>\$ 516,183,832</b>	<b>\$ 480,043,798</b>	<b>\$ 36,140,034</b>	<b>7.53%</b>

## NEXT YEAR'S BUDGET AND RATES

The District's 2019-20 expenditure budgets for governmental funds were set at \$700M. The 2020 property tax rate increased from \$4.41 (2019) to \$5.01 (2020) per thousand dollars of assessed value for the amounts collected in the general fund, capital projects fund, and debt service fund. The District's rate decreased temporarily due to legislative calculation changes in 2019. Rates in 2020 increased as expected as the temporary reduction lifted. Total assessed value increased by 11.13 percent between 2019 and 2020, with projected assessed valuation of \$31B over the calendar year. Property values continue to increase in 2020, and it is expected the assessed values for the area will have fully recovered from the recession in 2008-09.

## ECONOMIC FACTORS

The District serves the City of Tacoma and small outlying areas in Pierce County. Due to restrictions on non-essential businesses 2020 saw a 75 percent spike in unemployment from pre-pandemic times of 5.0 percent. At the same time, due in large part to the federal CARES Act, the Pierce County Economic Index

(PCEI) is forecast to end 2020 up by 3.6 percent for the year, and forecasts for 2021 show annualized gains of 1.9 percent.

Pierce County's unemployment rate increased from 5.0 percent pre-pandemic to 18.7 percent in April 2020. Nonfarm employment fell a striking 50,300 in April 2020 but by November 2020 the losses had pared to 10,200 with most of the losses in the leisure and hospitality sector.

The largest job gains in 2020 came in the professional and business services sector (1,130) followed by a very narrow gain in the financial activities sector (20). All other sectors had job losses from (negative 1,070) to (negative 5,300) with leisure and hospitality recording the most losses. The forecast for 2021 is for 4.0 percent growth in employment in the county with jobs being added back post-pandemic. Over the next year, employment in Pierce County is projected to add back 4,100 jobs and 4,000 new jobs.

In 2020, personal income was estimated to have grown by 5.9 percent, and increased by 4.6 percent in personal income per capita to \$56,825. For 2021, total income is forecast to be lower at a 2.5 percent increase, with per capital income expected to increase by 1.25 percent.

New housing listings declined 27 percent compared with 2019 and closed sales fell 21.4 percent. The county's affordability index increased slightly in 2020 continuing Pierce County's trend for making housing affordable since 2012. However, the index is expected to decrease during 2021 due to rising home values, falling 30-year mortgages and economic relief packages that are only temporary. Rents have increased by 3.8 percent in 2020 for multi-family properties in line with inflation.

With all industries affected by the pandemic commercial real estate in the warehouse and distribution sectors rose only a scant .6 percent. Leased space dropped by 3 percent, which pushed vacancy rates slightly lower. Vacancy rates at the end of the third quarter 2020 stood at 10 percent, which was higher than at the same point a year earlier. Office space vacancy rates were 6.3 percent down from 10.6 percent at the end of 2019.

The Port of Tacoma and the Port of Seattle formed the Northwest Seaport Alliance (NWSA) in August 2016 to be more competitive with other west coast ports. Since the NWSA has been formed, the combined share of west coast container traffic has started to stabilize. The combined international and domestic volumes were down in 2020 13.5 percent. NWSA's market share for the U.S. West Coast international container volume was projected to end 2020 at a 12.8 percent decrease and an 8.4 percent increase by the end of 2021.

## **REQUESTS FOR INFORMATION**

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

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

**TACOMA SCHOOL DISTRICT No. 10**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2020**

	<b>PRIMARY GOVERNMENT</b>	
	<b>Note No.</b>	<b>Governmental Activities</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	1.F.1	5,213,677
Cash Held by Trustees	2	1,108,432
Investments	2	144,081,213
Property Tax Receivable	1.F.2	74,659,083
Receivables, Net	1.F.3	368,405
Due From Other Governments	1.F.5	7,660,437
Inventories	1.G	4,086,011
Prepaid Items	1.G	751,900
Capital Assets, net of accumulated depreciation, where applicable:	4	
Land		42,354,470
Buildings & Improvements		917,995,227
Equipment		6,516,153
Construction-in-Progress		<u>84,404,798</u>
<b>TOTAL ASSETS</b>		<b><u>1,289,199,805</u></b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Refunded Bonds - Charge on Refunding	7.E	18,624,286
Deferred Outflows Related to Pensions	6.A	50,864,660
Deferred Outflows Related to OPEB	9.F	<u>34,463,675</u>
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>		<b><u>103,952,621</u></b>
<b>LIABILITIES</b>		
Accounts Payable		25,703,044
Accrued Wages & Benefits Payable		18,720,058
Unearned Revenue		1,468,148
Accrued Claims and Expenses	9.D	142,376
Long-Term Liabilities	7.A	
Due within one year		39,245,854
Due in more than one year		<u>903,447,553</u>
<b>TOTAL LIABILITIES</b>		<b><u>988,727,035</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows Related to Pensions	6.A	9,917,630
Deferred Inflows Related to OPEB	9.F	<u>18,631,892</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>		<b><u>28,549,522</u></b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		545,811,549
Restricted for:		
Associated Student Body		1,980,522
Capital Projects		43,327,906
Debt Service		41,670,562
The Sound Partnership Employee Benefit Trust		3,641,152
State Grants		2,071,834
Unrestricted		<u>(262,627,656)</u>
<b>TOTAL NET POSITION</b>		<b><u>375,875,869</u></b>

**TACOMA SCHOOL DISTRICT No. 10**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2020**

Functions/Programs	Expenses	PROGRAM REVENUES			NET (EXPENSE)
		Charges for	Operating Grants	Capital Grants and	REVENUE AND
		Services	and Contributions	Contributions	CHANGES IN
					NET POSITION
PRIMARY GOVERNMENT					
Governmental Activities:					
Regular Instruction	\$ 288,140,972	\$ 2,043,301	\$ 2,551,429	\$ 19,523	(283,526,719)
Special Instruction	66,286,484	1,880,241	52,111,718	-	(12,294,525)
Career & Technical Instruction	17,563,495	114,590	18,205,934	100,037	857,067
Compensatory Instruction	42,475,373	-	44,428,672	223,158	2,176,457
Other Instructional Programs	3,065,470	396,857	2,710,771	480	42,638
Community Services	9,407,923	669,079	5,422,875	-	(3,315,969)
Support Services	93,922,997	2,167,787	23,090,008	361,970	(68,303,233)
Extracurricular Activities (ASB)	1,102,346	1,144,425	-	-	42,079
Interest Payment on Long-Term Debt	18,509,800	-	-	-	(18,509,800)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 540,474,860	\$ 8,416,279	\$ 148,521,409	\$ 705,168	(382,832,005)
GENERAL REVENUES:					
Taxes:					
Property taxes, levies for maintenance and operations					58,870,381
Property taxes, levies for debt service					58,754,687
Property taxes, levies for capital projects					23,959,134
Unallocated State Apportionment & Others					267,929,860
Interest and Investment earnings					2,048,895
TOTAL GENERAL REVENUES					411,562,957
Changes in Net Position					28,730,952
NET POSITION - September 1					347,144,917
NET POSITION - August 31					375,875,869

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

**TACOMA SCHOOL DISTRICT No. 10**  
**FUND BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
**AUGUST 31, 2020**

	General Fund	Special Revenue (ASB) Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash on Hand and in Bank	\$ 701,635	\$ 12,787	\$ 499,180	\$ 194,765	\$ 1,058	\$ 1,409,424
Construction Retainage Escrow	-	-	-	1,108,432	-	1,108,432
Investments	49,283,171	2,072,174	12,278,469	77,787,172	2,660,227	144,081,213
Property Tax Receivable	34,436,711	-	28,674,081	11,548,290	-	74,659,083
Accounts Receivable, Net	356,702	11,702	-	-	-	368,405
Interest Receivable	-	-	-	-	-	-
Interfund Receivable	4,561,577	20,405	-	1,704,940	-	6,286,923
Due From Other Government Units	7,622,226	300	-	37,911	-	7,660,437
Inventories at Cost	4,086,011	-	-	-	-	4,086,011
Prepaid Items	751,900	-	-	-	-	751,900
<b>TOTAL ASSETS</b>	<b>\$ 101,799,933</b>	<b>\$ 2,117,369</b>	<b>\$ 41,451,730</b>	<b>\$ 92,381,511</b>	<b>\$ 2,661,285</b>	<b>\$ 240,411,827</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 9,848,675	\$ 115,632	\$ -	\$ 11,602,970	\$ -	\$ 21,567,277
Retainage Payable	-	-	-	1,108,432	-	1,108,432
Accrued Wages & Benefits Payable	18,615,641	371	-	104,046	-	18,720,058
Interfund Payable	1,725,346	11,684	-	4,549,893	-	6,286,923
Unearned Revenue - Other	1,458,989	9,159	-	-	-	1,468,148
<b>TOTAL LIABILITIES</b>	<b>31,648,651</b>	<b>136,846</b>	<b>-</b>	<b>17,365,341</b>	<b>-</b>	<b>49,150,838</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue - Property Taxes	33,257,755	-	27,694,183	11,155,595	-	72,107,534
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>33,257,755</b>	<b>-</b>	<b>27,694,183</b>	<b>11,155,595</b>	<b>-</b>	<b>72,107,534</b>
<b>FUND BALANCES</b>						
Nonspendable - Inventory & Prepaid Items	4,837,911	-	-	-	-	4,837,911
Restricted for Carryover of Restricted Revenues	2,071,834	-	-	-	-	2,071,834
Restricted for Construction	-	-	-	45,901,006	-	45,901,006
Restricted for Debt Service	218,832	-	13,757,546	-	-	13,976,378
Restricted to Fund Purposes	-	1,980,522	-	-	2,661,285	4,641,807
Restricted for Technology	-	-	-	14,697,733	-	14,697,733
Committed to Contingencies	1,000,000	-	-	-	-	1,000,000
Assigned to Other Items (Encumbrances)	1,104,130	-	-	-	-	1,104,130
Assigned to Budget Carryover	2,392,398	-	-	-	-	2,392,398
Assigned to Future Operations	5,198,019	-	-	-	-	5,198,019
Assigned to Curriculum & Instruction	2,179,295	-	-	-	-	2,179,295
Assigned to Fund Purposes	-	-	-	3,261,836	-	3,261,836
Unassigned for Minimum Fund Balance Policy	17,727,880	-	-	-	-	17,727,880
Unassigned for Fund Balance	163,227	-	-	-	-	163,227
<b>TOTAL FUND BALANCES</b>	<b>36,893,527</b>	<b>1,980,522</b>	<b>13,757,546</b>	<b>63,860,575</b>	<b>2,661,285</b>	<b>119,153,455</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$ 101,799,933</b>	<b>\$ 2,117,369</b>	<b>\$ 41,451,730</b>	<b>\$ 92,381,511</b>	<b>\$ 2,661,285</b>	<b>\$ 240,411,827</b>

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



**TACOMA SCHOOL DISTRICT No. 10**  
**RECONCILIATION**  
**BALANCE SHEET/STATEMENT OF NET POSITION**  
**August 31, 2020**

	Total Governmental Funds	Long-Term Assets, Liabilities *	Internal Service Fund *	Reclassificati ons and Eliminations	Statement of Net Position Totals
<b>ASSETS</b>					
Cash on Hand and in Bank	\$1,409,424	\$-	\$3,804,253	\$-	\$5,213,677
Cash Held by Trustees	1,108,432	-	-	-	1,108,432
Investments	144,081,213	-	-	-	144,081,213
Property Tax Receivable	74,659,083	-	-	-	74,659,083
Receivables, Net	368,405	-	-	-	368,405
Interfund Receivable	6,286,923	-	-	-6,286,923	-
Due From Other Governments	7,660,437	-	-	-	7,660,437
Inventories	4,086,011	-	-	-	4,086,011
Prepaid Items	751,900	-	-	-	751,900
Capital Assets, Net	-	1,051,270,648	-	-	1,051,270,648
<b>TOTAL ASSETS</b>	<b>240,411,827</b>	<b>1,051,270,648</b>	<b>3,804,253</b>	<b>-6,286,923</b>	<b>1,289,199,805</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Charge on Refunding	-	18,624,286	-	-	18,624,286
Pension Plan Experience - Assumption Changes & Plan Contributions	-	50,864,660	-	-	50,864,660
OPEB Changes - Contributions and Assumptions	-	34,463,675	-	-	34,463,675
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>103,952,621</b>	<b>-</b>	<b>-</b>	<b>103,952,621</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$240,411,827</b>	<b>\$1,155,223,269</b>	<b>\$3,804,253</b>	<b>(\$6,286,923)</b>	<b>\$1,393,152,426</b>
<b>LIABILITIES</b>					

Accounts Payable	\$22,675,709	\$3,006,611	\$20,725	\$-	\$25,703,044
Wages, Benefits & Other Payables	18,720,058	-	-	-	18,720,058
Interfund Payable	6,286,923	-	-	-6,286,923	-
Unearned Revenue - Other	1,468,148	-	-	-	1,468,148
Accrued Claims and Expenses	-	-	142,376	-	142,376
Long-Term Liabilities - Pension	-	148,831,447	-	-	148,831,447
Long-Term Liabilities - OPEB	-	211,144,129	-	-	211,144,129
Long-Term Liabilities - Not Pension or OPEB	-	582,717,831	-	-	582,717,831
<b>TOTAL LIABILITIES</b>	<b>49,150,838</b>	<b>945,700,018</b>	<b>163,101</b>	<b>-6,286,923</b>	<b>988,727,035</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes	72,107,534	-72,107,534	-	-	-
Pension Plan Investment Earnings & Changes in Proportions	-	9,917,630	-	-	9,917,630
OPEB Changes - Differences and Assumptions	-	18,631,892	-	-	18,631,892
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>72,107,534</b>	<b>-43,558,012</b>	<b>-</b>	<b>-</b>	<b>28,549,522</b>
<b>FUND BALANCES/NET POSITION</b>					
Fund Balances/Position	119,153,455	253,081,262	3,641,152	-	375,875,869
<b>TOTAL FUND BALANCES/NET POSITION</b>	<b>119,153,455</b>	<b>253,081,262</b>	<b>3,641,152</b>	<b>-</b>	<b>375,875,869</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION</b>					
	<b>\$240,411,827</b>	<b>\$1,155,223,269</b>	<b>\$3,804,253</b>	<b>(\$6,286,923)</b>	<b>\$1,393,152,426</b>

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

\* See Note 10

**TACOMA SCHOOL DISTRICT No. 10**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2020**

	General Fund	Special Revenue (ASB) Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Total Governmental Funds
<b>REVENUES</b>						
Local	\$ 64,470,810	\$ 1,144,425	\$ 58,888,013	\$ 25,704,188	\$ 33,441	\$ 150,240,878
State	356,709,102	-	-	100,000	520,786	357,329,888
Federal	41,693,662	-	-	-	-	41,693,662
Other Districts/Agencies	4,898,554	-	-	23,826	-	4,922,380
<b>TOTAL REVENUES</b>	<b>467,772,128</b>	<b>1,144,425</b>	<b>58,888,013</b>	<b>25,828,014</b>	<b>554,227</b>	<b>554,186,807</b>
<b>EXPENDITURES</b>						
<b>Current:</b>						
Regular Instruction	250,947,841	-	-	-	-	250,947,841
Special Instruction	63,633,055	-	-	-	-	63,633,055
Career & Technical Instruction	16,769,563	-	-	-	-	16,769,563
Compensatory Instruction	41,006,503	-	-	-	-	41,006,503
Other Instructional Programs	2,921,475	-	-	-	-	2,921,475
Community Services	9,191,096	-	-	-	-	9,191,096
Support Services	88,748,907	-	-	-	-	88,748,907
Student Activities	-	1,100,716	-	-	-	1,100,716
<b>Debt Service:</b>						
Principal	-	-	34,210,000	-	-	34,210,000
Interest and Other Charges	-	-	23,106,738	-	-	23,106,738
Bond Fees & Cost of Issuance	-	-	1,370,521	-	-	1,370,521
<b>Capital Outlay:</b>						
Other	705,168	-	-	97,074,831	705,600	98,485,599
<b>TOTAL EXPENDITURES</b>	<b>473,923,608</b>	<b>1,100,716</b>	<b>58,687,259</b>	<b>97,074,831</b>	<b>705,600</b>	<b>631,492,013</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(6,151,479)</b>	<b>43,709</b>	<b>200,754</b>	<b>(71,246,817)</b>	<b>(151,373)</b>	<b>(77,305,206)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of Refunding Bonds	-	-	366,010,000	-	-	366,010,000
Payment to Refunded Bonds Escrow Agent	-	-	(364,547,559)	-	-	(364,547,559)
Proceeds from Sale of Surplus Equipment	231,551	-	-	-	17,904	249,454
Transfers	2,868,149	-	-	(2,868,149)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>3,099,700</b>	<b>-</b>	<b>1,462,441</b>	<b>(2,868,149)</b>	<b>17,904</b>	<b>1,711,895</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(3,051,779)</b>	<b>43,709</b>	<b>1,663,195</b>	<b>(74,114,966)</b>	<b>(133,470)</b>	<b>(75,593,311)</b>
<b>FUND BALANCE - September 1</b>	<b>39,945,306</b>	<b>1,936,813</b>	<b>12,094,351</b>	<b>137,975,542</b>	<b>2,794,754</b>	<b>194,746,766</b>
<b>FUND BALANCE - August 31</b>	<b>\$ 36,893,527</b>	<b>\$ 1,980,522</b>	<b>\$ 13,757,546</b>	<b>\$ 63,860,575</b>	<b>\$ 2,661,285</b>	<b>\$ 119,153,455</b>

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

**TACOMA SCHOOL DISTRICT No. 10**  
**RECONCILIATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2020**

	<b>Total Governmental Funds</b>	<b>Long-Term Revenue, Expenses *</b>	<b>Capital Related items *</b>	<b>Internal Service Fund *</b>	<b>Long-Term Debt Transactions *</b>	<b>Statement of Activities Total</b>
<b>REVENUES AND OTHER SOURCES</b>						
<b>Revenues:</b>						
Property Taxes	\$ 141,584,202	\$ 14,677,631	\$ -	\$ -	\$ -	\$ 156,261,833
Local Non-Taxes	8,656,676	-	-	-	-	8,656,676
State	357,329,888	-	-	-	-	357,329,888
Federal	41,693,662	-	-	-	-	41,693,662
Other Districts/Agencies	4,922,380	-	-	-	-	4,922,380
<b>Other Sources:</b>						
Issuance of Refunding Bonds	366,010,000	-	-	-	(365,918,080)	91,920
Proceeds from Sale of Surplus Equipment	249,454	-	-	-	-	249,454
<b>TOTAL REVENUES AND OTHER SOURCES</b>	<b>920,446,261</b>	<b>14,677,631</b>	<b>-</b>	<b>-</b>	<b>(365,918,080)</b>	<b>569,205,813</b>
<b>EXPENDITURES AND OTHER USES</b>						
<b>Current:</b>						
Regular Instruction	250,947,841	(2,470,121)	26,861,078	25,186	-	275,363,982
Special Instruction	63,633,055	(298,415)	6,126	6,386	-	63,347,152
Career & Technical Instruction	16,769,563	(66,291)	79,724	1,683	-	16,784,679
Compensatory Instruction	41,006,503	(450,146)	31,422	4,115	-	40,591,894
Other Instructional Programs	2,921,475	(56,521)	64,291	293	-	2,929,538
Community Services	9,191,096	(201,269)	-	922	-	8,990,749
Support Services	88,748,907	(1,156,654)	2,261,991	8,907	(104,966)	89,758,185
Student Activities	1,100,716	-	1,630	-	-	1,102,346
<b>Debt Service:</b>						
Principal	34,210,000	-	-	-	(34,210,000)	-
Interest and Other Charges	23,106,738	-	-	-	(5,967,459)	17,139,279
Bond Fees & Cost of Issuance	1,370,521	-	-	-	-	1,370,521
<b>Capital Outlay</b>	<b>98,485,599</b>	<b>-</b>	<b>(75,389,065)</b>	<b>-</b>	<b>-</b>	<b>23,096,534</b>
<b>Other Uses:</b>						
Payment to Refunded Bonds Escrow Agent	364,547,559	-	-	-	(364,547,559)	-
<b>TOTAL EXPENDITURES AND OTHER USES</b>	<b>996,039,573</b>	<b>(4,699,418)</b>	<b>(46,082,803)</b>	<b>47,493</b>	<b>(404,829,984)</b>	<b>540,474,860</b>
<b>NET CHANGE FOR THE YEAR</b>	<b>\$ (75,593,311)</b>	<b>\$ 19,377,049</b>	<b>\$ 46,082,803</b>	<b>\$ (47,493)</b>	<b>\$ 38,911,904</b>	<b>\$ 28,730,952</b>

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

\* See Note 10

**TACOMA SCHOOL DISTRICT No. 10**  
**PROPRIETARY FUND - INTERNAL SERVICE FUND**  
**STATEMENT OF NET POSITION (LIQUIDATION BASIS)**  
**AUGUST 31, 2020**

	<u>The Sound Partnership</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 3,759,224
Restricted Cash	<u>45,029</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,804,253</u></b>
<b>LIABILITIES</b>	
Accounts Payable	\$ 20,725
Accrued Claims and Expenses	<u>142,376</u>
<b>TOTAL LIABILITIES</b>	<b><u>163,101</u></b>
<b>NET POSITION</b>	
Restricted	<u>3,641,152</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 3,641,152</u></b>

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

**TACOMA SCHOOL DISTRICT No. 10**  
**PROPRIETARY FUND - INTERNAL SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (LIQUIDATION BASIS)**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2020**

**The Sound  
Partnership**

**OPERATING REVENUES**

Premium Contributions	<u>\$ 15,661,169</u>
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**TOTAL OPERATING REVENUES**

**15,661,169**

**OPERATING EXPENSES**

Insurance Premiums	14,863,915
Benefit Claims	627,719
Administrative Expenses	<u>450,072</u>

**TOTAL OPERATING EXPENSES**

**15,941,706**

**OPERATING INCOME (LOSS) - GOING CONCERN BASIS**

**(280,537)**

**EFFECTS OF APPLYING LIQUIDATION BASIS OF ACCOUNTING**

Cumulative Accrued Claims and Expenses	<u>233,044</u>
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**TOTAL EFFECTS OF APPLYING LIQUIDATION BASIS OF ACCOUNTING**

**233,044**

**CHANGE IN NET POSITION**

**(47,493)**

**NET POSITION - September 1**

3,688,645

**NET POSITION - August 31**

**\$ 3,641,152**

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

**TACOMA SCHOOL DISTRICT No. 10**  
**PROPRIETARY FUND - INTERNAL SERVICE FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2020**

	<b><u>The Sound Partnership</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Premium Contributions	\$ 15,661,169
Benefits Claims	(627,719)
Insurance Premium Payments	(15,092,531)
Administrative	<u>(450,072)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(509,153)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(509,153)</b>
<b>CASH AND CASH EQUIVALENTS - Beginning</b>	<u>4,313,406</u>
<b>CASH AND CASH EQUIVALENTS - Ending</b>	<u><b>\$ 3,804,253</b></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating Income (Loss)	\$ (280,537)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>	
Increase (Decrease) in Liabilities	<u>(228,616)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><b>\$ (509,153)</b></u>

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

**TACOMA SCHOOL DISTRICT No. 10**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**AUGUST 31, 2020**

	<b>Private-Purpose Trusts</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 45,511
Investments at Fair Value	1,051,570
Accounts Receivable	<u>868</u>
<b>TOTAL ASSETS</b>	<b><u>1,097,949</u></b>
<b>LIABILITIES</b>	
Accounts Payable	146,160
Unearned Revenue - Other	<u>15,046</u>
<b>TOTAL LIABILITIES</b>	<b><u>161,206</u></b>
<b>NET POSITION</b>	
Held in Trust for Scholarships and Student Aid	<u>936,743</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 936,743</u></b>

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



**TACOMA SCHOOL DISTRICT No. 10**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2020**

	<b>Private-Purpose Trusts</b>
<b>ADDITIONS</b>	
Donations	<u>\$ 267,886</u>
<b>TOTAL ADDITIONS</b>	<u><b>267,886</b></u>
<b>DEDUCTIONS</b>	
Scholarships	81,894
Tuition and Fees	15,410
Supplies & Materials	80,085
Field Trips	21,753
Purchased Services	14,710
Salaries & Benefits	<u>6,804</u>
<b>TOTAL DEDUCTIONS</b>	<u><b>220,655</b></u>
<b>CHANGE IN NET POSITION</b>	<b>47,232</b>
<b>NET POSITION - September 1</b>	<u>889,512</u>
<b>NET POSITION - August 31</b>	<u><b>\$ 936,743</b></u>

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

**TACOMA SCHOOL DISTRICT No. 10**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**September 1, 2019 through August 31, 2020**

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

The Tacoma School District's financial reports, as reflected by the accompanying financial statements, conform to generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

**A. REPORTING ENTITY**

The Tacoma School District is a municipal corporation organized pursuant to Title 28A *Revised Code of Washington* (RCW) for the purpose of providing public school services to students in preschool – grade 12. Oversight responsibility for the District's operations is vested with the independently elected board of directors. Management of the District is appointed by and accountable to the board of directors. Fiscal responsibility, including budget authority and the power to set fees, levy property taxes, and issue debt consistent with provisions of state statutes, also rests with the board of directors.

The Tacoma School District's financial statements include all funds and organizations that are controlled by or dependent on the District's board of directors. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, outstanding debt secured by the general credit of the District, obligation of the District to finance any deficits that may occur, or receipt of significant subsidies from the District. The Sound Partnership discussed below is the District's internal service fund and blended into those of the District by appropriate activity type to compose the *primary government* presentation.

**Internal Service Fund.** The Sound Partnership is a health and welfare trust fund administered by a joint board of five management and five labor trustees. The participants of the Trust are all employees of the Tacoma School District. The Tacoma School District retains complete governing control (appoints board of trustees and is accountable for financial matters) over the Sound Partnership which provides medical, dental, vision, disability, and life insurance benefits to District employees and their eligible dependents. The Trust is required to purchase fiduciary liability insurance and any other insurance as they deem proper to cover any potential losses. There were no settlements resulting from losses that exceed the insurance coverage. The Sound Partnership financial statements are available from:

The Sound Partnership  
601 South 8<sup>th</sup> Street  
Tacoma, Washington 98405

**B. PRESENTATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

**1. GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

The government-wide financial statements consist of the following:

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

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

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

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

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

## **2. FUND FINANCIAL STATEMENTS**

The accounts of the district are organized on the basis of funds in the fund financial statements, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred inflows, liabilities, fund equity, revenues, and expenditures.

Resources are 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 fund financial statements consist of the Fund Balance Sheet, Reconciliation of Balance Sheet/Statement of Net Position, Statement of Revenues, Expenditures and Changes in Fund Balance, and Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities; Internal Service Fund – Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows; Fiduciary Fund - Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position.

The various funds are grouped into three classifications: Governmental, Internal and Fiduciary.

### **GOVERNMENTAL FUNDS**

#### **General Fund**

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

#### Special Revenue Fund (Associated Student Body Fund)

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

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

#### Debt Service Fund

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

#### Capital Projects Funds

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

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

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

### **INTERNAL SERVICE FUNDS**

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

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

### **FIDUCIARY FUNDS**

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

#### Private Purpose Trust Fund

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

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

The District considers all governmental funds "major funds".

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

### **GENERAL BUDGET POLICIES**

The Tacoma School District budgets its funds in accordance with the Revised Code of Washington Chapter 28A.505 and Chapter 392-123 of the Washington Administrative Code (WAC). The board adopts the budget after public hearings. An appropriation is a prerequisite to expenditure. Appropriations lapse at the end of the fiscal period. Annual appropriated budgets are adopted at the fund level. Each governmental fund's total expenditures cannot, by law, exceed its formal fund appropriation. Management is authorized to modify specific accounts within the overall fund appropriation. However, only the board has the authority to increase or decrease a given fund's annual budget. The board may adopt a revised or supplemental budget appropriation after public hearings anytime during the fiscal year. There were no revisions at the fund level during fiscal year 2019-2020.

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

### **BUDGETARY BASIS OF ACCOUNTING**

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

### **ENCUMBRANCES**

Encumbrance accounting is employed in governmental funds. Purchase orders and other commitments for the expenditure of moneys are recorded to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. General Fund encumbrances in the amount of \$1,104,129 were re-encumbered on September 1, 2020.

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

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

The government-wide statements and fiduciary fund financial statements, measure and report all assets (both financial and capital), deferred outflow of resources, liabilities, deferred inflows of resources, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes receivable are measurable but are considered to be available only if they are collected within 30 days after year end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financials are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due. Property taxes received within 30 days of the end of the current fiscal period are recognized as revenues of the current fiscal period.

## **E. ELIMINATIONS AND RECLASSIFICATIONS**

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

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

### **1. Cash, Cash Equivalents, and Investments**

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

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

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

### **2. Property Taxes**

Property tax revenues are collected as the result of special levies passed by the voters in the District. Per Revised Code of Washington 84.60.020 the tax assessment date is January 1 of the calendar year of collection. The tax lien date is January 1 of the year of collection and taxes receivable are recognized as of that date. Current year taxes are due in full as of April 30 and are delinquent after that date. However, without incurring penalty, the taxpayer may elect to pay one-half of the taxes due by April 30, with the remaining one-half taxes due October 31, and are delinquent after that date. Typically, a little more than half of the taxes due are collected on the April 30 date. In accordance with state law, Pierce County may begin foreclosure proceedings following the third year of delinquency. On the governmental fund financial statements, property taxes receivable are measurable but are considered to be available only if they are collected within 30 days after year end.

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

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

The following are totals of abated taxes pertaining to the Tacoma School District in fiscal year 2019-2020:

City of Tacoma	Housing projects with 5 or more units	\$2,001,622
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The tax abatements did not result in a reduction or loss of revenue to the District because, pursuant to state law, these taxes were reallocated to other property tax payers.

### **3. Accounts Receivable**

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

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

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

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

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

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

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

United States Dept. of Agriculture (USDA) commodities consist of food donated by the USDA for use in the District’s nutrition services program. The commodities are valued at the prices paid by the USDA for the commodities and are included in the general fund inventory. At August 31, 2020, the value of the USDA commodities included in this District’s inventory was \$3,098,257.

Prepaid items consist of software licenses and other prepayments made late in 2019-2020 for the new school year. Inventory amounts also include expendable supplies and equipment, generally purchased over the summer, and held for consumption until school begins in the fall. The costs are recorded as expenditures at the time inventory items are consumed.

### **H. BOND DISCOUNT, BOND PREMIUMS & ISSUANCE COSTS**

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

### **I. CAPITAL ASSETS**

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

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

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

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

## **J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

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

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

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

The District refunded bonds in November 2015 and the difference between the reacquisition price and the net carrying amount of the old debt resulted in a gain. A deferred inflow of resources had been recorded to recognize the gain. Fiscal year 2019-20 is the final amortization year, leaving a zero balance.

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

## **K. COMPENSATED ABSENCES**

### **1. Sick Leave**

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

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

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

Sick leave is reported under long-term liabilities in the *Statement of Net Position*. For reporting purposes, 25 percent of the sick leave liability (up to 180 days) for those eligible for retirement is considered accruable. The amount of accrued sick leave as of August 31, 2020, was \$20,478,985 and reported as long-term liabilities in government-wide financial statements.

### **2. Vacation Leave**

For the employees that receive vacation, vacation leave is accrued according to the particular bargaining agreement. Vacation pay, including benefits, that is expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the government fund that will pay it. It is computed at 100 percent of the accrued amount. The amount accrued for vacation leave as of August 31, 2020, was \$14,742,675 and reported as long-term liabilities in government-wide financial statements.

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



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

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

#### **M. GOVERNMENTAL FUND BALANCES**

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

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

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

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

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

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

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

The Superintendent or the Chief Financial Officer have the authority to create Assignments of Fund Balance, per Board Regulation 6015.1R.

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

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

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

**Note 2. DEPOSITS AND INVESTMENTS**

The District's investment policy requires funds be invested with the objective of producing the greatest return consistent with prudent business practice. The Pierce County Treasurer is the ex-officio treasurer for the District. The District directs the County Treasurer to invest those financial resources of the District that the District has determined are not needed to meet the current financial obligations of the District. In this capacity, the county treasurer receives, deposits, and transacts investments on the District's behalf.

The District's deposits are mostly covered by federal depository insurance (FDIC) or by the Washington Public Deposit Protection Commission, a multiple financial institution collateral pool. The provision for guaranteed coverage against loss applies not only to demand deposits, but also to certificates of deposit, money market deposit accounts, and savings deposits as well as accrued interest through the date of repayment. These provisions help mitigate custodial credit risk, which is the risk that, in the event of a failure of a depository financial institution, the District would not be able to recover deposits or collateral securities that are in the possession of an outside party.

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

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

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

The District's investments as of August 31, 2020, are as follows:

Investment Type	Number of Securities	Carrying Amount	Market Value
State Treasurer's Investment Pool	6	\$ 145,132,783	\$ 145,132,783
<b>Total Investments</b>	<b>6</b>	<b>\$ 145,132,783</b>	<b>\$ 145,132,783</b>

At year end, the cash on hand plus the carrying amounts of the District's deposits and investments with financial institutions and with the Pierce County Treasurer were:

Distribution	Cash on Hand and in Bank	Investments
Governmental Funds	\$ 1,409,424	\$ 144,081,213
Sound Partnership	3,804,253	-
Total Government-Wide	5,213,677	144,081,213
Fiduciary Funds	45,511	1,051,570
<b>Total Deposits &amp; Investments</b>	<b>\$ 5,259,189</b>	<b>\$ 145,132,783</b>

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

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

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

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

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

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

Through the county investment policy, credit risk is managed by restricting county investments (which include the District’s funds) to obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities; bankers acceptances; primary certificates of deposit issued by qualified public depositories designated by the Washington Public Deposit Protection Commission; the Washington State Local Government Investment Pool (LGIP); municipal bonds issued by the state or its local governments; and repurchase agreements collateralized by any previously authorized investments. Bankers’ acceptances must be ranked in either of the two highest rating categories by Moody’s Investor Service or Standard & Poor’s. Diversification of the portfolio is achieved by limiting the maximum percentage of investments by type of investment in the portfolio as follows:

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

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

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

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

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

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

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

**Note 3. INTERFUND TRANSACTIONS**

As of August 31, 2020, short-term interfund receivables and payables in governmental funds that resulted from various interfund transactions in governmental fund financial statements were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 4,561,577	\$ 1,725,346
Special Revenue Fund	20,405	11,684
Debt Service Fund	-	-
Capital Projects Fund	1,704,940	4,549,893
<b>Total</b>	<b>\$ 6,286,923</b>	<b>\$ 6,286,923</b>

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

Planned transfers between funds are included in the budgeting process. A transfer from the Capital Projects Fund to the General Fund for District-wide technology transactions (\$2,868,149) was made in August.

**Note 4. CHANGES IN CAPITAL ASSETS**

Purchases of equipment with a unit cost over \$5,000 are capitalized and depreciated in *government-wide financial statements*. The District's capital assets are insured in the amount of \$1,509,565,794 for fiscal year 2019-2020. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

	Beginning Balance	Primary Government			Ending Balance
		Additions	Deletions		
Governmental Activities Capital Assets, not being depreciated:					
Land	\$ 42,354,470	\$ -	\$ -		\$ 42,354,470
Construction-in-Progress	78,776,892	73,762,847	(68,134,941)		84,404,798
<b>Total Capital Assets, not being depreciated</b>	<b>121,131,362</b>	<b>73,762,847</b>	<b>(68,134,941)</b>		<b>126,759,268</b>

Capital assets, being depreciated:				
Building and Improvements	1,256,785,970	68,962,886	(3,658,735)	1,322,090,121
Equipment	46,026,343	1,240,079	(409,264)	46,857,158
<b>Total Capital assets, being depreciated:</b>	<b>1,302,812,313</b>	<b>70,202,965</b>	<b>(4,067,999)</b>	<b>1,368,947,279</b>
Less Accumulated Depreciation for:				
Building and Improvements	(379,607,074)	(27,710,497)	3,222,678	(404,094,894)
Equipment	(39,148,756)	(1,595,764)	403,515	(40,341,005)
<b>Total Accumulated Depreciation</b>	<b>(418,755,830)</b>	<b>(29,306,262)</b>	<b>3,626,193</b>	<b>(444,435,899)</b>
<b>Total Capital assets, being depreciated, net</b>	<b>884,056,483</b>	<b>40,896,703</b>	<b>(441,806)</b>	<b>924,511,380</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 1,005,187,845</b>	<b>\$ 114,659,550</b>	<b>\$ (68,576,747)</b>	<b>\$ 1,051,270,648</b>

Depreciation expense was charged to governmental activities as follows:

	Current Year Total
Regular Instruction	\$ 26,861,078
Special Instruction	6,126
Career & Technical Instruction	79,724
Compensatory Instruction	31,422
Other Instruction Programs	64,291
Support Services	2,261,991
Extracurricular Activities (ASB)	1,630
	<u>\$ 29,306,262</u>

**Note 5. CONSTRUCTION IN PROGRESS**

School	Project	Project Authorization	Accumulated Expenditures to Aug. 31, 2020
<b>Elementary Schools</b>			
Birney	New School	\$ 37,100,000	\$ 34,362,884
Boze	New School	35,500,000	29,222,487
<b>Total Elementary Schools</b>		<b>72,600,000</b>	<b>63,585,371</b>
<b>Middle Schools</b>			
Hunt	New School	80,000,000	20,819,427
<b>Total Middle Schools</b>		<b>80,000,000</b>	<b>20,819,427</b>
<b>GRAND-TOTAL</b>			

**Note 6. PENSIONS AND NONGOVERNMENTAL PENSION PLANS**

**A. PENSIONS**

**GENERAL INFORMATION**

The Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, prepares a stand-alone comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each pension plan. The pension plan's basic financial statement is accounted for using the accrual basis of accounting. The measurement date of the pension

plans is June 30. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Detailed information about the pension plans' fiduciary net position is available in the separately issued DRS CAFR. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or online at <http://www.drs.wa.gov>.

### **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 & 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 Plan Information.** TRS was established in 1938, and its retirement provisions are contained in RCW Chapters 41.34 and 41.32. 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 Information.** PERS was established in 1947, and its retirement benefit provisions are contained in RCW Chapters 41.34 and 41.40. PERS is a cost-sharing, multi-employer retirement system. PERS Plan 1 provides retirement, disability and death benefits. PERS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's 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 Plan Information.** SERS was established by the legislature in 1998, and the plan became effective in 2000. SERS retirement benefit provisions are established in RCW Chapters 41.34 and 41.35. 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. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The employer and employee contribution rates for the PERS plan were effective as of July 1, 2019. SERS and TRS contribution rates are effective as of September 1, 2019. All plans will not have a contribution rate change until September 1, 2020. The pension plan contribution rates (expressed as a percentage of covered payroll) for fiscal year 2020 are listed below:

<b>Pension Contribution Rates from September 01, 2019 to August 31, 2020</b>			
	Employer	Employee	
PERS Plan 1	12.86%	6.00%	
TRS Plan 1	15.51%	6.00%	
TRS Plan 2/3	15.51%	7.77%	*/**
SERS Plan 2/3	13.19%	8.25%	*/**

*Note: The Employer rates include .0018 DRS administrative expense.*

\* – TRS and SERS Plan 3 Employee Contribution Variable from 5% to 15% based on rate selected by the employee member.

\*\* – TRS and SERS Plan 2/3 Employer Contributions for defined benefit portion only.

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

At June 30, 2020, the school district reported a total liability of \$148,831,447 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, 2020, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2020	PERS 1	SERS 2/3	TRS 1	TRS 2/3	Total
District's Annual Contributions	\$3,637,221	\$6,090,677	\$15,450,317	\$17,145,466	\$42,323,680
Proportionate Share of the Net Pension Liability	\$17,718,422	\$14,983,175	\$70,868,076	\$45,261,774	\$148,831,447

Changes to net pension liability from the prior period are displayed in the Schedule of Changes in Long Term Liabilities.

At June 30, 2020, the 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	0.501862%	2.816577%	2.942066%	2.946767%
Prior year proportionate share of the Net Pension Liability	0.529119%	2.995486%	3.058799%	3.063908%
Net difference percentage	-0.027258%	-0.178909%	-0.116733%	-0.117142%

## **ACTUARIAL ASSUMPTIONS**

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, 2019, with the results rolled forward to June 30, 2020, 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 developed using the Society of Actuaries' Pub.H-2010 Mortality rates, which vary by member status as the base table. OSA applies age offsets for each system to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale to project mortality rates for every year after the 2010 base table. The actuarial assumptions used in the June 30, 2019, valuation were based on the results of the *2013–2018 Demographic Experience Study Report and the 2019 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**

OSA selected a 7.40% long-term expected rate of return on pension plan investments using a building-block method. In selecting the assumptions, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the Washington State Investment Board (WSIB) provided.

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 expected future rates of return are developed by the WSIB for each major asset class. 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, 2020, are summarized in the following table:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20.00%	2.20%
Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%

### **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. Based on the assumptions described in the DRS CAFR Certification Letter, 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, a 7.40 percent on pension plan investments was applied to determine the total pension liability.

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

The Pension Plans reported collective Deferred Outflows of Resources and collective Deferred Inflows of Resources related to the individual plans. At August 31, 2020, 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	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(98,650)
Changes in assumptions or other inputs	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	10,516	-
TOTAL	\$ 10,516	\$ (98,650)
SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 8,907,191	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(156,896)
Changes in assumptions or other inputs	163,281	(1,379,360)
Changes in proportion and differences between contributions and proportionate share of contributions	38,370	(650,108)
Contributions subsequent to the measurement date	1,425,565	-
TOTAL	\$ 10,534,407	\$ (2,186,363)
TRS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(455,753)
Changes in assumptions or other inputs	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	14,954	-
TOTAL	\$ 14,954	\$ (455,753)
TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 28,605,113	\$ (163,234)
Net difference between projected and actual earnings on pension plan investments	-	(439,401)
Changes in assumptions or other inputs	5,837,926	(4,960,331)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(1,613,899)
Contributions subsequent to the measurement date	5,861,744	-
TOTAL	\$ 40,304,784	\$ (7,176,865)
ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 37,512,304	\$ (163,234)
Net difference between projected and actual earnings on pension plan investments	-	(1,150,699)
Changes in assumptions or other inputs	6,001,208	(6,339,690)
Changes in proportion and differences between contributions and proportionate share of contributions	38,370	(2,264,007)
Contributions subsequent to the measurement date	7,312,779	-
TOTAL	\$ 50,864,660	\$ (9,917,630)

\$7,312,779 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, 2021.

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
2021	(447,673)	(102,591)	(2,003,038)	(1,258,700)
2022	(14,080)	1,474,466	(58,605)	3,134,370
2023	136,598	1,818,685	609,940	4,713,169
2024	226,506	2,299,150	995,950	6,005,642
2025	-	987,451	-	3,291,892
Thereafter	-	445,318	-	11,379,802

### **PENSION EXPENSE**

For the year ending August 31, 2020, the District recognized total pension expense as follows:

	Pension Expense
PERS 1	\$ (249,399)
SERS 2/3	4,231,543
TRS 1	5,242,563
TRS 2/3	13,703,686
<b>TOTAL</b>	<b>\$ 22,982,402</b>

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

The following table presents the Tacoma School District's proportionate share of the collective net pension liability (NPL) 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 using the school district's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability.

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
<b>PERS 1 NPL</b>	\$4,422,202,000	\$3,530,540,000	\$2,752,919,000
Allocation Percentage	0.501862%	0.501862%	0.501862%
Proportionate Share of Collective NPL	\$22,193,331	\$17,718,422	\$13,815,842
<b>SERS 2/3 NPL</b>	\$1,517,879,000	\$531,964,000	(\$283,583,000)
Allocation Percentage	2.816577%	2.816577%	2.816577%
Proportionate Share of Collective NPL	\$42,752,228	\$14,983,175	\$(7,987,333)
<b>TRS 1 NPL</b>	\$3,051,911,000	\$2,408,786,000	\$1,847,550,000
Allocation Percentage	2.942066%	2.942066%	2.942066%
Proportionate Share of Collective NPL	\$89,789,239	\$70,868,076	\$54,356,142
<b>TRS 2/3 NPL</b>	\$4,526,645,000	\$1,535,981,000	(\$903,643,000)
Allocation Percentage	2.946767%	2.946767%	2.946767%
Proportionate Share of Collective NPL	\$133,389,659	\$45,261,774	\$(26,628,249)

### **POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS**

#### **457 Plan – Deferred Compensation Plan**

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

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

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

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

## **B. NONGOVERNMENTAL PENSION PLANS**

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

In fiscal year 2019-2020 the District has the following union sponsored pension plans that provide defined benefit pension to the District's employees.

1. National Roofing Industry Pension Fund (NRIPP). It is administered by Wilson-McShane Corporation, National Roofing Industry Benefit Funds. The entity identification is 36-6157071. One District employee is covered by NRIPP. The NRIPP is a "defined benefit plan" where the roofer earns a monthly income payable at retirement (after 5 years of vested service) for the rest of the roofer's life. The amount of that income is determined primarily by the number of years worked for a signatory employer and the number of hours worked in each of those years. The pension benefit terms and contribution requirements are established by Trustees of NRIPP. Contributions to the plan are made monthly pursuant to the terms of a collective bargaining agreement. In fiscal year 2019-2020 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 19-20 – District paid \$3.43/hour

Contribution amount FY 19-20 - \$5,382

There is currently no withdrawal liability for the NRIPP.

2. Carpenters Retirement Plan of Western Washington (CRP). It is administered by Carpenters' Trust of Western Washington. The entity identification is 91-6029051. Seven District employees are covered by CRP. The CRP is a "defined benefit plan" which means the carpenter earns a monthly income payable at retirement for the rest of the carpenter's life. The amount of that income is determined primarily by the number of years worked for a signatory employer and the number of hours worked in each of those years. The benefit terms and contribution requirements are established by Board of Trustees of CPR. Contributions to the plan are made monthly pursuant to the terms of a collective bargaining agreement. In fiscal year 2019-2020 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 19-20 – District paid \$7.59/hour (9/19-5/20) and \$8.60/hour (6/20-8/20)

Contribution amount FY 19-20 - \$99,277

The CRP does have a withdrawal liability. The District's estimated withdrawal liability for 2020 is \$322,413.

3. Western Washington Laborers Employers Pension Plan (WWLEPP). It is administered by Zenith American Solutions, WW Laborers Employers Trust Fund. The entity identification is 91-6022315. Seventeen District employees are covered by WWLEPP. WWLEPP is a "defined benefit plan" providing benefit payments guaranteed at retirement by the Pension Benefit Guaranty Corporation, a federal insurance agency. The benefit is determined by years of services for a signatory employer. The benefit terms and contribution requirements are established by Board of Trustees of WWLEPP. Contributions to the plan are made monthly pursuant to the terms of a collective bargaining agreement. In fiscal year 2019-2020 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 19-20 – District paid \$4.54/hour (9/19-5/20) and \$4.79/hour (6/20-8/20)

Contribution amount FY 17-18 - \$162,532

The WWLEPP does have a withdrawal liability. There is no withdrawal liability for 2020.

4. Central Pension Fund of the IUOE (CPF). It is administered by the Board of Trustees of CPF of the IUOE. The entity identification is 36-6052390. Three-hundred seven District employees are covered by the plan - sixty bus drivers and dispatchers, thirty-three security employees, and two-hundred fourteen custodians are covered by the CPF. CPF is a "defined benefit plan" providing a benefit determined by accrual rate, years

of service and hours worked in the service years. Benefit payments are guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. Contributions to the plan are made monthly pursuant to the terms of the collective bargaining agreement. In fiscal year 2019-2020 all pension contributions are based on 2080 hours compensated per year for dispatchers and bus drivers, full-time security employees, and custodians, and 1,704 hours for part-time security employees

Contribution rates FY 19-20 – District paid \$2.00/hour for dispatchers, \$1.00/hour for bus drivers, \$0.75/hour for 10-month part-time security employees, \$1.50/hour for full-time security employees, and \$1.75/hour for custodians.

Contribution amount FY 19-20 – Total – \$884,194. \$8,880 for dispatchers, \$91,337 for bus drivers, \$35,821 for part-time security employees, \$24,756 for full-time security employees, and \$723,400 for custodians. There is currently no withdrawal liability for the CPF.

5. IBEW Pacific Coast Pension Fund. It is administered by Rhen & Associates/IBEW Local 76. The entity identification is 94-6128032. Seven District employees are covered by the Pacific Coast Pension Fund. The fund is a “defined benefit plan” providing benefit payments guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. The monthly benefit at normal retirement is determined by the accrual rate, years of service and hours worked in the service years. Contributions to the plan are made monthly pursuant to the terms of the collective bargaining agreement. In fiscal year 2019-2020 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 19-20 – District paid \$5.41/hour for IBEW and 3% of gross wages for NEBF.

Contribution amount FY 19-20 - \$94,349

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

6. Western Washington Glaziers Retirement Plan. It is administered by BENESYS, Inc./The Employee Painters’ Trust. The entity identification is 91-6050587. One District employee is covered by the plan. The fund is a “defined benefit fund” providing monthly benefit payments guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. The monthly benefit at normal retirement age is determined by an accrual rate for credited years of service. Contributions to the plan are made monthly pursuant to the terms of the collective bargaining agreement. In fiscal year 2019-2020 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 19-20 – District paid \$11.50/hour

Contribution amount FY 19-20 - \$24,024

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

7. Plumbers & Pipefitters National Pension Fund. It is administered by the Board of Trustees, Plumbers & Pipefitters National Pension Plan. The entity identification is 52-6152779. Eight District employees are covered by the plan. The fund is a “defined benefit plan” providing monthly benefit payments guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. The monthly benefit at normal retirement age is determined by an accrual rate and years of credited service. Contributions to the plan are made monthly pursuant to the terms of the collective bargaining agreement. In fiscal year 2019-2020 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 19-20 – District paid \$3.90/hour

Contribution amount FY 19-20 - \$54,630

The Plumbers & Pipefitters National Pension Fund has been placed in “endangered” status by the Pension Protection Act of 2006. The Plan does have a withdrawal liability however the amount of liability was not available by publication date.

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

pursuant to the collective bargaining agreement. In fiscal year 2019-2020 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 19-20 – District paid \$3.05/hour (9/19-2/20) and \$4.00/hour (3/20-8/20)

Contribution amount FY 19-20 - \$47,598

The WA State Plumbing & Pipefitting Pension Fund does have a withdrawal liability. The District's estimated withdrawal liability for 2020 is \$715,378.

9. Western Conference of Teamsters Pension Plan. It is administered by Northwest Administrators, Inc. The entity identification is 91-6145047. Eleven District employees are covered by the plan. The fund is a "defined benefit plan" providing monthly benefit payments at retirement age. The plan is guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. The monthly benefit is determined by an account benefit formula used for service after 1986 and is based on a percentage of all of the participant's non-forfeited years of service. The five-year average benefit formula is used to determine a monthly benefit based on years of service and the rate of contributions payable for the participants last five years of service. Contributions to the plan are made monthly pursuant to the terms of the collective bargaining agreement. In fiscal year 2019-2020 all pension contributions are limited to 2080 maximum hours in a plan year.

Contribution rate FY 19-20 – District paid \$3.30/hour

Contribution amount FY 19-20 - \$70,747

The Western Conference of Teamsters Pension Plan does have withdrawal liability. The District's estimated withdrawal liability for 2019 is \$25,261.

10. International Painters & Allied Trades (IUPAT) Industry Pension Plan. It is administered by IUPAT Pension Fund Administrator. The entity identification is 52-6073909. Four District employees are covered by the plan. The plan is a "defined benefit plan" providing guaranteed monthly benefits. The monthly benefit is a combination of 100% of the participant's first \$11 of the Plan's monthly benefit accrual rate, plus 75% of the next \$33 of the accrual rate, multiplied times each year of credited service. The maximum guarantee is \$35.75 per month multiplied by a participant's years of credited service. Benefit payments are guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. Contributions to the plan are made monthly pursuant to the terms of the collective bargaining agreement. In fiscal year 2019-2020 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 19-20 – District paid \$2.25/hour (9/19-6/20) and \$1.62/hour (7/20-8/20)

Contribution amount FY 19-20 - \$13,422

The IUPAT does have withdrawal liability. The District's estimated withdrawal liability for 2019-2020 is \$145,986.

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

Contribution rate FY 19-20 – District paid \$3.50/hour

Contributions amount FY 19-20 - \$81

The SMWNPF does have a withdrawal liability. The District's estimated withdrawal liability for 2019-2020 is \$37,417.

12. Northwest Sheet Metal Workers Pension Plan. It is administered by BeneSys, Inc. The entity identification is 91-6061344. One District employee is covered by the plan. The plan is a "defined benefit plan" providing a monthly benefit at a normal retirement age. The guaranteed monthly benefit is determined based on a benefit accrual rate and years of credited service. Benefit payments are guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. Contributions to the plan are made monthly pursuant to

the terms of the collective bargaining agreement. In fiscal year 2019-2020 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 19-20 – District paid \$2.75/hour

Contributions amount FY 19-20 - \$58

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

13. IUOE Local 302/612 Employers Construction Industry Retirement Plan. It is administered by Construction Industry Funds Admin. Services Inc. The entity identification is 91-6028571. Two District employees are covered by the plan. The plan is a “defined benefit plan” providing a monthly benefit once they have obtained age 60 and have five years of credited service or have 7,500 covered hours of employment. Participants are entitled to a monthly benefit for each year of credited past service plus a percentage of the contributions made on the participants’ behalf. Benefit payments are guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. Contributions to the plan are made pursuant to the terms of the collective bargaining agreement. In fiscal year 2019-2020 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 19-20 – District paid \$2.00/hour

Contributions amount FY 19-20 - \$3,736

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

Plan Name	# of Employees Covered	Balance of Contributions
National Roofing Industry Pension Fund	1	\$ 5,382
Carpenters Retirement Plan of Wester Washington	7	99,277
Western Washington Laborers Employers Pension Plan	17	162,532
Central Pension Fund of the IUOE	307	884,194
IBEW Pacific Coast Pension Fund	7	94,349
Western Washington Glaziers Retirement Plan	1	24,024
Plumbers & Pipefitters National Pension Fund	8	54,630
WA State Plumbing & Pipefitting Pension Fund	8	47,598
Western Conference of Teamsters Pension Plan	11	70,747
International Painters & Allied Trades	4	13,422
Sheet Metal Workers National Pension Fund	1	81
Northwest Sheet Metal Workers Pension Plan	1	58
IUOE Local 302/612 Employers Const. Industry Ret. Plan	2	3,736
Total	375	\$ 1,460,030

The financial reports for each of these plans are available by going to [www.efast.dol.gov](http://www.efast.dol.gov) and from:

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

## Note 7.

### **LONG-TERM DEBT**

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

Bonds payable on August 31, 2020 include the following: 2012 Refunding Bond, 2014 Unlimited Tax General Obligation Bond (UTGO) Refunded in 2020, 2015 Refunding Bond, 2015 UTGO Refunded in 2020 and the 2020 Refunding Bond. Interest on the Bonds is payable on June 1 and December 1.

In February 2013, the District passed a \$500M bond authority measure for construction projects. An 18-month, \$100M Bond Anticipation Note (BAN) was issued in June 2013 to fund the first phase of construction. The BAN was due in December 2014. The 2014 UTGO bond was issued for \$152,625,000 and included funds to pay off

the BAN as well as provide new money for the next phase of construction. Interest rates on the bonds are fixed at 1.0 to 5.0 percent. The 23-year bonds will be fully paid off in December 2038.

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

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

In July 2020, the District issued refunding bonds with a par value of \$366,010,000 and refunded \$130,360,000 of outstanding 2014 UTGO Bonds and \$165,195,000 of outstanding 2015 UTGO Bonds to take advantage of favorable market conditions. The interest rates were fixed at 1.8 to 2.4 percent. The net proceeds of \$364,639,479, after payment of \$1,370,521 in underwriting fees, insurance, and other issuance costs, were deposited in an escrow account for the payment of the defeased portion of the bonds and bond premiums. The District refunded the 2014 and 2015 Bonds to reduce its total debt service payments over the next six years by \$462,839,140 and to obtain a present value economic gain of \$45,335,614, or over 15 percent. The refunded bonds will be fully paid in December 2039.

Construction projects include replacement and new construction of Hunt Middle School, Mary Lyon, Grant, Birney, and Boze Elementary schools; and District-wide health and safety upgrades.

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

In 2016-17, the District entered into an agreement with Daktronics Sports Marketing to design, manufacture, and install electronic scoreboards at Lincoln Bowl and Stadium Bowl. The initial cost of the equipment was \$792,847 and after down payments, a balance of \$539,938 was financed. A financing plan with equal payments of \$114,033 was established to be made over the following five years. Interest rates range from 2.8 to 3.0 percent over the life of the loan.

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

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

The following is a summary of changes in long-term debt of the District for the fiscal year ended August 31, 2020 and reported in the government-wide financial statements:



GOVERNMENTAL ACTIVITIES	Balance at September 1, 2019	Additions	Reductions	Balance at August 31, 2020	Due within One Year
Bonds and Contracts Payable:					
2012 Refunding of '03,05,05A UTGOs	\$ 51,590,000	\$ -	\$ 5,545,000	\$ 46,045,000	\$ 4,195,000
2014 UTGO (Refunded)	136,600,000	-	130,360,000	6,240,000	-
2015 Refunding of BAN	30,485,000	-	21,570,000	8,915,000	8,915,000
2015 UTGO (Refunded)	261,045,000	-	172,290,000	88,755,000	14,315,000
2020 Refunding of '14, '15 UTGOs	-	366,010,000	-	366,010,000	-
Long-Term Financing - Scoreboards	323,798	-	104,966	218,832	107,905
Total Bonds and Contracts Payable	480,043,798	366,010,000	329,869,966	516,183,832	27,532,905
Net Pension Liabilities:					
PERS Plan 1	20,346,519	-	2,628,096	17,718,422	-
SERS Plans 2/3	7,024,354	7,958,821	-	14,983,175	-
TRS Plan 1	75,729,836	-	4,861,760	70,868,076	-
TRS Plans 2/3	18,461,089	26,800,685	-	45,261,774	-
Total Net Pension Liabilities	121,561,797	34,759,506	7,489,856	148,831,447	-
Other Liabilities:					
Unamortized Bond Premium	84,420,299	-	53,107,960	31,312,339	4,917,561
Total OPEB Liability	166,629,215	48,796,093	4,281,179	211,144,129	4,281,179
Compensated Absences	31,225,745	6,357,815	2,361,899	35,221,661	2,514,209
Total Other Liabilities	282,275,259	55,153,908	59,751,038	277,678,129	11,712,949
Total Governmental Activities	\$ 883,880,854	\$ 455,923,414	\$ 397,110,860	\$ 942,693,408	\$ 39,245,854

Debt service requirements for bonds are funded out of the Debt Service Fund with the revenue sources being property taxes and investment income. Compensated absences, Total OPEB Liabilities and Net Pension Liabilities are funded out of the General Fund. At August 31, 2020, the District had \$13,757,546 available in the Debt Service Fund to service the general obligation bonds.

## B. BOND PREMIUM

The District sold Unlimited Tax General Obligation Bonds at a premium for the bond sales in 2012, 2014, and 2015. The premiums are being amortized over the remaining life of the bonds. The 2014 and 2015 UTGO Bonds have been refunded and the unamortized premium decrease reflects the current year refunding. Below is a schedule showing the current year's change in unamortized premium costs:

Description	Unamortized Bond Premium Costs			
	Balance at	Increase	Decrease	Balance at
	September 1, 2019			August 31, 2020
2012 Unlimited Tax GO Bonds	\$ 10,609,177	\$ -	\$ 965,044	\$ 9,644,133
2014 Unlimited Tax GO Bonds	22,270,115	-	21,012,518	1,257,597
2015 Refunded Bond	4,665,785	-	3,060,638	1,605,147
2015 Unlimited Tax GO bonds	46,875,222	-	28,069,761	18,805,462
Total	\$ 84,420,299	\$ -	\$ 53,107,960	\$ 31,312,339

## C. DEBT SERVICE REQUIREMENT TO MATURITY

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

Year Ending August 31,	UTGO Bonds & Refunded Bonds		Notes from Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2021	\$ 27,425,000	\$ 12,366,622	\$ 107,905	\$ 6,127	\$ 39,905,655
2022	17,000,000	12,333,298	110,927	3,106	29,447,331
2023	20,155,000	11,682,721	-	-	31,837,721
2024	20,910,000	10,989,291	-	-	31,899,291
2025	21,530,000	10,272,466	-	-	31,802,466
2026-2030	120,705,000	38,349,760	-	-	159,054,760
2031-2035	136,415,000	23,402,237	-	-	159,817,237
2036-2040	151,825,000	8,972,697	-	-	160,797,697
<b>TOTAL</b>	<b>\$ 515,965,000</b>	<b>\$ 128,369,091</b>	<b>\$ 218,832</b>	<b>\$ 9,233</b>	<b>\$ 644,562,156</b>

#### **D. ARBITRAGE REBATE**

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

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

#### **E. DEFERRED CHARGE ON REFUNDING**

The District refunded its 2014 and 2015 UTGO Bonds in July 2020. The difference between the refunded principal (\$295,555,000) and the net cost of refunding (\$314,179,286) resulted in deferred charge that is amortized over the shorter of either the term of the refunded bonds or refunding bond. The deferred charge is reported as an outflow of resources and recognized as a component of interest expense over the remaining life of the new debt. Following is the remaining portion of the deferred charge:

Deferred Outflow on Refunded 2014 & 2015 Bonds (July, 2020)				
Year	Balance at September 1,	Additions	Reductions	Ending Balance
2020	\$ -	18,624,285	0	\$ 18,624,285
2021	18,624,285	-	980,226	17,644,060
2022	17,644,060	-	980,226	16,663,834
2023	16,663,834	-	980,226	15,683,609
2024	15,683,609	-	980,226	14,703,383
2025	14,703,383	-	980,226	13,723,158
2026	13,723,158	-	980,226	12,742,932
2027	12,742,932	-	980,226	11,762,707
2028	11,762,707	-	980,226	10,782,481
2029	10,782,481	-	980,226	9,802,255
2030	9,802,255	-	980,226	8,822,030
2031	8,822,030	-	980,226	7,841,804
2032	7,841,804	-	980,226	6,861,579
2033	6,861,579	-	980,226	5,881,353
2034	5,881,353	-	980,226	4,901,128
2035	4,901,128	-	980,226	3,920,902
2036	3,920,902	-	980,226	2,940,677
2037	2,940,677	-	980,226	1,960,451
2038	1,960,451	-	980,226	980,226
2039	980,226	-	980,226	-

**Note 8. COMMITMENTS UNDER LEASES**

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

The District entered into the following lease agreements: a three-year lease agreement to rent instructional and office space in downtown Tacoma for the Tacoma School of the Arts effective October 1, 2018; a five-year lease agreement to rent 52 copiers to be used throughout the District effective September 1, 2019.

The following is a schedule by years of future minimum rental payments required under operating leases with initial or remaining non-cancellable lease terms of one year or more as of August 31, 2020:

Year Ending August 31, Ending	Amount
2021	\$ 240,914
2022	190,914
2023	190,914
2024	190,914
Total	<u>\$ 813,655</u>

**Note 9. RISK MANAGEMENT**

**A. UNEMPLOYMENT**

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

Fiscal Year	Unemployment			
	Beg. Balance	Additions	Reductions	End. Balance
2019	\$ 735,407	170,762	210,266	\$ 695,903
2020	\$ 695,903	360,101	321,168	\$ 734,836

**B. INDUSTRIAL INSURANCE**

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

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

Fiscal Year	Industrial Insurance			
	Beg. Balance	Additions	Reductions	End. Balance
2019	\$ 911,280	3,924,863	4,039,620	\$ 796,523
2020	\$ 796,523	3,841,093	3,747,869	\$ 889,746

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

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

WSRMP allows members to jointly purchase insurance coverage, establish a plan of self-insurance, and provide related services, such as risk management. WSRMP provides the following coverages for its members: property, liability, vehicle, school board liability, crime, employment practices, errors and omissions, equipment breakdown, cyber security, terrorism, and stop gap liability.

Members make an annual contribution to fund WSRMP. WSRMP purchases reinsurance and excess insurance from unrelated carriers subject to a per-occurrence self-insured retention of \$1 million risk shared by WSRMP. Reinsurance or Excess carriers cover losses over \$1 million to the maximum limits of each policy. Members are responsible for varied deductibles for auto and property claims. Since WSRMP is a cooperative program, there is a joint liability among the participating members.

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

WSRMP is fully funded by its member participants and is governed by a board of directors that consists of one designated representative from each participating member. An executive board is elected at the annual meeting and is responsible for overseeing the business affairs of WSRMP.

The District paid \$4,086,431 for its annual premium contribution to WSRMP for its property and liability insurance coverage in 2019-20. The District had no significant reductions in insurance coverage from coverage in the prior year in any of its major risk categories. There were no insurance settlements that exceeded the District's insurance coverage in any of the past three fiscal years.

### **D. EMPLOYEE BENEFITS**

The District made payments totaling \$15,548,273 in 2019-20 to the Sound Partnership which is a health and welfare benefit trust fund. The Sound Partnership was established in 1984 to provide comprehensive medical, dental, vision, life, and long-term disability coverage for the District's qualified employees and dependents. The Board of Trustees consists of five management members appointed by the Tacoma School District and five labor members appointed by the Tacoma Education Association. In addition to all powers and authorities under common laws, statutory authority, and other provisions of the agreement between Tacoma School District and the Trust, the board has the power to manage, acquire and dispose of the assets of the Trust. The board also appoints a "plan administrator" designated as Executive Director who oversees the Trust's day-to-day operations.

The Sound Partnership moved from a self-insured health insurance plan to a premium-based health insurance plan on January 1, 2010. This change provided comparable health care coverage at more competitive rates for the Trust's membership. The Trust remains self-insured for dental and vision coverage.

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

is imminent. As a result, the entity changed its basis of accounting on August 31, 2020, from the going-concern basis to a liquidation basis.

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

The District's monthly contributions to the Sound Partnership through December 31, 2019 are based on the state funding model amount for health benefits calculated on an FTE (full time equivalent) basis. Additional costs for coverage are paid by the District's employees through payroll deductions. Employee and employer contributions are remitted to the Sound Partnership on a monthly basis.

The total self-insured claims reported and approved for payments were \$627,719 and insurance premium payments were \$14,863,915 for the year; the total contributions from participants were \$15,661,169.

The total assets and liabilities of the Sound Partnership at August 31, 2020 (liquidation basis) were respectively \$3,804,253 and \$163,101.

The Sound Partnership	
Statement of Changes in Net Assets Available in Liquidation (Liquidation Basis)	
Total Assets Available for Benefits	
as of August 31, 2019 (Going-Concern Basis)	\$ 3,688,645
Additions	15,661,169
Deductions	<u>(15,941,706)</u>
Total Assets Available for Benefits	
as of August 31, 2020 (Going-Concern Basis)	\$ 3,408,108
Total effects of applying the liquidation basis of accounting	<u>233,044</u>
Net Assets in Liquidation as of August 31, 2020	<u>\$ 3,641,152</u>

#### **E. POST-EMPLOYMENT HEALTH CARE BENEFITS**

All eligible District employees may participate in health care insurance programs offered by SEBB after their separation from the District due to early retirement or termination. The COBRA program is a continuation of health care benefits from the District. Eligible employees (former employees) and dependents may be on this plan for only 18 months. COBRA offers group rates, but the monthly cost of the continuation of the health care benefits is the responsibility of the former employee. The number of participants as reported by SEBB was not available by publication date.

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

The following table represents the aggregate OPEB amounts subject to the requirements of GASB Statement 75 for the year 2019-2020:

OPEB Amounts	
As of August 31, 2020	
OPEB Liabilities	\$ 211,144,129
Deferred Outflows of resources	34,463,675
Deferred Inflows of resources	(18,631,892)
OPEB expense (benefit)	<u>15,472,403</u>

The state, through the Health Care Authority (HCA), administers a defined benefit other post-employment benefit (OPEB) plan that is not administered through a qualifying trust. The Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of retired

employee participation and coverage, including establishment of eligibility criteria. Benefits purchased by PEBB include medical, dental, life insurance and long-term disability insurance.

The relationship between the PEBB OPEB plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members, and the historical pattern of practice with regard to the sharing of benefit costs. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. However, the actuarial assumption used in the valuations presented in this note assume that this substantive plan will be carried into the future.

The District is deemed to provide to its retirees employer-provided subsidies associated with post-employment medical and life insurance benefits provided through the PEBB. According to state law, the Washington State Treasurer collects a fee from all school district entities which are not current active members of the state Health Care Authority but participate in the state retirement system. As outlined in the state's operating budget, school districts are mandated to pay the state HCA \$73.36 per month per full-time equivalent employee in the 2019-20 fiscal year to support the program. This assessment to the District is subject to change annually. Participation in the PEBB is limited to the District's retirees.

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

Summary of Plan Participants As of August 31, 2020	
Retirees or beneficiaries currently receiving benefits	2,112
Active employees	4,469
<b>Total</b>	<b>6,581</b>

## **PLAN DESCRIPTION**

The PEBB retiree OPEB plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums under the provisions of the retirements system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system. District members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plan 2 or 3 of TRS or SERS. Retirees with 5 years or more of service who are age 65 or more and retirees with 20 years or more of service who are 55 or older are eligible for post-employment benefits. Former members who are entitled to a deferred vested pension benefit are not eligible to receive medical benefits after pension benefit commencement. Survivors of covered members who die are eligible for medical benefits. Not all employers who participate in the retirement plans offer PEBB to their retirees.

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. In calendar year 2018 and 2019, the average weighted implicit subsidy was valued at \$347 and \$367 per adult unit per month, respectively. In calendar year 2020, the average weighted implicit subsidy is projected to be \$373 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for

inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2019, the explicit subsidy was up to \$168 per member per month and in 2020 to \$183 per member per month. Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 Medical coverage for 2020:

2020 PEBB Retiree Monthly Premiums Description	Type of Coverage		
	Employee	Employee & Spouse	Full Family
Kaiser Permanente NW Classic	\$715.66	\$1,426.25	\$1,959.20
Kaiser Permanente NW CDHP	608.85	1,206.99	1,611.85
Kaiser Permanente WA Classic	752.15	1,499.24	2,059.55
Kaiser Permanente WA CDHP	610.16	1,210.10	1,616.32
Kaiser Permanente WA Sound Choice	618.49	1,231.92	1,692.00
Kaiser Permanente WA Value	675.71	1,346.36	1,849.35
Uniform Medical Plan Classic	679.72	1,354.37	1,860.37
Uniform Medical Plan CDHP	608.35	1,206.48	1,611.34
UMP Plus-Puget Sound High Value Network	644.97	1,284.88	1,764.82
UMP Plus-UW Medicine Accountable Care Network	644.97	1,284.88	1,764.82

## **FUNDING POLICY**

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

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

To calculate the beginning total OPEB liability balance under GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*, an actuarial valuation was performed with a valuation date of July 1, 2018. This is the date as of which the census data is gathered and the actuarial valuation is performed. The measurement date was August 31, 2019, which is the date as of which the total OPEB liability was determined. GASB 75 allows a lag of up to one year between the measurement date and the reporting date. No adjustment is required between the measurement date and the reporting date. The reporting date is August 31, 2020. The forward projection reflects the plan's assumed service cost, assumed interest, and expected benefit payments.

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

## **ASSUMPTIONS AND OTHER INPUTS**

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

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

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetimes.

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

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

Sensitivity of the Healthcare Cost Trend Rate	
1% Decrease	\$ 171,529,350
Current Healthcare Cost Trend Rate	211,144,129
1% Increase	264,390,620

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

Sensitivity of the Discount Rate	
1% Decrease (1.97%)	\$ 255,000,240
Current Discount Rate (2.97%)	211,144,129
1% Increase (3.97%)	177,086,530

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

As of August 31, 2020, the District reported a total OPEB liability of \$211,144,129. This liability was determined based on a measurement date of August 31, 2019.

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

The following table presents the change in the total OPEB liability as of the August 31, 2020, reporting date:

OPEB Liability	
Reported as of August 31, 2019	\$ 166,629,215
Changes for the year	
Service Cost	8,205,259
Interest on total OPEB liability	6,839,291
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumption changes or inputs	33,751,543
Expected benefit payments	(4,281,179)
<b>Reported as of August 31, 2020</b>	<b><u>\$ 211,144,129</u></b>



**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources.** The following table shows components of the District's allocated annual OPEB costs reported for fiscal year 2019-2020. The District will recognize OPEB expense of \$15,472,403.

OPEB Expense	
Service cost	\$ 8,205,259
Interest on total OPEB liability	6,839,291
Effect of plan changes	-
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains or losses	(331,361)
Recognition of assumption changes or inputs	759,214
<b>Total OPEB Expense</b>	<b>\$ 15,472,403</b>

On August 31, 2020, the District reported its share of the deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ (2,087,576)	\$ -
Changes of assumptions	(16,544,316)	29,685,092
Contributions made subsequent to measurement date	N/A	4,778,583
<b>Total</b>	<b>\$ (18,631,892)</b>	<b>\$ 34,463,675</b>

Per paragraph 159 of GASB 75, deferred outflows of resources should be reported for benefits that come due subsequent to the measurement date, but prior to the reporting date. \$34,463,675 reported as deferred outflows of resources resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability.

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

Future OPEB expense	
Fiscal Year ended August 31,	
2020	\$427,853
2021	427,853
2022	427,853
2023	427,853
2024	1,232,467
Thereafter	8,109,321

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

Note 10.

**RECONCILIATION BETWEEN GOVERNMENT-WIDE FINANCIAL STATEMENTS AND GOVERNMENT FUND FINANCIAL STATEMENTS**

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

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

1. Cost of capital assets \$ 1,495,706,547  
Accumulated Depreciation (444,435,899)  
Net \$ 1,051,270,648
2. Long-term liabilities of **\$942,693,407** (due within one year: \$39,245,854 due more than one year: \$903,447,553) applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities – both current and long-term – are reported in the Statement of Net Position.

Deferred outflows of resources related to refunded bonds of **\$18,624,286** are not reported in the fund statements but are reported in the Statement of Net Position.

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

Deferred Outflows of Resources	<b>\$50,864,660</b>
Deferred Inflows of Resources	<b>\$9,917,630</b>
4. Deferred outflows of resources and deferred inflows of resources related to Other Post Employment Benefits (OPEB) assumption changes and contributions:

Deferred Outflows of Resources	<b>\$34,463,675</b>
Deferred Inflows of Resources	<b>\$18,631,892</b>
5. Property tax levies (**\$72,107,534**) that were after year-end and are not considered “available.” Therefore, they are reported as deferred revenue in governmental funds.
6. Interfund Receivables and Payables (**\$6,286,923**) – Internal transfers between governmental funds were eliminated in government-wide statements to avoid the “doubling-up” effect.
7. Internal service fund (The Sound Partnership) is used to provide medical, dental, and life insurance for the District's employees and their dependents. The assets and liabilities (respectively **\$3,804,253** and **\$163,101**) of the internal service fund are included in governmental activities in the Statement of Net Position.
8. Accrued interest payable on long-term debt is not reflected in fund financial statements. **\$3,006,611** of accrued interest on long-term debt is recorded in the Statement of Net Position.

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

1. Property tax levies that do not provide current financial resources are reported as deferred inflows of resources in the fund financial statements, but as revenue in the government-wide financial statements. A increase of **\$14,677,631** of tax revenue is recorded in the conversion from fund financial statements to the statement of activities.
2. The net amount of **-\$4,699,418** represents the current year changes in compensated absences (\$3,995,916), other post-employment benefits expense (\$10,693,820), and the net pension expense (-\$19,389,154) which are not reported in governmental funds. This amount is reported in the Statement of Activities as expenditures, allocated to various applicable programs.

3. a. **-\$46,082,803** – When capital assets (land, buildings, equipment) are purchased or constructed to be used in Governmental Activities, the cost of those assets are reported as expenditures in Governmental Funds. The Statement of Net Position includes those capital assets among the assets of the District as a whole.

Capital Outlay	\$ (75,389,065)
Depreciation Expense	<u>29,306,262</u>
Difference	<u>\$ (46,082,803)</u>

b. Governmental Funds Financial Statements report capital outlay as expenditures while Government-Wide Financial Statements report depreciation expense (**\$29,306,262**) allocated to various applicable programs.

4. Principal payments were reported as expenditures in governmental funds, and thus have the effect of reducing fund balance. For the District as a whole, however, the principal payments reduce the liabilities in the Statement of Net Position. The following principal payments were made:

**\$34,210,000** - Repayment of bond principal amounts.

**\$104,966** - Payment on financing agreement for two school sports stadium scoreboards.

5. **\$5,967,489** – The bond premium reductions, accrued interest payable increase on the long-term debt (from July 1 – August 31), the final deferred inflow of resources on the refunded bond transaction, and the accrued interest expense on refunded bonds (from June 1 – July 31) are charged to expenditures in Government-Wide Financial Statements. Below is a breakdown of the net amount.

Current year bond premium reduction	\$ 5,125,336
Accrued interest payable decrease	932,300
Final deferred inflow on refunded bond decrease	2,387,392
Accrued interest expense on refunded bonds	<u>(2,477,569)</u>
Total	<u>\$ 5,967,459</u>

6. The sale of refunding bonds resulted in an other financing source (**\$365,918,080**) and the remittance to escrow for partial defeasance of the 2014 and 2015 bonds and related premiums resulted in an other financing use (**\$364,547,559**).
7. Internal service fund (The Sound Partnership) is used to provide medical, dental, and life insurances for the District's employees. The adjustments for the internal service fund "close" the fund by allocating the net loss (**\$47,493**).

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

Fund balance as of August 31, 2020 is comprised of:

	Fund Equity (Governmental Funds)				
	General Fund	Special Revenue Fund (ASB)	Debt Service	Capital Projects Fund	Trans Vehicle Fund
Nonspendable - Inventory & Prepaid Items	\$ 4,837,911	\$ -	\$ -	\$ -	\$ -
Restricted for Carryover of Restricted Revenues	2,071,834	-	-	-	-
Restricted for Construction	-	-	-	45,901,006	-
Restricted for Debt Service	218,832	-	13,757,546	-	-
Restricted to Fund Purposes	-	1,980,522	-	-	2,661,285
Restricted for Technology	-	-	-	14,697,733	-
Committed to Contingencies	1,000,000	-	-	-	-
Assigned to Other Items (Encumbrances)	1,104,130	-	-	-	-
Assigned to Budget Carryover	2,392,398	-	-	-	-

Assigned to Future Operations	5,198,019	-	-	-	-
Assigned to Curriculum & Instruction	2,179,295	-	-	-	-
Assigned to Fund Purposes	-	-	-	3,261,836	-
Unassigned for Minimum Fund Balance Policy	17,727,880	-	-	-	-
Unassigned for Fund Balance	163,227	-	-	-	-
<b>Total Fund Balance</b>	<b>\$ 36,893,527</b>	<b>\$ 1,980,522</b>	<b>\$ 13,757,546</b>	<b>\$ 63,860,575</b>	<b>\$ 2,661,285</b>

**Note 12. CONTINGENT LIABILITIES**

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

**Note 13. LITIGATION**

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

Based on the recommendations of counsel, the District has provided an adequate amount for any uninsured losses which might arise from such lawsuits and claims.

**Note 14. SUBSEQUENT EVENTS**

**Construction Bond**

In February 2020, voters passed a \$535 million Tacoma Public Schools construction bond that supports the replacement or renovation of 8 aging schools. New roofs and boilers, safety upgrades, energy management systems and ADA improvements to improve accessibility are all part of the construction bond. On October 30, 2020 the district issued \$484 million in new bonds, plus \$51 million in aggregate original issue premium generated by the sale, to fund the voter approved construction projects through the next several years.

**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 included closing schools, canceling public events, limiting gathering sizes, and requiring people to stay home unless they were 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, continued to operate, educating students using continuous learning models. Many of the precautionary measures put in place during the 2019–20 school year remain in effect; and are affecting the district for the 2020–21 school year in new ways.

During the 2019-20 fiscal year the District experienced cash flow disruptions in April and May of 2020 due to deferred tax payments from the County to help with community needs and minor adjustments from State apportionment. The deferral program may continue in 2021 so it remains to be seen if the District will again experience cash flow disruptions in the 20-21 fiscal year.

The District continues to approach expenditures as conservatively as possible and have limited non-essential purchases, utilized free materials where available, limited overtime and scrutinized hiring.

The Federal Elementary and Secondary School Emergency Relief (ESSER) Funds, through the CARES Act, allocated \$8.27M to the District for use from March 2020 through September 2022. This has helped to mitigate additional financial impacts related to COVID during the 2019-20 and 2020-21 school years. ESSER funds may be used to maintain the continuity of District services, including the purchase of educational technology and supplies for remote and hybrid learning; existing staff professional development; additional staffing for both the

Tacoma Online option and to meet smaller student cohort requirements for hybrid learning; support of healthy and safe school buildings; to offset lost revenue; other costs necessary to maintain operations and to employ staff; and to provide extra support to meet the needs of teachers and schools as we safely transition to in-person learning.

The District also received \$1.5M in CARES funding from Pierce County through the Federal Department of the Treasury which was required to be expended by December 30, 2020. These funds will be used to address unanticipated increases in unemployment costs; learning management systems for both remote learning and Tacoma Online; school supplies and printed materials distributed to students; and online learning resources to support advanced placement courses.

On December 27, 2020 the federal Coronavirus Response and Relief Supplemental Appropriations Act was signed into law, providing an additional round of ESSER funding (ESSER II). Though Tacoma Public Schools has been allocated roughly \$31 million in ESSER II funds with a spending deadline of September 30, 2023, unlike ESSER I, authority to spend will be provided by the legislature through the state budget and appropriations process. We expect the legislature may use this funding to meet budget shortfalls at the state level to stabilize basic education funding. At this time, we cannot reasonably project to what extent these funds may be available to reimburse the district for allowable expenditures.

The district is using two education delivery models to instruct students in the 2020–21 school year. The hybrid model allows students to learn remotely until the district is able to safely provide in-person instruction and approximately 23,000 students are operating on this model. The other model is a fully remote model where students learn remotely for the full year, whether in-person instruction is allowed or not, and there are approximately 4,000 students utilizing this model. In October 2020, special education students whose individualized education plans required some level of in-person instruction, began attending in-person based on need. Plans to provide regular in-person instruction change based on health department and State guidelines and are based on infection and hospitalization rates noted locally. The plan to return to full in-person instruction is dependent on ability to do so safely within the recommendations of these agencies.

The district has experienced decreasing enrollment beginning in the 2020–2021 school year of approximately 1,100 students resulting in a potential loss of state apportionment of \$10M. To offset the loss of revenue, the district has limited hiring of vacant positions and reduced supplemental pay opportunities (i.e. overtime, supplemental contracts, coaching activities). While our school buildings are not fully utilized, there have been few disruptions to staffing levels. The district did announce a reduction in force for paraeducator staff, staff who work in classrooms to support students, teachers or learning but beyond that, most staff were transitioned to a remote work environment in March 2020. Due to the closure of facilities, the district expects facility rental and other fee collections will be eliminated during the 2020-21 school year.

For the future, the State indicated that pandemic impacts created a deficit due to lost tax revenues and increased costs that could result in additional financial impacts for school districts but have offered little clarity around what reductions could potentially result from those adjustments. The district budget is operating in consideration of State impacts, Federal stimulus, and internal savings methods, and recognize that there may still be a need to draw from the District's 5% emergency reserves. 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 but regular monitoring and adjusting will occur as circumstances continue to evolve.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**TACOMA SCHOOL DISTRICT No. 10**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2020**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL *</b>	<b>FINAL *</b>	<b>AMOUNT</b>	
<b>REVENUES</b>				
Local	\$ 68,114,780	\$ 68,114,780	\$ 64,470,810	\$ (3,643,970)
State	359,965,919	359,965,919	356,709,102	(3,256,817)
Federal	38,182,466	38,182,466	41,693,662	3,511,196
Other	4,528,421	4,528,421	4,898,554	370,133
<b>TOTAL REVENUES</b>	<b>470,791,586</b>	<b>470,791,586</b>	<b>467,772,128</b>	<b>(3,019,458)</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Regular Instruction	253,341,592	253,341,592	250,947,841	2,393,751
Special Education	65,780,448	65,780,448	63,633,055	2,147,393
Career & Technical Education	16,909,644	16,909,644	16,769,563	140,081
Compensatory Education	41,392,926	41,392,926	41,006,503	386,423
Other Instructional Programs	15,205,167	15,205,167	2,921,475	12,283,692
Community Services	927,748	927,748	9,191,096	(8,263,348)
Support Services	87,103,100	87,103,100	88,748,907	(1,645,807)
<b>Capital Outlay:</b>				
Other	1,320,180	1,320,180	705,168	615,012
<b>TOTAL EXPENDITURES</b>	<b>481,980,805</b>	<b>481,980,805</b>	<b>473,923,608</b>	<b>8,057,197</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(11,189,219)</b>	<b>(11,189,219)</b>	<b>(6,151,479)</b>	<b>5,037,740</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Equipment	-	-	231,551	231,551
Transfers Out	-	-	-	-
Transfers In	2,000,000	2,000,000	2,868,149	868,149
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>3,099,700</b>	<b>1,099,700</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>(9,189,219)</b>	<b>(9,189,219)</b>	<b>(3,051,779)</b>	<b>6,137,440</b>
<b>FUND BALANCE - September 1</b>	<b>33,258,527</b>	<b>33,258,527</b>	<b>39,945,306</b>	<b>6,686,779</b>
<b>FUND BALANCE - August 31</b>	<b>\$ 24,069,308</b>	<b>\$ 24,069,308</b>	<b>\$ 36,893,527</b>	<b>\$ 12,824,219</b>

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

**REQUIRED SUPPLEMENTARY INFORMATION**  
**TACOMA SCHOOL DISTRICT No. 10**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL REVENUE FUND (ASSOCIATED STUDENT BODY FUND)**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2020**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL *</b>	<b>FINAL *</b>	<b>AMOUNT</b>	
<b>REVENUES</b>				
General	\$ 1,219,972	\$ 1,219,972	\$ 448,235	\$ (771,737)
Athletics	358,600	358,600	220,819	(137,781)
Classes	547,914	547,914	120,739	(427,175)
Clubs	2,112,395	2,112,395	350,287	(1,762,108)
Private Monies	117,000	117,000	4,345	(112,655)
<b>TOTAL REVENUES</b>	<b>4,355,881</b>	<b>4,355,881</b>	<b>1,144,425</b>	<b>3,211,456</b>
<b>EXPENDITURES</b>				
General	1,290,835	1,290,835	424,606	866,229
Athletics	350,334	350,334	212,996	137,338
Classes	445,130	445,130	103,637	341,493
Clubs	1,946,843	1,946,843	354,375	1,592,468
Private Monies	114,500	114,500	5,102	109,398
<b>TOTAL EXPENDITURES</b>	<b>4,147,642</b>	<b>4,147,642</b>	<b>1,100,716</b>	<b>3,046,926</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>208,239</b>	<b>208,239</b>	<b>43,709</b>	<b>(164,530)</b>
<b>FUND BALANCE - September 1</b>	<b>1,769,971</b>	<b>1,769,971</b>	<b>1,936,813</b>	
<b>FUND BALANCE - August 31</b>	<b>\$ 1,978,210</b>	<b>\$ 1,978,210</b>	<b>\$ 1,980,522</b>	<b>\$ 2,312</b>

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

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

	FOR REPORTING YEAR ENDED AUGUST 31		
	2018	2019	2020
<b>TOTAL OPEB LIABILITY - September 1</b>	<b>\$ 173,580,758</b>	<b>\$ 164,223,379</b>	<b>\$ 166,629,215</b>
Service cost	9,660,446	8,231,336	8,205,259
Interest on total liability	5,154,411	5,985,794	6,839,291
Changes of benefit terms	-	-	-
Effect of economic/demographic gains or (losses)	-	(2,750,298)	-
Effect of assumption changes or inputs	(20,651,786)	(5,189,054)	33,751,543
Expected benefit payments	<u>(3,520,450)</u>	<u>(3,871,942)</u>	<u>(4,281,179)</u>
Net change in total OPEB liability	<u>(9,357,379)</u>	<u>2,405,836</u>	<u>44,514,914</u>
<b>TOTAL OPEB LIABILITY - August 31</b>	<b><u>\$ 164,223,379</u></b>	<b><u>\$ 166,629,215</u></b>	<b><u>\$ 211,144,129</u></b>
Covered employee payroll	\$ 255,861,623	\$ 267,277,564	297,560,708
Total OPEB liability as a % of employee covered payroll	64.18%	62.34%	70.96%

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

No assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75



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

	AS OF JUNE 30TH					
	2015	2016	2017	2018	2019	2020
<b><u>PERS 1</u></b>						
District's proportion of the net pension liability (percentage)	0.477932%	0.481418%	0.512630%	0.512281%	0.529119%	0.501862%
District's proportionate share of the net pension liability (amount)	\$ 25,000,282	\$ 25,854,426	\$ 24,324,672	\$ 22,878,660	\$ 20,346,519	\$ 17,718,422
District's covered payroll	\$ 1,460,940	\$ 1,191,024	\$ 63,818,914	\$ 67,759,077	\$ 73,579,452	\$ 73,277,861
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	1711.25%	2170.77%	38.12%	33.76%	27.65%	24.18%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%
<b><u>SERS 2/3</u></b>						
District's proportion of the net pension liability (percentage)	3.004269%	3.030082%	3.049930%	3.029601%	2.995486%	2.816577%
District's proportionate share of the net pension liability (amount)	\$ 12,201,867	\$ 19,900,581	\$ 15,050,642	\$ 9,060,384	\$ 7,024,354	\$ 14,983,175
District's covered payroll	\$ 51,718,906	\$ 56,306,976	\$ 62,807,512	\$ 66,936,774	\$ 72,879,090	\$ 72,730,579
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	23.59%	35.34%	24.16%	13.54%	9.64%	20.60%
Plan fiduciary net position as a percentage of the total pension liability	90.92%	86.52%	90.79%	94.77%	96.31%	92.45%
<b><u>TRS 1</u></b>						
District's proportion of the net pension liability (percentage)	3.282951%	3.234132%	3.180226%	3.121342%	3.058799%	2.942066%
District's proportionate share of the net pension liability (amount)	\$ 104,008,565	\$ 110,420,948	\$ 96,146,769	\$ 91,161,668	\$ 75,729,836	\$ 70,868,076
District's covered payroll	\$ 5,368,779	\$ 3,662,363	\$ 176,188,324	\$ 184,637,237	\$ 206,247,360	\$ 214,698,155
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	1937.29%	3015.02%	54.63%	49.37%	36.72%	33.01%
Plan fiduciary net position as a percentage of the total pension liability	65.70%	62.07%	65.58%	66.52%	70.37%	70.55%
<b><u>TRS 2/3</u></b>						
District's proportion of the net pension liability (percentage)	3.207000%	3.198686%	3.164840%	3.123073%	3.063908%	2.946767%
District's proportionate share of the net pension liability (amount)	\$ 27,060,729	\$ 43,927,460	\$ 29,209,667	\$ 14,057,390	\$ 18,461,089	\$ 45,261,774
District's covered payroll	\$ 150,091,121	\$ 160,575,063	\$ 173,807,441	\$ 183,213,142	\$ 205,305,423	\$ 214,018,302
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	18.03%	27.36%	16.83%	7.67%	8.99%	21.15%
Plan fiduciary net position as a percentage of the total pension liability	92.48%	88.72%	93.14%	96.88%	96.36%	91.72%

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

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

	AS OF AUGUST 31ST					
	2015	2016	2017	2018	2019	2020
<b><u>PERS 1</u></b>						
Contractually required contribution	\$ 2,196,565	\$ 2,725,078	\$ 3,062,524	\$ 3,439,664	\$ 3,791,211	\$ 3,637,221
Contributions in relation to the contractually required contributions	<u>2,196,565</u>	<u>2,725,078</u>	<u>3,062,524</u>	<u>3,439,664</u>	<u>3,791,211</u>	<u>3,637,221</u>
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered payroll	\$ 1,460,940	\$ 1,121,556	\$ 64,817,021	\$ 68,022,470	\$ 74,530,414	\$ 72,779,010
Contribution as a percentage of covered payroll	150.35%	242.97%	4.72%	5.06%	5.09%	5.00%
<b><u>SERS 2/3</u></b>						
Contractually required contribution	\$ 2,920,801	\$ 3,850,297	\$ 4,249,235	\$ 5,523,532	\$ 6,136,561	\$ 6,090,677
Contributions in relation to the contractually required contributions	<u>2,920,801</u>	<u>3,850,297</u>	<u>4,249,235</u>	<u>5,523,532</u>	<u>6,136,561</u>	<u>6,090,677</u>
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered payroll	\$ 51,718,906	\$ 57,265,517	\$ 63,845,221	\$ 67,205,486	\$ 73,853,416	\$ 72,248,702
Contribution as a percentage of covered payroll	5.65%	6.72%	6.66%	8.22%	8.31%	8.43%
<b><u>TRS 1</u></b>						
Contractually required contribution	\$ 7,346,486	\$ 9,846,959	\$ 11,107,688	\$ 12,962,930	\$ 15,180,259	\$ 15,450,317
Contributions in relation to the contractually required contributions	<u>7,346,486</u>	<u>9,846,959</u>	<u>11,107,688</u>	<u>12,962,930</u>	<u>15,180,259</u>	<u>15,450,317</u>
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered payroll	\$ 5,368,779	\$ 3,294,657	\$ 178,267,388	\$ 173,962,768	\$ 210,805,272	\$ 216,271,000
Contribution as a percentage of covered payroll	136.84%	298.88%	6.23%	7.45%	7.20%	7.14%
<b><u>TRS 2/3</u></b>						
Contractually required contribution	\$ 8,522,516	\$ 11,602,040	\$ 11,950,960	\$ 14,712,494	\$ 16,709,282	\$ 17,145,466
Contributions in relation to the contractually required contributions	<u>8,522,516</u>	<u>11,602,040</u>	<u>11,950,960</u>	<u>14,712,494</u>	<u>16,709,282</u>	<u>17,145,466</u>
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered payroll	\$ 150,091,121	\$ 162,475,444	\$ 176,049,367	\$ 172,715,474	\$ 209,933,557	\$ 215,631,970
Contribution as a percentage of covered payroll	5.68%	7.14%	6.79%	8.52%	7.96%	7.95%

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

**REQUIRED SUPPLEMENTARY INFORMATION**  
**TACOMA SCHOOL DISTRICT No. 10**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS - NON-GOVERNMENTAL PENSION PLANS**  
**LAST 10 FISCAL YEARS \***

	FOR REPORTING YEAR ENDED AUGUST 31			
	2017	2018	2019	2020
<b>National Roofing Industry Pension Fund</b>				
Total Contribution	\$ 12,381	\$ 11,887	\$ 10,559	\$ 5,382
<b>Carpenters Retirement Plan of Western Washington</b>				
Total Contribution	\$ 94,871	\$ 98,674	\$ 110,700	\$ 99,277
<b>Western Washington Laborers Employers Pension Plan</b>				
Total Contribution	\$ 154,903	\$ 154,309	\$ 168,603	\$ 162,532
<b>Central Pension Fund of the IUOE</b>				
Total Contribution	\$ -	\$ 905,425	\$ 894,138	\$ 884,194
<b>IBEW Pacific Coast Pension Fund</b>				
Total Contribution	\$ -	\$ 87,039	\$ 76,401	\$ 94,349
<b>Western Washington Glaziers Retirement Plan</b>				
Total Contribution	\$ -	\$ 20,323	\$ 21,622	\$ 24,024
<b>Plumbers &amp; Pipefitters National Pension Fund</b>				
Total Contribution	\$ -	\$ 66,481	\$ 66,408	\$ 54,630
<b>WA State Plumbing &amp; Pipefitting Pension Fund</b>				
Total Contribution	\$ -	\$ 51,992	\$ 51,934	\$ 47,598
<b>Western Conference of Teamsters Pension Plan</b>				
Total Contribution	\$ -	\$ 83,131	\$ 78,567	\$ 70,747
<b>International Painters &amp; Allied Trades Industry Pension Plan</b>				
Total Contribution	\$ -	\$ 22,796	\$ 18,768	\$ 13,422
<b>Sheet Metal Workers National Pension Fund</b>				
Total Contribution	\$ -	\$ 7,263	\$ 5,965	\$ 81
<b>Northwest Sheet Metal Workers Pension Plan</b>				
Total Contribution	\$ -	\$ 5,188	\$ 4,385	\$ 58
<b>IUOE Local 302/612 Employers Construction Industry Ret. Plan</b>				
Total Contribution	\$ -	\$ 5,131	\$ 4,137	\$ 3,736

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

**Tacoma School District No. 10**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2020**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
<b>Child Nutrition Cluster</b>							
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	School Breakfast Program	10.553	207WAWA3N109 9	28,183	-	28,183	7
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	School Breakfast Program	10.553	207WAWA3N109 9	144,531	-	144,531	7
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	School Breakfast Program	10.553	207WAWA3N109 9	1,165,421	-	1,165,421	7
<b>Total CFDA 10.553:</b>				<b>1,338,135</b>	-	<b>1,338,135</b>	-
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	207WAWA3N109 9	1,017,863	-	1,017,863	3, 7
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	207WAWA3N109 9	87,391	-	87,391	7
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	207WAWA3N109 9	133,906	-	133,906	7
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	207WAWA3N109 9	542,834	-	542,834	7
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	207WAWA3N109 9	3,629,094	-	3,629,094	7
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	207WAWA3N109 9	113,823	-	113,823	7

The accompanying notes are an integral part of this schedule.

FOOD AND NUTRITION SERVICE; AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	207WAWA3N109 9	22,835	-	22,835	-	7
<b>Total CFDA 10.555:</b>				<b>5,547,746</b>	-	<b>5,547,746</b>	-	
FOOD AND NUTRITION SERVICE; AGRICULTURE, DEPARTMENT OF (via WA OSPI)	COVID 19 - Summer Food Service Program for Children	10.559	NA	3,605,755	-	3,605,755	-	7
FOOD AND NUTRITION SERVICE; AGRICULTURE, DEPARTMENT OF (via OSPI)	Summer Food Service Program for Children	10.559	NA	328,854	-	328,854	-	7
<b>Total CFDA 10.559:</b>				<b>3,934,609</b>	-	<b>3,934,609</b>	-	
<b>Total Child Nutrition Cluster:</b>				<b>10,820,490</b>	-	<b>10,820,490</b>	-	
<b>Forest Service Schools and Roads Cluster</b>								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Schools and Roads - Grants to States	10.665	NA	17,919	-	17,919	-	7
<b>Total Forest Service Schools and Roads Cluster:</b>				<b>17,919</b>	-	<b>17,919</b>	-	
DEPARTMENT OF DEFENSE	ROTC	12.U01	WA030389/WA03 0390	-	131,056	131,056	-	7
DEPARTMENT OF DEFENSE	ROTC	12.U02	JR0TC201S/JRO TC202S	-	47,098	47,098	-	7
DEPARTMENT OF DEFENSE	ROTC	12.U03	N3951720MJRTC	-	1,138	1,138	-	7
DEPARTMENT OF DEFENSE	ROTC	12.U04	WA030237	-	92,819	92,819	-	7
DEPARTMENT OF DEFENSE	ROTC	12.U05	WA030941	-	415	415	-	7
DEPARTMENT OF DEFENSE	ROTC	12.U06	WA030941	-	70,467	70,467	-	7
NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE	National Park Service Conservation, Protection, Outreach, and Education	15.954	NA	-	196	196	-	7
NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE	National Park Service Conservation, Protection, Outreach, and Education	15.954	NA	-	540	540	-	7
<b>Total CFDA 15.954:</b>				-	<b>736</b>	<b>736</b>	-	

The accompanying notes are an integral part of this schedule.

DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Pierce County)	COVID 19 - Coronavirus Relief Fund	21.019	CARES 112 ORD 2020-87	437,012	-	437,012	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270793	29,998	-	29,998	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270783	29,699	-	29,699	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270095	54,348	-	54,348	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270094	54,036	-	54,036	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270815	19,656	-	19,656	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270096	54,219	-	54,219	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270112	44,538	-	44,538	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270805	22,548	-	22,548	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270806	39,785	-	39,785	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270093	34,167	-	34,167	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0271029	20,406	-	20,406	-

The accompanying notes are an integral part of this schedule.

OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270529	22,130	-	22,130	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270549	174	-	174	7
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270021	(24)	-	(24)	7
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270700	(69)	-	(69)	7
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270501	(5)	-	(5)	7
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0203473	10,174,932	-	10,174,932	4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0203718	4,135	-	4,135	4,7
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0203015	101,005	-	101,005	4,7
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0222595	90,280	-	90,280	-
<b>Total CFDA 84.010:</b>				<b>10,795,958</b>	-	<b>10,795,958</b>	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	#0223121	169,366	-	169,366	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	#0223106	1,154	-	1,154	7
<b>Total CFDA 84.013:</b>				<b>170,520</b>	-	<b>170,520</b>	-

**Special Education Cluster (IDEA)**

The accompanying notes are an integral part of this schedule.

OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	#0306876	6,348,831	-	6,348,831	-
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	#0306510	50,033	-	50,033	7
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	#0338285	469,150	-	469,150	7
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	#0338169	27,810	-	27,810	7
<b>Total CFDA 84.027:</b>				<b>6,895,824</b>	-	<b>6,895,824</b>	-
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	#0366364	230,880	-	230,880	-
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	#0365994	812	-	812	7
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	#0385453	4,167	-	4,167	7
<b>Total CFDA 84.173:</b>				<b>235,859</b>	-	<b>235,859</b>	-
<b>Total Special Education Cluster (IDEA):</b>				<b>7,131,683</b>	-	<b>7,131,683</b>	-
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA OSPI)	Career and Technical Education -- Basic Grants to States	84.048	#0174584	254,097	-	254,097	7
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	Indian Education Grants to Local Educational Agencies	84.060	S060A191118	-	170,163	170,163	-

The accompanying notes are an integral part of this schedule.



OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF EDUCATION, DEPARTMENT OF	Indian Education Grants to Local Educational Agencies	84.060	S060A201118	-	15,515	15,515	-	7
	<b>Total CFDA 84.060:</b>			-	<b>185,678</b>	<b>185,678</b>	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Education for Homeless Children and Youth	84.196	#0456979	47,047	-	47,047	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	English Language Acquisition State Grants	84.365	#0402839	312,822	-	312,822	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	English Language Acquisition State Grants	84.365	TBD	15,662	-	15,662	-	7
	<b>Total CFDA 84.365:</b>			<b>328,484</b>	-	<b>328,484</b>	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	#0524798	1,066,760	-	1,066,760	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	School Improvement Grants	84.377A	#0225392	30,368	-	30,368	-	7
EDUCATION, DEPARTMENT OF, DEPARTMENT OF (via WA OSPI)	Student Support and Academic Enrichment Program	84.424	#0430617	658,466	-	658,466	-	
EDUCATION, DEPARTMENT OF, DEPARTMENT OF (via WA OSPI)	Student Support and Academic Enrichment Program	84.424	#0430409	8,377	-	8,377	-	7
	<b>Total CFDA 84.424:</b>			<b>666,843</b>	-	<b>666,843</b>	-	
EDUCATION, DEPARTMENT OF, DEPARTMENT OF (via WA OSPI)	COVID 19 - Elementary and Secondary School Emergency Relief Fund (ESSER)	84.425D	#0120210	2,706,190	-	2,706,190	-	7
OFFICE OF ASSISTANT SECRETARY FOR HEALTH, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA OSPI)	Pregnancy Assistance Fund Program	93.500	#0179450	5,234	-	5,234	-	7
<b>Head Start Cluster</b>								

The accompanying notes are an integral part of this schedule.

ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	10CH011090-02	-	4,468,194	4,468,194	-	7
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	10CH011090-02	-	17,101	17,101	-	7
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	10CH011090-02C3	-	210,498	210,498	-	7
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	10CH011090-01	-	1,800,898	1,800,898	-	7
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	10CH011090-01	-	19,839	19,839	-	7
<b>Total Head Start Cluster:</b>				-	<b>6,516,530</b>	<b>6,516,530</b>	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	COVID 19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D20-407	-	20,134	20,134	-	7
<b>Total Federal Awards Expended:</b>				<b>34,478,605</b>	<b>7,066,071</b>	<b>41,544,676</b>	-	

**Tacoma School District No. 10  
Pierce County  
EIN: 91-6001553  
Schedule of Expenditure of Federal Awards  
For Fiscal Year Ending August 31, 2020**

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

**NOTE 1 - BASIS OF ACCOUNTING**

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

**NOTE 2 – PROGRAM COSTS/MATCHING CONTRIBUTIONS**

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

**NOTE 3 – NONCASH AWARDS**

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

**NOTE 4 – SCHOOLWIDE PROGRAMS**

The Tacoma School District operates a "schoolwide program" in twenty-two elementary schools, six middle schools, two high schools, and one alternative high school. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the Tacoma School District in its schoolwide program. Title I (84.010) expended \$5,825,415.

**NOTE 7 – FEDERAL INDIRECT RATE**

The Tacoma School District used the federal restricted rate of 5.42%. The Tacoma School District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. The following CFDA numbers have a different rate set by the individual grant:

10.553 – 0%

10.555 – 0%

10.559 – 0%

10.665 – 0%

12.xxx – 0%

15.954 – 0%

**21.019 – 0%**  
**84.010 – 5.42% - 5.34% - 3.8%**  
**84.013 – 5.34% - 5.42%**  
**84.027 – 0% - 5.34% - 5.42%**  
**84.048 – 5.00%**  
**84.060 – 5.42% - 3.8%**  
**84.173 – 0% - 5.34% - 5.42%**  
**84.365 – 5.42% – 3.8%%**  
**84.377 – 5.34%**  
**84.424 – 5.34% - 5.42%**  
**84.425 – 12.75%**  
**93.500 – 0%**  
**93.600 – 10.5%**  
**97.036 – 0%**

## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

### Tacoma School District No. 10 September 1, 2019 through August 31, 2020

This schedule presents the corrective action planned by the District for findings reported in this report 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).

<b>Finding ref number:</b> 2020-001	<b>Finding caption:</b> Tacoma School District did not have adequate internal controls to ensure compliance with federal requirements for time and effort for its Title I grant program.
<b>Name, address, and telephone of district contact person:</b> Rosalind Medina, Chief Financial Officer 601 S. 8th Street, Room. 310 Tacoma, WA 98405 (253) 571-1201	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>Tacoma School District No. 10 is committed to meeting the federal requirements for time and effort recordkeeping and has taken or will take the following steps to ensure there is a system and controls in place to ensure grant funded employees attest to their time and effort.</i> <ol style="list-style-type: none"> <li>1. <i>A review and analysis of the time reporting process during normal operations and while working remotely (completed April 2021)</i></li> <li>2. <i>The designation of one employee to oversee the reporting process (August 2021)</i></li> <li>3. <i>Training all grant funded employees to properly report hours (August 2021 and ongoing)</i></li> </ol>	
<b>Anticipated date to complete the corrective action:</b> Step 1 completed April 2021, steps 2 and 3 to be completed August 2021.	

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We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

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