



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Everett School District No. 2

(Everett Public Schools)

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

Published May 24, 2021

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

May 24, 2021

Board of Directors
Everett Public Schools
Everett, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Everett Public Schools' financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Everett Public Schools September 1, 2019 through August 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Everett Public Schools are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
84.027	Special Education Cluster (IDEA) – Special Education Grants to States
84.173	Special Education Cluster (IDEA) – Special Education Preschool Grants
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 \$750,000.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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*

Everett Public Schools September 1, 2019 through August 31, 2020

Board of Directors
Everett Public Schools
Everett, 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 Everett Public Schools, 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.

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



Pat McCarthy

State Auditor

Olympia, WA

February 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

Everett Public Schools September 1, 2019 through August 31, 2020

Board of Directors
Everett Public Schools
Everett, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Everett Public Schools, 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.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control

that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy
State Auditor
Olympia, WA

May 19, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Everett Public Schools September 1, 2019 through August 31, 2020

Board of Directors
Everett Public Schools
Everett, 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 Everett Public Schools, 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 15.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Everett Public Schools, as of August 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 14 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. 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 15 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.

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

**Everett Public Schools
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

Governmental Funds Balance Sheet – 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 – Fiduciary Funds – 2020

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

Notes to Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Notes to the Required Supplementary Information – 2020

Budgetary Comparison Schedule – General Fund – 2020

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

Information on Postemployment Benefits Other Than Pensions and Schedule of Changes
in Total OPEB Liability and Related Ratios – 2020

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

Pension Plan Schedule of District Contributions – PERS 1, SERS 2/3, TRS 1, TRS 2/3 –
2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

**EVERETT PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020**

The discussion and analysis of the Everett Public Schools' (Everett School District No. 2) financial performance provides an overview of the district's financial activities for the fiscal year ended August 31, 2020. The intent of this discussion and analysis is to look at the district's financial performance as a whole. Readers should also consider the transmittal letter, financial statements and notes to the basic financial statements to enhance their understanding of the district's financial performance.

FINANCIAL HIGHLIGHTS

- ❑ As of August 31, 2020, district net position from governmental activities was \$294.3 million.
- ❑ During the year, the district had revenues for all governmental activities that were \$58.5 million higher than the \$359.5 million in expenses.
- ❑ The district's governmental funds reported combined ending fund balances of \$118.3 million for the fiscal year.
- ❑ The General Fund's revenues and other financing sources exceeded expenditures by \$4.0 million for the fiscal year.
- ❑ The General Fund's ending fund balance of \$37.1 million was above the board policy target of a minimum five percent of annual expenditures for total general fund balance.
- ❑ The district's total long-term bond debt outstanding was \$181.6 million as of August 31, 2020.
- ❑ The average student enrollment increased by approximately 237 full time equivalent (FTE) students compared to the previous year.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Everett Public Schools as a financial whole, while also providing an increasingly detailed look at specific financial activities.

The "Statement of Net Position" and the "Statement of Activities" provide information about the activities of the district as a whole and present a longer-term view of the district's finances. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statement section shows the district's operations in more detail than the "government-wide" statements by providing information about the district's most significant funds, including its governmental funds, and fiduciary funds.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The analysis of the district as a whole in the *government-wide financial statement* section identifies how the district did financially as well as whether the financial position has improved or diminished. The "Statement of Net Position" and the "Statement of Activities" include all assets, deferred outflows/inflows of resources, liabilities, revenues and expenses of the district's governmental funds, using the accrual basis of accounting similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash was received or paid.

These two statements report the district's net position as well as any associated change in net position. One measure of the district's financial health is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which defines the net position. In addition, there are other measures which include non-financial factors such as changes in the district's student enrollment, property tax base, and condition of our facilities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Governmental Funds -- The district's activities and services are reported in governmental funds. These statements provide a detailed short-term view of the most significant funds and not the district as a whole. They focus on the flow of money into and out of those funds and the balance available at the end of the year for future spending periods. The accounting method utilized is "modified accrual" which measures cash and all other financial assets that can easily be converted to cash. The governmental fund information presented allows the reader to determine whether there are more or fewer financial resources that can be utilized in the near future to finance district programs. The relationship (or differences) between governmental activities (Schedule 1 - Statement of Net Position and Schedule 2 - Statement of Activities) and governmental funds are shown in a reconciliation on Schedule 3A and Schedule 4A of the fund financial statements. Descriptions of the data listed in the columns of Schedule 3A and Schedule 4A are listed in the Notes to the Financial Statements, Note 2.

Fiduciary Funds -- These funds consist of private purpose trust funds which the district must use for the benefit of individuals, private organizations, scholarships and other specific private purposes. The district is responsible for ensuring the assets reported in these funds are used for their intended purpose. Fiduciary fund activities are excluded from the district's financial statements as a whole, because the district is not able to use these assets to finance its operations.

THE DISTRICT AS A WHOLE

This analysis focuses on the net position per Table 1 and the changes in net position per Table 2 from the district's governmental activities. The narrative will show that the district's financial position improved over the period, primarily due to an increase in governmental fund assets, and an increase in net investment in capital assets (as shown in Table 1). Furthermore, revenues outpacing expenses (as shown in Table 2) contribute to a stronger financial position.

As displayed in Table 1, the district's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$294.3 million as of the end of the 2019-20 fiscal year. The ratio of liabilities and deferred inflows of resources to assets and deferred outflows of resources is 60 percent.

The value of the district's net investment in capital assets (i.e. land, buildings, and equipment) was \$318.9 million. 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. The substantial investment in capital assets represents the district's track record of building and modernizing its schools in accordance with its long-term mission of providing quality education in state-of-the-art and updated facilities. These assets are not available for future spending and the debt associated with these assets will be paid from levied property taxes (2016 capital bonds).

Total liabilities of \$422.9 million have decreased as compared to the prior year by approximately \$16.6 million. The decrease in liabilities is due to fewer bonds outstanding, offset by increases in pension liabilities and other postemployment benefits (OPEB) liabilities.

Restricted net position total of \$100.3 million 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 by 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.

Table 1 - Net Position

	2019-2020	2018-2019
Current and Other Assets	\$ 179,973,184	\$ 205,990,284
Capital Assets	495,675,830	476,631,656
Total Assets	675,649,014	682,621,940
Deferred Outflow - Pensions	36,451,722	22,153,433
Deferred Outflow - OPEB	18,120,266	1,876,126
Deferred Loss on Refunding	2,274,114	4,321,632
Total Deferred Outflows of Resources	56,846,102	28,351,191
Long-Term Liabilities	414,234,736	421,180,555
Other Liabilities	8,617,358	18,284,979
Total Liabilities	422,852,094	439,465,534
Deferred Inflow - Pensions	5,522,327	24,121,413
Deferred Inflow - OPEB	9,785,861	11,533,029
Total Deferred Inflows of Resources	\$ 15,308,188	\$ 35,654,442
NET POSITION		
Net Investment in Capital Assets	\$ 318,856,478	\$ 277,489,783
Restricted	100,343,372	97,941,606
Unrestricted	(124,865,016)	(139,578,234)
TOTAL NET POSITION	\$ 294,334,834	\$ 235,853,155

Governmental Activities

As Table 2 shows, revenues exceeded expenses for the 2019-20 year resulting in a \$58.5 million increase in net position. Total revenues increased by \$24.1 million, while overall expenses increased by \$13.9 million. The most significant revenue increases were evident in program revenues, capital grants and contributions (increase of \$ 7.1 million), general revenues, including unallocated revenue (increase of \$8.9 million) and property taxes (increase of \$8.9 million). Increases in operating grants and contributions are due to increased state special education apportionment, and other state and federal operating grants for special, compensatory, and other instructional programs where funding is driven by increased student enrollment, offset by a decrease in state funding for transportation operations. Increases in capital grants and contributions are from an increase in state matching funds. Unallocated

revenue increase is from basic education state apportionment funds as a result of increased annual average enrollment and state legislative investments toward the new School Employees Benefits Board (SEBB) program for health insurance, one additional professional development day allocation, as well as maintenance-level increases to the prototypical school funding model.

The overall increase in program expenses is most evident in regular instruction (increase of \$6.1 million), special education (\$4.3 million increase), vocational education (\$1.4 million increase), community services (\$1.7 million increase), and compensatory education (\$1.4 million increase).

Table 2 - Changes in Net Position

	Governmental Activities	
	2019-2020	2018-2019
Program Revenues		
Charges for Services	\$5,017,370	\$7,413,773
Operating Grants and Contributions	85,342,784	82,236,925
Capital Grants and Contributions	12,467,566	5,392,124
General Revenues		
Property Taxes	114,712,284	105,775,007
Unallocated Revenue	199,047,762	190,129,313
Interest and Investments	1,379,612	2,876,784
TOTAL REVENUES	\$417,967,378	\$393,823,926
Program Expenses		
Regular Instruction	\$208,296,394	\$202,245,689
Special Education	47,912,188	43,626,243
Vocational Education	15,066,381	13,663,095
Compensatory Education	18,133,537	16,721,296
Other Instructional Programs	2,351,560	2,743,493
Community Services	4,638,307	2,953,003
Support Services	54,271,001	54,109,142
Extracurricular Activities	1,194,264	1,831,509
Interest Payment on Long Term Debt	7,622,067	7,741,719
TOTAL EXPENSES	\$359,485,699	\$345,635,189
INCREASE (DECREASE) IN NET POSITION	\$58,481,679	\$48,188,737
NET POSITION BEGINNING (9/1)	235,853,155	187,664,418
NET POSITION ENDING (8/31)	\$294,334,834	\$235,853,155

The district's largest programs include regular instruction, special education, vocational services, extracurricular activities and interest payments. Table 3 represents the total costs of these areas as well as associated financial impacts demonstrated by their net cost. A positive net cost of services indicates the district must fund these costs with unallocated revenues such as property taxes, state apportionment, or investment earnings, or by use of fund balance from dollars received in a prior year. A negative net cost of services indicates that revenues shown in that program exceed the direct expenses of the program for the period. The net cost of services shown below does not take into consideration indirect costs (such as maintenance, insurance, and support services). These indirect costs are not allocated or offset against the net costs of services provided.

Table 3 - Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2019-20	2018-19	2019-20	2018-19
Regular Instruction	\$208,296,394	\$202,245,689	\$195,829,063	\$196,589,966
Special Education	47,912,188	43,626,243	3,753,252	3,274,059
Vocational Education	15,066,381	13,663,095	14,772,756	13,346,386
Compensatory Education	18,133,537	16,721,296	(943,215)	(1,309,798)
Other Instructional Programs	2,351,560	2,743,493	97,606	286,009
Community Services	4,638,307	2,953,003	983,371	(61,819)
Support Services	54,271,001	54,109,142	34,637,300	30,660,940
Extracurricular Activities	1,194,264	1,831,509	(94,221)	64,905
Interest Payment on Long-Term Debt	7,622,067	7,741,719	7,622,067	7,741,719
TOTALS	\$359,485,699	\$345,635,189	\$256,657,979	\$250,592,367

THE DISTRICT'S FUNDS

Information about the district's major funds begins with Financial Statements Schedule 3 and Schedule 4, which are prepared using the modified accrual basis of accounting. All governmental funds had total revenues of \$414.9 million while expenditures totaled \$434.3 million. Expenditures were \$19.4 million in excess of revenues for the year.

The Everett Public Schools was the first school district in the nation to have a student test positive to the COVID-19 pandemic in late February 2020. Governor Inslee closed public schools in Washington on March 16 with Puget sound area districts held in remote learning for the remainder of the school year. This unprecedented reality resulted in atypical revenue and expenditure patterns primarily in the General Fund which shows an increase in fund balance of \$4.0 million. The district ended the year with a total fund balance of \$37.1 million, which is 11.4 percent of total expenditures and above the board policy target of 5 percent. The unassigned fund balance was \$27.5 million, or 8.4 percent of total expenditures. Total expenditures increased and were approximately \$1.4 million less than revenues. The increased fund balance is primarily due to higher state revenues from increased enrollment, which were not fully offset by increased expenditures due to current year savings associated with pandemic-related remote learning in spring 2020. In addition, conservative budgeting during previous budget cycles prepared the district for the three year phase down of state-funded salary regionalization beginning in 2020-21.

The ASB Fund shows an increase in fund balance of \$0.1 million. A minor decrease or increase in the ASB fund balance is expected given the fluctuations from year to year in student group activities and student fund raising efforts to support them. For example, specific clubs, such as band and choral, tend to raise significant funds over a two to three-year period to support a major national or international cultural trip.

The Debt Service Fund shows a decrease of \$1.4 million. This decrease is on schedule with bond principal and interest payments and aligns with multi-year projections that track cash flow from debt service payments and property tax collections. The debt principal and interest payment due dates are timed to keep tax rates stable and meet the demands of the debt repayment schedule. This results in a fluctuation of fund balance across years, depending on the debt schedule and tax collections.

The Capital Projects Fund had a decrease in fund balance of \$22.2 million reflecting the spending related to the issuance of the 2016 bonds. Another major funding source for the capital projects fund includes building repair and technology levy proceeds. This source of income aligns with project spending for upgraded technology and other small capital asset preservation projects.

Fund balance increased by \$0.1 million in the Transportation Vehicle Fund. Revenues consist of the state's depreciation allocation designated for purchasing buses and a small amount of investment interest. Although the district contracts with an outside vendor to provide buses and pupil transportation, the district also maintains a small fleet of its own buses. Replacement buses are purchased as the fleet ages and as accumulated funds allow. The district purchased no buses during the 2019-20 fiscal year.

Table 4 shows the increase or decrease over prior years by major revenue source and by program expenditures. It is notable that local taxes make up 29 percent of total revenues, while the state funds approximately 67 percent of total revenues. Federal revenues and revenues from other entities comprise the remaining four percent.

The total revenue increase of \$20.3 million consists of an increase of \$18.7 million in state revenues, an increase of \$1.4 million in local resources, a decrease of \$0.1 million in revenue from other entities and an increase in federal funds of \$0.3 million. Revenues from other entities consist primarily of \$2.2 million in Early Childhood Education and Assistance Program (ECEAP) funds granted from Snohomish County and approximately \$0.4 million from other county and state grants such as the Student Support Advocate Program. The remaining \$0.1 million includes private entities, such as Everett Public Schools Foundation. Increases in state resources generally move in tandem with increased student enrollment and legislative K-12 budget changes.

Program expenditures have declined overall due to a decrease in capital outlay expenditures. The \$44.3 million decrease in capital outlay expenditures is driven by a decrease in un-spent bond proceeds. Regular instruction programs increased \$6.4 million. Special education programs increased \$3.7 million. Vocational education and compensatory education programs also increased \$1.2 million and \$1.2 million, respectively. The overall increases in instructional programs reflects the district's continued priority of allocating resources to instructional programs. Community services also increased by \$1.6 million. Debt Service spending increased by \$22.7 million, in alignment with debt service payment schedules.

Table 4 - Governmental Funds

Revenue Source	2019-2020 Amount	Percent of Total	2018-2019 Amount	Amount Increase (Decrease)	Percent Increase (Decrease)
Local Taxes & Non-Tax	\$120,908,079	29.14%	\$119,530,238	\$1,377,841	1.15%
State Revenues	276,668,432	66.68%	258,023,524	18,644,908	7.23%
Federal Revenues	14,539,892	3.50%	14,606,819	(66,927)	-0.46%
Other Entities	2,830,858	0.68%	2,534,195	296,663	11.71%
TOTAL	\$414,947,261	100.00%	\$394,694,776	\$20,252,485	5.13%
Expenditures					
Regular Instruction	\$182,862,262	42.10%	\$176,478,447	\$6,383,815	3.62%
Special Education	48,416,407	11.15%	44,715,601	3,700,806	8.28%
Vocational Education	15,194,606	3.50%	13,963,132	1,231,474	8.82%
Compensatory Education	18,349,061	4.22%	17,169,974	1,179,087	6.87%
Other Instructional Programs	2,377,603	0.55%	2,811,491	(433,888)	-15.43%
Community Services	4,625,645	1.07%	3,014,247	1,611,398	53.46%
Support Services	51,864,358	11.94%	52,423,035	(558,677)	-1.07%
Student Activities	1,194,264	0.27%	1,831,509	(637,245)	-34.79%
Capital Outlay	48,982,928	11.28%	93,327,711	(44,344,783)	-47.52%
Debt Service	60,460,421	13.92%	37,733,596	22,726,825	60.23%
TOTAL	\$434,327,555	100.00%	\$443,468,743	(\$9,141,188)	-2.06%

Table 5 presents a condensed view of the district's General Fund on its own. Major revenue sources and expenditure functions are compared to the prior year to illustrate changes in General Fund operations.

As summarized by the information in Table 5, state funds comprise 81.1 percent of the district's General Fund revenue, making it the largest source of revenue for the district's operating funds. Local revenues consist mostly of educational program and operations tax levies, representing approximately 13.6 percent of total General Fund revenues. Federal revenues and revenues from other entities make up the remainder. General Fund revenues have increased by 2.6 percent.

Local taxes were impacted by the 2017 legislature, which significantly revised the formula establishing local levy authority. For the district, the formula cut the local authority for 2019 collections in half. Legislative actions in 2018 made corrections to the formula increasing authority for 2019. The district commits to the community to honor a stable tax rate and in lieu of have a one year drop in the rate the district increased the debt service assessment and in the final issuance of debt from the 2016 bond measure paid of a significant amount of debt in that year. Accordingly, the debt service expenditures increased dramatically in 2019-20. Local non-tax revenues declined in areas such as meal purchases and facility rentals because of COVID-19 pandemic building closures. State revenues increases are attributed to increased enrollment and an additional professional learning day. Federal revenues are up because of CARES act reimbursements for COVID-19 expenditures.

General Fund total expenditures have increased by 4.0 percent as compared to 2018-19. The majority of the increase is from instructional expenditures, a \$12.2 million increase over the prior year. Instructional expenditures were up slightly as a result of increased enrollment and the additional state funded professional development day. School building closure and transition to remote and as a result costs were down in several categories. In contrast information systems costs were up with accelerated equipment and software purchases as well as other supports for the 100 percent remote learning environment.

Washington State law requires school districts to account for nutrition services operations (school breakfast and lunch programs) in the General Fund. During the fiscal year, Food and Nutrition Services had \$7.5 million in revenues, including federal CARES Act funding for lost revenues. The direct expenditures of \$7.5 million decreased \$0.2 million from 2018-19.

Revenues and expenditures by major functions of the district and changes over the preceding year are presented as follows:

Table 5 - General Fund

Revenue Source	2019-20 Amount	Percent of Total	2018-19 Amount	Increase (Decrease)	Percent Increase (Decrease)
Local Taxes & Non-Tax	\$44,154,116	13.6%	\$48,116,447	(\$3,962,331)	-8.23%
State Revenues	264,209,219	81.1%	252,723,110	11,486,109	4.54%
Federal Revenues	14,539,892	4.5%	14,302,492	237,400	1.7%
Other Entities	2,830,505	0.9%	2,442,485	388,020	15.9%
TOTAL	\$325,733,732	100.0%	\$317,584,534	\$8,149,198	2.6%
Expenditures/Functions					
Instruction	\$270,592,748	83.4%	\$258,410,508	\$12,182,240	4.7%
Maintenance/Operations	20,754,251	6.4%	21,766,018	(1,011,767)	-4.6%
Pupil Transportation	12,390,376	3.8%	11,525,094	865,282	7.5%
Administration	7,784,389	2.4%	7,996,497	(212,108)	-2.7%
Nutrition Services	7,529,189	2.3%	7,689,562	(160,373)	-2.1%
Information Systems/Other Services	5,321,419	1.6%	4,606,175	715,243	15.5%
TOTAL	\$324,372,372	100.0%	\$311,993,854	\$12,378,518	4.0%

General Fund Budgeting Highlights

The district's budget is prepared in accordance with State of Washington law. The district actively engages its community and staff in evaluating priorities through the strategic plan process and the Fiscal Advisory Council. The most significant budgeted fund is the General Fund. Appropriations defined in the budget limit total expenditures and may only be increased if the Board of Directors adopts a revised or supplemental budget following a defined process that includes a public hearing.

Required Supplementary Information, Schedule A-1, compares general fund original and final budget amounts with actual amounts for revenues and expenditures. The two budget columns are identical, which indicates there were no general fund budget amendments to the official budget for the fiscal year. Current budget practice consolidates most revenue contingencies in Local Non-Tax. Actual local non-tax revenues generally fall between \$3 million and \$6 million below budget and still be within expectations. Similarly, most expenditure contingencies are contained within Regular Instruction, facilitating the ability to respond to increased enrollment or unforeseen major program revenues. Other expenditure variations include higher than expected enrollment in vocational education programs and greater spending in maintenance to keep pace with building operations and grounds equipment needs. Variances in other instructional programs and community services result from OSPI guidance to allocate early learning expenditures, including ECEAP grant, to community services instead of other instructional programs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The district has invested \$715.1 million in historical costs for its capital assets such as land, buildings, and equipment. These capital assets (except for land and construction in progress which are not depreciated) have a net accumulated depreciation of \$219.4 million making the capital asset net value \$495.7 million as of August 31, 2020.

**Table 6 - Capital Assets At Year-End
(In Millions)**

	Historical Costs	Accumulated Depreciation	NET
Land	\$ 42.8	\$ -	\$ 42.8
Building and Improvements	650.0	(211.7)	438.3
Equipment	16.2	(7.7)	8.5
Construction in Progress	6.1	-	6.1
TOTALS	\$ 715.1	\$ (219.4)	\$ 495.7

Long-term planning in finances, staffing, technology, and facilities are intentionally and systematically driven by student enrollment, learning measures, and strategic priorities. The district evaluates its facilities and reviews its capital needs annually. A detailed Capital Facilities Plan is completed every two years. Additionally, the district has a 40- to 50-year modernization cycle divided into eight phases to help guide decisions on future building modernizations and replacements. Considerations for appropriate tax rates due to school bonds and levies are also evaluated. Additions to building structures and major building systems were accomplished including the Woodside Elementary School and North Middle School modernizations.

On April 26, 2016, the voters supported another capital bond of \$149.7 million as well as a capital levy proposition to replace the expiring capital levy. The new levy authorized the collection of \$89.6 million in property taxes over six years has supported the establishment of a one-to-one student to computer ratio. This milestone allow Everett to quickly transition into the remote learning environment due to the COVID-19 pandemic.

The ending fund balance in the Capital Projects Fund of \$46.5 million, combined with future capital levy proceeds will continue existing capital programs and relieve some of the enrollment pressure students, staff and parents currently experience. These funds help keep our facilities in a well-maintained condition. More detailed information about capital assets can be found in Note 6 to the financial statements (Changes in Capital Assets).

Debt

Everett Public Schools has benefited from strong support of our local voters over the past 30 years. Voters approved capital bonds of \$38 million in 1986, \$96.5 million in 1990, \$68.5 million in 1996, \$74 million in 2002, \$198.9 million in 2006, and \$149.7 million in 2016. The outstanding debt as authorized by our voters is summarized below in Table 7. The table also shows debt service activity for the outstanding bonds during the period.

**Table 7 - Outstanding Debt, at Year-End
(In Millions)**

Bond	Balance 8/31/2019	Balance 8/31/2020	Increase (Decrease)
September 30, 2009 BAB	-	-	-
October 6, 2009 QSCB	17.4	17.4	-
October 30, 2013 (Refunding)	17.0	8.9	(8.1)
April 28, 2014 (Refunding)	52.8	38.7	(14.1)
December 6, 2016	37.0	33.4	(3.6)
September 26, 2018	46.2	20.2	(26.0)
June 5, 2019 (Refunding)	18.0	18.0	-
June 5, 2019	45.0	45.0	-
TOTALS	233.4	181.6	(51.8)

On November 4, 2016, Moody's Investors Service upgraded the district's Global Scale Rating of AA2 to Aa1 as part of the process for issuing new bonds in December 2016. Standard and Poor's also affirmed their AA+/Stable long-term rating and AA/Stable underlying school issuer credit rating (ICR) of the district. Everett's has one of the top 8 school bond rating according to Moody's and top 7 according to Standard and Poor's of the 295 school districts in Washington.

Rule 15c2-12, promulgated by the Securities and Exchange Commission, imposes certain requirements upon underwriters of publicly offered securities. One of those requirements for issuers is the filing of notices of certain material events. One of the material events is a rating change with respect to a bond issue. If a bond issue is insured by a policy of municipal bond insurance or enhanced by the Washington State School District Credit Enhancement Program, a change in the rating of the bond insurer or Washington State will change the district's bond rating even though the underlying credit rating on the district has not changed.

The following bond insurers and their associated ratings are listed alongside the district's Unlimited Tax General Obligation Bonds' outstanding balances:

Year	Final Maturity	Balance Outstanding as of the Date of this Report	Insurer	Rating
2009C	12/01/2023	\$ 17,445,000	Washington State	Aa1
2013	12/01/2020	\$ 8,920,000	Washington State	Aa1
2014	12/01/2021	\$ 38,690,000	Washington State	Aa1
2016	12/01/2036	\$ 33,370,000	Washington State	Aa1
2018	12/01/2037	\$ 20,220,000	Washington State	Aa1
2019	12/01/2022	\$ 17,985,000	Washington State	Aa1
2019	12/01/2032	\$ 44,950,000	Washington State	Aa1

The district participates in the Washington State School District Guarantee Program for its bond issues from 2009 through 2019. Now that the insurance companies' ratings have fallen below the district's own underlying ratings and the credit-enhanced ratings provided by participating in the Washington State School District Guarantee Program, the district's underlying ratings and the state's ratings will prevail on those insured bonds, despite insurance company downgrades. The bond issues from 2009, 2013, 2014, and 2016, 2018, 2019 do not carry separate municipal bond insurance, but instead benefit from the Washington State guarantee.

More detailed information about long-term liabilities can be found in Note 8 to the financial statements (Changes in Long-Term Liabilities).

ECONOMIC FACTORS FOR THE FUTURE

Everett Public Schools is located in Snohomish County, in northwestern Washington State. It encompasses most of the cities of Everett and Mill Creek, as well as portions of the unincorporated County.

The Everett/Snohomish County economy has a healthy financial history and continues to diversify with major industries including aircraft production, electronics and electrical equipment manufacturing, health care, transportation, and a variety of other industrial and commercial businesses, as well as several urban development projects. Economic development efforts have been successful over the past decade in creating a diversification of business and industry that is broader than our historical dependency on the aerospace industry. The county should continue to be an attractive center for growth in the years ahead due to the availability of land, office and manufacturing space.

Approximately 14 percent of the district's General Fund revenues are provided by local educational programs and operations levies. Everett Public Schools voters have continued to support this funding, as demonstrated by the approval of a four-year levy passed in February of 2018. This replaced the levy expiring in 2018 and allows the district to assess up to \$44.2 million in 2019, \$45.3 million in 2020, \$48.9 million in 2021, and \$53.3 million in 2022.

Due to the impact of Coronavirus Disease (Covid-19) epidemic, the Washington State 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. The Office of Superintendent of Public Instruction (OSPI) continued state apportionment and federal reimbursement claims, the district's major revenue streams, during the closures. In addition, the district received economic assistance under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, which aided state and local governments. The district also received Federal Emergency Management Agency (FEMA) reimbursement for costs related to emergency protective measures taken to protect public health. There is uncertainty around the overall financial impact of Covid-19, but the district is planning for short-term and long-term impacts.

Snohomish County population growth rates are among the highest in the state. This has led to increases in assessed value, housing starts and commercial development. The impact of Coronavirus Disease (Covid-19) epidemic has increased unemployment rates and had broad impacts to the local, state and national economy. Nevertheless, the 2020 increases in assessed value remained at 5.83 percent down from 8.58 percent in 2019. Major economic drivers such as the port and river front projects, commercial air at Paine Field and new distribution centers established by Amazon and Federal Express continue to support economic growth in the future.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our community, creditors, investors, and other interested parties with a general overview of the district's finances and to show the district's

accountability for the financial resources it receives. If there are questions about this report or additional financial information is needed, contact the district's Department of Finance and Business Services at 3900 Broadway, Everett, Washington 98201.

**EVERETT PUBLIC SCHOOLS
STATEMENT OF NET POSITION
AUGUST 31, 2020**

	PRIMARY GOVERNMENT Governmental Activities
ASSETS	
Cash, Cash Equivalents & Investments	116,453,682
Due from Other Governmental Units	2,454,593
Accounts Receivable, Net	162,255
Property Taxes Receivable	55,315,786
Inventory	2,893,647
Prepaid Items	2,522,778
Investment in Joint Venture	170,443
Capital Assets, Non-depreciable:	
Land	42,772,881
Construction in Progress	6,095,889
Capital Assets, Net of Accumulated Depreciation:	
Building & Improvements	438,289,805
Equipment	8,517,255
TOTAL ASSETS	675,649,014
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	36,451,722
Deferred Outflows Related to OPEB	18,120,266
Deferred Loss on Refunding	2,274,114
TOTAL DEFERRED OUTFLOWS OF RESOURCES	56,846,102
LIABILITIES	
Accounts Payable	6,251,842
Accrued Salaries	607,845
Payroll Deductions & Taxes Payable	759,542
Due to Other Governmental Units	598,742
Deposits	22,086
Unearned Revenue	377,301
Long-Term Liabilities:	
Due Within One Year	58,606,581
Due in More than One Year	355,628,155
TOTAL LIABILITIES	422,852,094
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	5,522,327
Deferred Inflows Related to OPEB	9,785,861
TOTAL DEFERRED INFLOWS OF RESOURCES	15,308,188
NET POSITION	
Net Investment in Capital Assets	318,856,478
Restricted for:	
Capital Projects	36,679,621
Transportation Vehicles	316,528
Debt Service	59,207,094
ASB Extra-curricular Activities	1,079,575
Carryover Restricted Revenues for Education and Operations	3,060,554
Unrestricted	(124,865,016)
TOTAL NET POSITION	294,334,834

The Notes to the Basic Financial Statements are an integral part of this statement.

**EVERETT PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020**

PROGRAM/ACTIVITY	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICE	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES:					
Regular Instruction	208,296,394	326,905	2,471	12,137,955	(195,829,063)
Special Education	47,912,188	15	44,158,921		(3,753,252)
Vocational Education	15,066,381	85,290	208,335		(14,772,756)
Compensatory Education	18,133,537		19,076,752		943,215
Other Instruction Programs	2,351,560	956,299	1,297,655		(97,606)
Community Services	4,638,307	337,211	3,317,725		(983,371)
Support Services	54,271,001	2,023,165	17,280,925	329,611	(34,637,300)
Extracurricular Activities (ASB)	1,194,264	1,288,485			94,221
Interest Payment on Long-Term Debt	7,622,067				(7,622,067)
TOTAL GOVERNMENTAL ACTIVITIES	359,485,699	5,017,370	85,342,784	12,467,566	(256,657,979)
GENERAL REVENUES:					
Taxes:					
Property Taxes, Levies for Maintenance/Operations					45,150,827
Property Taxes, Levies for Debt Service					56,705,339
Property Taxes, Levies for Capital Projects					12,856,118
Unallocated State Apportionment & Others Not Restricted to Specific Activities					199,047,762
Interest and Investment Earnings					1,379,612
TOTAL GENERAL REVENUES					315,139,658
TOTAL GENERAL REVENUES AND SPECIAL ITEM					315,139,658
Change in Net Position					58,481,679
NET POSITION - Beginning					235,853,155
NET POSITION - Ending					294,334,834

The Notes to the Basic Financial Statements are an integral part of this statement.

**EVERETT PUBLIC SCHOOLS
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
ASSETS						
Cash & Cash Equivalents	\$35,096,551	\$1,410,513	\$31,880,892	\$47,749,198	\$316,528	116,453,682
Due from Other Funds	436,487	8,578				445,065
Due from Other Governmental Units	2,369,191			85,402		2,454,593
Accounts Receivable	121,549	1,361		39,345		162,255
Property Taxes Receivable	21,770,431		27,326,202	6,219,153		55,315,786
Inventory	810,695	2,462		2,080,490		2,893,647
Prepaid Items	2,284,910	237,868				2,522,778
TOTAL ASSETS	\$62,889,814	\$1,660,782	\$59,207,094	\$56,173,588	\$316,528	\$180,247,806
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE						
LIABILITIES						
Accounts Payable	\$2,810,256	\$81,770		\$3,359,816		\$6,251,842
Accrued Salaries	607,845					607,845
Payroll Deductions & Taxes Payable	759,542					759,542
Due to Other Governmental Units	598,742					598,742
Due to Other Funds	8,578	50,370		386,117		445,065
Deposits	22,086					22,086
Unearned Revenue	165,134	208,737		3,430		377,301
TOTAL LIABILITIES	4,972,183	340,877		3,749,363		9,062,423
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	46,152			31,304		77,456
Unavailable Revenue - Property Taxes	20,777,068		26,076,475	5,934,375		52,787,918
TOTAL DEFERRED INFLOWS OF RESOURCES	20,823,220		26,076,475	5,965,679		52,865,374
FUND BALANCES						
Nonspendable Inventories and Prepaid Items	3,095,605	240,330		2,080,490		5,416,425
Restricted for Associated Student Body Fund Purposes		1,079,575				1,079,575
Restricted for Debt Service Fund Purposes			33,130,619			33,130,619
Restricted for Transportation Vehicle Fund Purposes					316,528	316,528
Restricted for Carryover of Restricted Revenues	3,060,554					3,060,554
Restricted for Bond Proceeds				14,066,117		14,066,117
Restricted for State Proceeds				14,544,273		14,544,273
Restricted for Impact Fee Proceeds				3,015,291		3,015,291
Restricted for Mitigation Fee Proceeds				306,134		306,134
Committed Levy Proceeds				10,316,372		10,316,372
Committed Fund Balance	352,000			125,601		477,601
Assigned to Other Purposes	3,069,495					3,069,495
Assigned to Fund Purposes				2,004,268		2,004,268
Unassigned Fund Balance	27,516,757					27,516,757
TOTAL FUND BALANCES	37,094,411	1,319,905	33,130,619	46,458,546	316,528	118,320,009
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$62,889,814	\$1,660,782	\$59,207,094	\$56,173,588	\$316,528	\$180,247,806

The Notes to the Basic Financial Statements are an integral part of this statement.

**EVERETT PUBLIC SCHOOLS
RECONCILIATION
BALANCE SHEET/STATEMENT OF NET POSITION
AUGUST 31, 2020**

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS, LIABILITIES*	RECLASSIFICATIONS AND ELIMINATIONS*	STATEMENT OF NET POSITION TOTALS
ASSETS				
Cash & Cash Equivalents	116,453,682			\$116,453,682
Due From Other Funds	445,065		(445,065)	
Due From Other Governmental Units	2,454,593			2,454,593
Accounts Receivable	162,255			162,255
Property Taxes Receivable	55,315,786			55,315,786
Inventory	2,893,647			2,893,647
Prepaid Items	2,522,778			2,522,778
Investment in Joint Venture		170,443		170,443
Capital Assets, Net		495,675,830		495,675,830
TOTAL ASSETS	180,247,806	495,846,273	(445,065)	675,649,014
DEFERRED OUTFLOWS OF RESOURCES				
Pension Changes - Investment, Experience, Assumptions, Proportion, & Contributions		36,451,722		36,451,722
OPEB Changes - Assumptions, and Contributions		18,120,266		18,120,266
Deferred Loss on Refunding		2,274,114		2,274,114
TOTAL DEFERRED OUTFLOWS OF RESOURCES		56,846,102		56,846,102
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	180,247,806	552,692,375	(445,065)	\$732,495,116
LIABILITIES				
Accounts Payable	6,251,842			\$6,251,842
Accrued Salaries	607,845			607,845
Payroll Deductions & Taxes Payable	759,542			759,542
Due to Other Governmental Units	598,742			598,742
Due to Other Funds	445,065		(445,065)	0
Deposits	22,086			22,086
Unearned Revenue	377,301			377,301
Long-Term Liabilities - Pension		103,647,955		103,647,955
Long-Term Liabilities - OPEB		110,186,719		110,186,719
Long-Term Liabilities - Other		200,400,062		200,400,062
TOTAL LIABILITIES	9,062,423	414,234,736	(445,065)	422,852,094
DEFERRED INFLOWS OF RESOURCES				
Pension Changes - Experience, and Proportions		5,522,327		5,522,327
OPEB Changes - Experience, and Assumptions		9,785,861		9,785,861
Unavailable Revenue	77,456	(77,456)		
Unavailable Revenue - Property Taxes	52,787,918	(52,787,918)		
TOTAL DEFERRED INFLOWS OF RESOURCES	52,865,374	(37,557,186)		15,308,188
FUND BALANCES/NET POSITION				
Fund Balances/Position	118,320,009	176,014,825		294,334,834
TOTAL FUND BALANCES/NET POSITION	118,320,009	176,014,825		294,334,834
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION	180,247,806	552,692,375	(445,065)	\$732,495,116

The Notes to the Basic Financial Statements are an integral part of this statement.

*See Note 2A.

EVERETT PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
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	TOTALS GOVERNMENTAL FUNDS
REVENUES						
Local	\$44,154,116	\$1,288,485	\$59,104,300	\$16,357,748	\$3,430	\$120,908,079
State	264,209,219			12,352,205	107,008	276,668,432
Federal	14,539,892					14,539,892
Other Entities	2,830,505			353		2,830,858
TOTAL REVENUES	325,733,732	1,288,485	59,104,300	28,710,306	110,438	414,947,261
EXPENDITURES						
Current:						
Regular Instruction	182,862,262					182,862,262
Special Education	48,416,407					48,416,407
Vocational Education	15,194,606					15,194,606
Compensatory Education	18,349,061					18,349,061
Other Instruction Programs	2,377,603					2,377,603
Community Services	4,625,645					4,625,645
Support Services	51,864,358					51,864,358
Student Activities		1,194,264				1,194,264
Capital Outlay:						
Sites				1,879,511		1,879,511
Buildings				36,986,877		36,986,877
Equipment	682,430			3,804,505		4,486,935
Instructional Technology				5,620,759		5,620,759
Sales and Lease				8,846		8,846
Debt Service:						
Bond Principal			51,810,000			51,810,000
Bond Interest and Other Charges			8,656,438	(6,017)		8,650,421
TOTAL EXPENDITURES	324,372,372	1,194,264	60,466,438	48,294,481	0	434,327,555
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,361,360	94,221	(1,362,138)	(19,584,175)	110,438	(19,380,294)
OTHER FINANCING SOURCES (USES):						
Bond and Refunding Bond Issuance Premium			8,250			8,250
Sale of Surplus Equipment					273	273
Transfers	2,650,000			(2,650,000)		
TOTAL OTHER FINANCING SOURCES (USES)	2,650,000		8,250	(2,650,000)	273	8,523
NET CHANGE IN FUND BALANCE	4,011,360	94,221	(1,353,888)	(22,234,175)	110,711	(19,371,771)
FUND BALANCE -- September 1, 2019	33,083,051	1,225,684	34,484,507	68,692,721	205,817	137,691,780
FUND BALANCE -- August 31, 2020	\$37,094,411	\$1,319,905	\$33,130,619	\$46,458,546	\$316,528	\$118,320,009

The Notes to the Basic Financial Statements are an integral part of this statement.

**EVERETT PUBLIC SCHOOLS
RECONCILIATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020**

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE, EXPENSES*	CAPITAL RELATED ITEMS*	LONG-TERM DEBT TRANSACTIONS*	STATEMENT OF ACTIVITIES TOTAL
REVENUES & OTHER SOURCES					
Revenues:					
Local	120,908,079	3,016,998			123,925,077
State	276,668,432				276,668,432
Federal	14,539,892				14,539,892
Other Entities	2,830,858	5,294			2,836,152
Other Sources:					
Bond and Refunding Bond Issuance Premium	8,250			(8,250)	
Sale of Surplus Equipment	273		(2,448)		(2,175)
TOTAL REVENUES & OTHER SOURCES	414,955,784	3,022,292	(2,448)	(8,250)	417,967,378
EXPENDITURES & OTHER USES					
Current:					
Regular Instruction	182,862,262	(2,045,425)	27,479,557		208,296,394
Special Education	48,416,407	(505,578)	1,359		47,912,188
Vocational Education	15,194,606	(222,814)	94,589		15,066,381
Compensatory Education	18,349,061	(210,511)	(5,013)		18,133,537
Other Instruction Programs	2,377,603	(41,622)	15,579		2,351,560
Community Services	4,625,645	(4,747)	17,409		4,638,307
Support Services	51,864,358	82,068	2,324,575		54,271,001
Student Activities	1,194,264				1,194,264
Capital Outlay:					
Sites	1,879,511		(1,879,511)		
Buildings	36,986,877		(36,986,877)		
Equipment	4,486,935		(4,486,935)		
Instructional Technology	5,620,759		(5,620,759)		
Sales and Lease	8,846		(8,846)		
Debt Service:					
Bond Principal	51,810,000			(51,810,000)	
Bond Interest and Other Charges	8,650,421			(1,028,354)	7,622,067
TOTAL EXPENDITURES	434,327,555	(2,948,629)	(19,054,873)	(52,838,354)	359,485,699
NET CHANGE FOR THE YEAR	(\$19,371,771)	\$5,970,921	19,052,425	\$52,830,104	\$58,481,679

The Notes to the Basic Financial Statements are an integral part of this statement.

*See Note 2B.

**EVERETT PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
AUGUST 31, 2020**

	PRIVATE PURPOSE TRUST
ASSETS	
Cash & Cash Equivalents	\$187,635
Accounts Receivable	50,661
TOTAL ASSETS	238,296
LIABILITIES	
Accounts Payable	7,272
TOTAL LIABILITIES	7,272
NET POSITION	
Held in Trust for Intact Trust Principal	25,500
Held in Trust for Scholarships and Private Beneficiaries	205,524
TOTAL NET POSITION	\$231,024

The Notes to the Basic Financial Statements are an integral part of this statement.

EVERETT PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2020

	PRIVATE PURPOSE TRUST
ADDITIONS	
Donations	\$122,307
Investment Earnings	2,178
	124,485
DEDUCTIONS	
Administrative Expenses	98
Scholarships	48,661
	48,759
CHANGE IN NET POSITION	75,726
NET POSITION -- September 1, 2019	155,298
NET POSITION -- August 31, 2020	\$231,024

The Notes to the Basic Financial Statements are an integral part of this statement.

EVERETT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Everett Public Schools (the district) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles nationally. The following is a summary of the district's significant accounting policies:

A. REPORTING ENTITY

Primary Government -- Everett Public Schools is a municipal corporation organized pursuant to Title 28A of the Revised Code of Washington (RCW), for the purpose of providing public school services to students in grades K-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 is 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 Everett Public Schools financial statements include all funds and organizations for which the district is financially accountable, organizations that are controlled by or dependent on the district's board of directors or administrative staff, and other organizations for which the nature and significance of their relationship with the district are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete. Control by or dependence on Everett Public Schools was determined on the basis of budget adoption, taxing authority, outstanding debt secured by the general obligation of the district, obligation of the district to finance any deficits that may occur, receipt of significant subsidies from the district, and consideration of other significant operational and financial relationships with the district.

Related Organizations -- The Everett Public Schools Foundation is a community based, separate legal entity organized under IRS provision as a 501(c)(3) non-profit organization. The Foundation is governed by a board of directors of approximately twenty-five members comprised of a diverse balance of community members as well as district employees. The Foundation's activities are supported by private donations. Their mission is to develop and provide community support to strengthen achievement in the Everett Public Schools.

The district recognizes various parent/teacher associations, organizations and other groups (PTAs, boosters), which are separate legal entities, and whose members are involved according to their own private capacities. These groups have been organized for the purpose of increasing the opportunities for parents and community members to be involved in the educational activities of the children in the community.

The board of directors and officers for the above listed groups (Foundation and various parent or community associations) are not appointed by the Everett Public Schools. Everett Public Schools is not financially responsible for the Foundation, or the parent/teacher associations, organizations, and other community groups. Contributions from the above noted related parties, while an important and viable source of support for the district, are not a material source as related to the district's overall financial position. Contributions received from these groups have been recorded as revenue in the district's financial statements, but the financial information for said groups themselves are not presented in the district's financial statements.

The district has no component units, or related organizations for which the district is considered to be financially accountable, and no entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the district's basic financial statements to be misleading or incomplete.

B. PRESENTATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The district's basic financial statements consist of:

1. Government-Wide Financial Statements -- Government-wide financial statements display governmental activities of the district as a whole, without displaying individual funds or fund types. They include only the primary government. Fiduciary funds and activities are not included. 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 in a format of assets plus deferred outflows of resources less liabilities less deferred inflows of resources equal net position. Land is reported at historical cost. Other depreciable capital assets, such as buildings, building improvements, vehicles and equipment, are reported at historical cost, net of accumulated depreciation.

b. Statement of Activities -- The statement of activities demonstrates the operations of the district presented as direct expenses of specific programs or functions and the degree to which the direct expenses are offset or net against program revenues. A net expense represents the level of support required from the government's general revenues. Revenues are divided between program revenues and general revenues. All revenues not specifically associated with a program are defined as general revenues on the statement of activities. Revenues are recognized when they are earned and measurable on a full accrual basis. The statement of activities shows the change in net position for the year depending on over-all expenses and revenues. The expenses and revenues are reported as follows:

Expenses -- Expenses are reported by function/program. Direct expenses are those that are clearly identifiable with a specific program or function. Depreciation expenses are allocated as direct expenses if they can be specifically identified with a program or function.

Revenues -- Revenues, measured on a full accrual basis, 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. Program specific revenues consist of two major categories: 1) charges for services to individuals or groups who purchase, use, or directly benefit from goods, services, or privileges provided by a program or function; and 2) grants and contributions arising from mandatory and voluntary non-exchange transactions with federal, state governments, organizations, or individuals that are restricted to meeting the operational or capital requirements of a particular program or function. General revenues are divided into property taxes, interest and investment earnings, general apportionment from the state of Washington and other unallocated revenues that are not required to be reported as program revenues, or are not specifically identifiable with a specific program or function.

Fiduciary funds are not presented in the government-wide financial statements. They are presented separately in Schedules 5 and 6 of the fund financial statements.

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, Fiduciary Fund - Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position.

The various funds are grouped into two classifications: Governmental and Fiduciary.

Governmental Funds -- The reporting of governmental funds focuses primarily on sources, uses, and balances of current financial resources and has a budgetary orientation. Governmental funds use the modified accrual basis of accounting. The district reports the following major 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. In keeping with the principle of as few funds as necessary, food services, maintenance, information systems, printing, and transportation activities are included in the fund. Major sources of revenue include local taxes, state apportionment funds, and grants from state and federal sources.

Special Revenue Fund (Associated Student Body Fund)

This fund is used to account for the extracurricular fees collected from a variety of fundraising events for students. These funds are legally restricted for specific purposes defined in WA State RCW. The district is prohibited from using these funds for its general or curricular operations. The Associated Student Body Fund (ASB Fund) is the only fund of this type. Disbursements require the joint approval of the appropriate ASB representatives (including students' signatures) and the district's board of directors. This fund is accounted for as a special revenue fund because the financial resources legally belong to the district.

Debt Service Fund

This fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest, and related expenditures. Fund revenues are derived primarily from local property taxes.

Capital Projects Fund

This fund is used to account for financial resources to be used for the acquisition and construction of capital assets. This fund must be used when projects are financed wholly or in part by bond issues, intergovernmental resources, major private donations, or insurance recoveries. Another major revenue source includes tax revenues from the building and technology levy. Expenditures in this fund may also be for energy, technology and other major improvements to existing facilities and for the purchase of initial equipment for newly constructed buildings.

Transportation Vehicle Fund

This fund is a capital projects fund specifically used to account for the capital outlay involved with purchase, major repair, rebuilding, and debt service expenditures related to pupil transportation equipment (buses) used to transport students to and from school. The primary source of revenue

in this fund is a state allotment provided as a reimbursement for pupil transportation equipment and restricted specifically for that purpose.

Fiduciary Funds -- Fiduciary fund reporting focuses on net position and changes in net position. Trust funds are used to account for assets held for individuals, private organizations, other districts, or other funds in its fiduciary capacity as trustee or agent. The only fund the district has of this nature is the Private Purpose Trust Fund. The Private Purpose Trust Fund is used to account for resources legally held in trust to benefit private beneficiaries, individuals or private organizations for scholarships and student aid. The Private Purpose Trust Fund's resources are not available to support district operations. Funds are segregated by account code to differentiate between donors' intended use of funds for different purposes. Generally, all of the Trust fund resources, including any earnings on invested resources, may be used to support the trust arrangements. However, there are some resources within the Private Purpose Trust Fund that contain a requirement to hold original trust principal donations intact so that only the interest earnings may be used to support student scholarships. The Private Purpose Trust Fund uses the accrual basis of accounting.

Major and Non-Major Funds -- All governmental funds are considered "major funds."

C. *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 inflows/outflows of resources, liabilities (including long-term liabilities such as long-term debt), 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 over-all financial position. Revenues are recorded when earned and expenses are recorded on a consumption basis, and/or when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This means only current assets and current liabilities are included on the balance sheets. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected 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 (for property taxes within 30 days) of the end of the current fiscal period. Expenditures generally are recorded when assets are consumed and/or as liability is incurred just as under accrual accounting. However, debt service expenditures, for non-matured principal and interest on long-term debt as well as expenditures related to pensions, compensated absences, claims and judgments, are recorded only when payment is due.

Revenues derived from property taxes collected within 30 days of year-end and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Property taxes receivable are measurable but not available and are, therefore, recorded as deferred inflows of resources – unavailable revenue rather than accrued. Categorical program claims, including grant revenues from cost reimbursement grants, and inter-district billings are measurable and available and are, therefore, accrued.

Eliminations and Reclassifications -- In the process of consolidating internal activities for the government-wide statement of net position and statement of activities, the interfund receivables and payables between the governmental funds, except those, if any, with fiduciary funds, were eliminated. The district's primary type of interfund activity consists of a 'reimbursement of expenditure' type transaction. This occurs when one fund (usually the General Fund as the operating fund) pays the initial outlay of expenditure belonging to or attributable to another fund, which are subsequently reimbursed by the other fund. The loaning fund treats the pay-back of funds as 'reimbursements of expenditure' while the benefiting fund accounts for the transaction as a direct expense. Accordingly, the direct expenses are included only once from government-wide presentation. These expenses happen primarily between the General, ASB, and Capital Projects Funds involving payroll transactions.

D. *ASSETS, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, LIABILITIES AND NET POSITION OR EQUITY*

1. *Cash, Cash Equivalents and Investments*

The 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.

State of Washington 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 saving 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 Snohomish 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. Temporary investments are stated at cost plus accrued interest, which approximates market value. Other investments of the district are reported at fair value.

2. *Receivables and Payables*

Due from Other Funds and Due to Other Funds -- Interfund receivables and payables and the associated expenditures and/or reimbursement of expenditures, are recorded in the respective funds in the governmental fund financial statements. The interfund balances represent short-term loans between the governmental funds, made for the purposes of streamlining the issuance of warrants for payroll and other occasional miscellaneous purchases of goods and services. The interfund balances are temporary and are cleared regularly by issuance of a warrant from one fund to the other. In the process of aggregating data for the statement of net position and the statement of activities, any interfund receivables and payables that may exist at fiscal year-end are eliminated in government-wide financial statements, except those (if any) with fiduciary funds, which are reclassified as a third party receivable.

Due from Other Governmental Units/Due to Other Governmental Units -- The 'due from' account represents receivables for grants from federal, state and local governmental entities. Grant revenues are recorded in the year in which the expenditures are incurred and/or applicable eligibility requirements imposed by the grantor have been met. A 'due to' account is recognized if a granting agency's compliance criteria require a refund of previously awarded revenues. Grants administered by the Office of the Superintendent of Public Instruction (OSPI) are recaptured through the state's apportionment process.

Accounts Receivable -- This account represents amounts due for services rendered by the district in the current year, under exchange type transactions, net of allowance for doubtful accounts. It also includes amounts due from non-governmental entity voluntary agreements to fund district events or other provisions in the administration of the district's educational programs. The district considers receivables collected within 60 days after year-end to have been available and recognizes them as revenues of the current year.

Property Taxes Receivable -- Property tax revenues are collected by the Snohomish County Treasurer as the result of special levies passed by voters in the district. In accordance with RCW 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 considered 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 of the taxes due October 31 and considered delinquent after that date. Typically, slightly more than half of the collections are made by the April 30 date. The October 31 collection is measurable but only those collected within 30 days of year-end are available in time to cover liabilities for the fiscal period ended August 31. Therefore, the balance of the fall property taxes is not accrued as revenue in the governmental fund financial statements. Instead, the balance of taxes (after September's accrual) due on October 31 are recorded as taxes receivable and deferred inflow of resources – unavailable revenue in the fund financial statements. In the government-wide financial statements, property tax revenue, net of estimated uncollectible, is accrued at year-end. Property is subject to foreclosure if property taxes are delinquent for three years.

Unearned Revenue -- Unearned revenues are funds associated with exchange-type transactions where a good or service is to be provided by the district in exchange for a charge or fee for that good or service, collected or paid in advance, for which the earnings process is not yet complete. The unearned revenues are tied to goods or services to be provided in the coming fiscal year. For example, facilities rentals paid in advance, and student project supply or extracurricular activity fees collected in advance of the class or activity; all represent funds the district would be obligated to refund if the facility was not made available, the student withdraws, or the program, service, activity, or good was otherwise not provided. Unearned revenues become revenues in the next fiscal year, allowing for an appropriate match to the new school year or fiscal year activities.

3. Inventory and Prepaid Items

Inventory -- With the exception of some of the food items purchased for use in the food services program, the district uses the periodic inventory method for the goods and supplies purchased for use in its programs. The district records expenditures throughout the year as the goods and supplies are purchased. Near year end, goods or supplies purchased primarily for consumption and use in the coming new school year are recognized as inventory of the current fiscal year, and expenditures during the year in which they are used. Physical inventory counts are conducted annually near fiscal year-end. In addition, the district operates a very limited service warehouse for the sole purpose of the food services program. The district uses the consumption method for its warehouse and food service program purchases. Under the consumption method, expenditures for food are recognized as the food is used. Food inventory is tracked using the perpetual method with an annual physical count taken near year-end to verify and adjust the inventory value. The inventories are valued at cost using the first-in-first-out (FIFO) method. Reported inventories are offset by a non-spendable fund balance equal to the reported inventory level to indicate a portion of the fund balance is not available for future expenditures.

The United States Department of Agriculture (USDA) commodity inventory, is included in the General Fund inventory total and consists 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 commodities.

Prepaid Items -- Prepaid items refer to payments made to vendors for services which will be consumed in a future fiscal period but for which payment has been made in the current fiscal period. Expenditures for these items are pro-rated or matched to the period during which the services will be consumed. The prepaid items asset account is used when the timing of the expenditure is relevant to the proper recognition of the expenditures. These amounts are recorded as prepaid items in both the government-wide and fund financial statements. Reported prepaids are offset by a non-spendable fund balance in the fund financial statements, equal to the prepaid balance, to indicate a portion of the fund balance is not available for future appropriations.

4. Capital Assets

Capital assets consist of land, buildings, improvements, vehicles, machinery and other equipment having an estimated useful life of more than one year. Capital assets of the district are reported in the government-wide financial statements in the Statement of Net Position. Land, buildings, and major improvements funded by the capital projects fund, are capitalized at cost with no minimum threshold. Equipment is capitalized when the unit cost of an individual item is \$5,000 or more. Assets are valued at actual historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated acquisition value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but are charged to expenditures in the current period.

In governmental fund financial statements, there is no depreciation for capital assets. However, depreciation is charged to expense and allocated to various programs/functions in the government-wide statement of activities in compliance with GASB statement No. 34 (see Note 6). Capital assets are reflected at historical cost (or estimated historical cost where applicable) net of accumulated depreciation in the government-wide statement of net position. Land and construction work in progress (CIP) are not depreciated. All other capital assets are depreciated using the straight line method over the following ranges of estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & Building Improvements	20-50
Vehicles	8-13
Equipment	5-15

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures as incurred upon acquisition.

5. Deferred Outflows/Inflows of Resources

Deferred Outflows -- Deferred outflows are a consumption of net position by the district that are applicable to a future reporting period. Deferred outflows have a debit balance and a positive effect on net position. In governmental fund financial statements, there are no deferred outflows of resources. In government-wide statements, deferred outflows of resources consist of amounts or changes in amounts associated with the net pension liability (actuarial factors that affect the district's pension liability such as changes in investment earnings, experience, assumptions, proportion and contributions), and OPEB liability (actuarial factors that affect the district's OPEB liability such as changes in experience, assumptions, demographic, or other input factors), and deferred loss on bond refunding resulting in a defeasance of debt. The deferred outflows are recognized on the statement of net position. Changes in the deferred amount associated with pensions and OPEB liabilities also affects the expenses on the statement of activities. Deferred loss

on refunding is amortized as a component of interest expense on the statement of activities, over the life of the old debt or the life of the new debt, whichever is shorter.

Deferred Inflows -- Deferred inflows are an acquisition of net position by the district that are applicable to a future reporting period. Deferred inflows have a credit balance and a negative effect on net position. Deferred inflows of resources on the governmental fund financial statements consist of amounts collected before revenue recognition criteria have been met, and receivables, which under the modified accrual basis of accounting, are measurable but not yet available (i.e. unavailable property tax revenues, unavailable revenues from federal, state, and local grants and unavailable revenues on long-term receivables). In government-wide financial statements, property taxes, and other receivables, less estimated uncollectible, are accrued as revenue, therefore, there are no deferred inflows of resource associated with property taxes and receivables balances in the government-wide financial statements. Deferred inflows of resources on the government-wide statement of net position consist of amounts or changes in amounts associated with the net pension (actuarial factors that affect the district's net pension liability such as changes in pension plan investments, and proportions), and OPEB liability (actuarial factors that affect the district's OPEB liability such as changes in experience, assumptions, demographic, or other input factors).

6. Long-Term Liabilities

Long-term liabilities are reported in the government-wide financial statements in the statement of net position and consist of bonds, net proportion of pension liability, other post-employment benefits other than pension (OPEB), and compensated absences.

Long-Term Debt/Bonds -- In government-wide financial statements bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. The deferred amount on refunding is reported separately as a deferred outflow of resources (or inflow) on the statement of net position and is amortized over the life of the bonds using the straight-line method. Bond issuance costs, except any portion related to prepaid insurance costs, are expensed in the period incurred.

In the fund financial statements, bond premiums, discounts, and issuance costs are recognized in the period of issuance. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources while discounts or debt refundings are reported as other financing uses. Issuance costs, whether or not they are withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Pension Liability -- GASB Statement 68 requires the district to report a long-term liability on the government-wide statement of net position for the district's proportionate share of net pension liability for pension plans as administered by the Washington State Department of Retirement Systems. See Note 7, Pensions and Other Post-Employment Benefits for more details. In the fund financials, retirement expenditures are recognized when they are payable.

Other Post-Employment Benefits (OPEB) -- GASB Statement 75 requires the district to carry a long-term liability on the statement of net position for other post-employment benefits (other than pension). See Note 7, Pensions and Other Post-Employment Benefits for more details. In the fund financials, any inherent costs associated with other post-employment benefits are recognized as expenditures when they are payable.

Compensated Absences -- Government-wide financial statements include a long-term liability for compensated absences on the statement of net position. The compensated absences liability includes vacation and sick leave earned by employees when the leave is related to employee services already rendered and eventual payment to the employee is considered probable. Payment

means salary-related compensation through paid time off, or some other means such as cash payments at termination or retirement. The sick and vacation liabilities reported by the district include all salary-related payments to employees (i.e. employer obligations for FICA, Medicare and Retirement).

Sick Leave

Employees earn sick leave at a rate of 12 days per year and may accumulate such leave up to a maximum of one contract year. Under the provisions of RCW 28A.400.210, sick leave accumulated by district employees is reimbursed at death, retirement, or in certain circumstances, upon separation, at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This statute also provides for an annual buy-out of an amount up to the maximum annual accumulation of 12 days. For buy-out purposes, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year. Sick leave expenditures are recorded in the governmental fund financial statements, when paid, except termination sick leave that is accrued upon death or retirement.

Vested sick leave for employees eligible for retirement is recorded as a long-term debt liability. Vested sick leave is computed using the vesting method.

Vacation Leave

Employees earn vacation leave at various rates based on the number of years employed. A maximum of 30 days unused vacation leave is paid upon termination or retirement. Vacation pay is recorded as an expenditure at the time of payment, which occurs upon usage or upon employee separation. The amount accrued for vacation leave payable is reported under long-term liabilities in the government-wide financial statements, statement of net position.

7. Net Position -- Government-Wide Financial Statement

Net Investment in Capital Assets -- This component of net position in the government-wide financial statements consists of capital assets, including any restricted capital assets, net of accumulated depreciation, plus capital-related deferred outflows of resources (such as deferred amount on bond refunding), and reduced by any capital-related deferred inflows of resources as well as any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted Net Position -- This component of net position in the government-wide financial statements reports the assets where constraints are imposed by law through enabling legislation (Capital, Transportation Vehicle, and ASB Funds), externally imposed debt covenants (Debt Service Fund), externally imposed regulations of high level contributors and other government's legal requirements and for external contractual impositions of grantors/regulations of other governments upon state and federal grant funds (carry-over of restricted revenues for specific educational provisions/programs and operations). Therefore, the amounts in restricted net position are available for disbursement only for specific purposes.

Unrestricted Net Position -- This component of net position in the government-wide financial statements shows assets that may be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. It is possible that unrestricted net position may be a deficit or negative number. This can happen when there are significant balances of noncurrent operating liabilities such as net pension liabilities, other post-employment benefit (OPEB), or compensated absences liabilities carried on the statement of net position, that are funded on the 'pay-as-you-go' basis, appropriating resources each year as payments come due, rather than accumulating assets in advance.

Flow Assumptions for Restricted or Unrestricted Net Position -- When both restricted and unrestricted resources are available for a certain purpose, the assumption is in most cases restricted resources are used before the unrestricted resources. In some cases, a pro-rata approach is used, such as with certain federal restricted grant funds that contain a 'supplement-not-supplant' provision.

8. Fund Equity -- Restrictions, Commitments, Assignments -- Governmental Funds

Governmental funds, fund financial statements display fund balance in five classifications depicting the relative strength of spending constraints under which resources may be used.

Nonspendable Fund Balance-- Amounts reported as nonspendable represent those portions of fund balance that cannot be spent either because they are not in spendable form (inventories and prepaid items), or are legally required to be maintained intact.

Restricted Fund Balance -- Amounts that are reported as restricted are those resources of the district that are constrained to specific purposes by their providers (such as grantors, bond holders, and higher levels of government) through legal restrictions such as constitutional provisions, enabling legislation, or other externally imposed laws and contractual obligations beyond the control of the board of directors.

Committed Fund Balance -- Amounts that are reported as committed are those resources of the district that have a limitation placed upon their usage by formal action (board resolution) of the district's board of directors. Commitments may only be changed when the resources are used for the intended purpose or the limitation is removed by a subsequent formal action (board resolution) of the board of directors. General Fund shows committed fund balance for authorized imprest accounts, per board resolution. Capital Projects Fund committed fund balance consists of two components, 'building repair and technology' tax levy proceeds (authority for such levy as per board resolution), the source of which dictates their representation as committed per the State Accounting Manual for School Districts in the State of Washington, and funds previously set-aside by board resolution for improvements to the Everett Memorial Baseball Stadium.

Assigned Fund Balance -- The superintendent, as designated by the board (board policy), is the individual responsible for authorizing or changing assignments of fund balance. In the General Fund, assigned resources are constrained through budget allocation decisions made by the superintendent for funds which are neither restricted nor committed. For the General Fund, assignments primarily include individual schools' carry-over of discretionary budget allotments, and privately donated funds for individual schools' special programs, field trips or other enrichment activities, which while not legally restricted, would be publicly sensitive if funds were not ear-marked for use as the donor intended. In the Capital Projects Fund, assigned resources are constrained at the superintendent's authorization, and are based on the nature of the legal classification of residual funds (neither restricted, or committed) in the Capital Fund in the State of Washington and as prescribed by the State Accounting Manual for School Districts in the State of Washington. Assignments are changed when the resources are used for the intended purpose, or, for General Fund, if the funds are not utilized as designed within the next current period, could be rescinded by the superintendent through the budget allocation process and through agreements with the original donors. For the Capital Fund, the 'Assigned-Capital Project Fund Purposes' cannot be changed, unless the funds are used for the intended purpose of the Capital Projects Fund, or if the Capital Projects fund were to be dissolved as a whole, through state legally-defined processes and at the direction of the board. Assignments reduce the amount of unassigned fund balance, but may not reduce that balance below zero. Authority for making additional or more specific assignments within any of the funds rests with the superintendent.

Unassigned Fund Balances -- In the General Fund, amounts that are reported as unassigned are those net spendable resources of the district that are not otherwise restricted, committed, or assigned and may be used for any purpose within the General Fund.

In other governmental funds, unassigned fund balance, if any, would represent a deficit ending spendable fund balance once all restrictions and commitments are considered. The district does not have any unassigned fund balance in funds other than the General Fund. A negative unassigned fund balance would mean that the legal restrictions and formal commitments of the district exceed its currently available resources. The district does not have negative unassigned fund balances in any of its governmental funds.

Flow Assumptions for Restricted, Committed, Assigned or Unassigned Fund Balances -- The order in which the district assumes restricted, committed, assigned, and unassigned amounts are spent when amounts in more than one classification are available for a particular purpose, depends on the program and the resource, but is applied consistently from year to year. In some cases, unrestricted resources are used first, or a pro-rata approach is used. In most cases, the restricted resources are considered used first before the unrestricted resources.

The district receives state funding for specific categorical education-related programs. Certain amounts that are received for these programs that are not used in the current fiscal year may be carried forward into the subsequent fiscal year, where they may be used only for the same purpose as they were originally received. When the district has such carryover, those funds are considered expended before any amounts received in the current year are expended.

Additionally, when expenditures are recorded for purposes for which a restriction or commitment of fund balance is available, those funds that are restricted or committed to that purpose are considered first before any unrestricted or unassigned amounts are expended.

Minimum Fund Balance Policy -- The district has established a board policy providing a goal for management of fund balance. The goal embodies what was previously an informal practice of maintaining a minimum total ending fund balance in the General Fund of five percent and a minimum unassigned fund balance of two-and-a-half percent. The authority for approval of the budget rests with the board, which may adopt an annual expenditure plan with an estimated total ending fund balance that departs from this minimum target when it determines this is appropriate for a particular fiscal year.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE FUND BALANCE SHEET FOR GOVERNMENTAL FUNDS AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

1. Investment in Joint Venture -- The district's equity interest of \$170,443 in King County Director's Association (KCDA) purchasing cooperative is included in the statement of net position.

2. Capital Assets, Net -- When capital assets (land, buildings, equipment) used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in the governmental funds. However, the statement of net position includes those capital assets among the assets of the district as a whole.

Cost of Capital Assets	\$ 715,093,068
Less Accumulated Depreciation	(219,417,238)
Capital Assets, Net	<u>\$ 495,675,830</u>

3. Deferred Outflows of Resources – Pension Changes -- Changes in actuarial factors affecting the district's net pension liability such as changes in investment earnings, experience, assumptions, proportion and contributions results in a deferred outflow of resources for pension changes balance of \$36,451,722 which is added to the statement of net position.

4. Deferred Outflows of Resources – OPEB -- Changes in actuarial factors affecting the district's OPEB liability such as changes in experience, assumptions, demographic, or other input factors results in a deferred outflow of resources for pension changes balance of \$18,120,266 which is added to the statement of net position.

5. Deferred Outflows of Resources – Deferred Loss on Refunding -- The difference between the carrying amount of refunded debt and the cost of new debt to retire the old resulted in a loss on refunding. The governmental funds recognize the flow of resources as current other financing sources and uses of funds in the period where the refunding occurred. However, the deferred loss on refunding balance of \$2,274,114 is added to the statement of net position as a deferred outflow of resources.

6. Long-Term Liabilities -- Long-term liabilities applicable to the district's governmental activities are not due and payable in the current period and, therefore, are not reported as liabilities in the fund balance sheet. However, all liabilities, both current and long-term, are reported in the statement of net position. Accordingly, \$414,234,736 in long-term liabilities is added to the statement of net position. See Long-Term Debt Note 8 for a schedule comprising the total below.

Long-Term Liability - Pension	\$ 103,647,955
Long-Term Liability - OPEB	110,186,719
Long-Term Liability - Other	200,400,062
	<u>\$ 414,234,736</u>

7. Deferred Inflows of Resources – Pension Changes – Changes in actuarial factors affecting the district's net pension liability such as changes in experience and proportions results in a deferred inflow of resources for pension changes balance of \$5,522,327 which is added to the statement of net position as a deferred inflow of resources.

8. Deferred Inflows of Resources – OPEB Changes – Changes in actuarial factors affecting the district's OPEB liability such as changes in experience, assumptions, demographic, or other input factors results in a deferred inflow of resources for pension changes balance of \$9,785,861 which is added to the statement of net position.

9. Deferred Inflows of Resources – Unavailable Revenue-- Property tax levies not collected within 30 days, and other similar receivables that will not be collected for several months after year-end are not considered available. They are reported as deferred inflows of resources in governmental funds. However, unavailable revenue from property taxes (\$52,787,918) and unavailable revenue for other miscellaneous entitlements (\$77,456) are removed from the statement of net position.

10. Eliminations, Due from Other Funds and Due to Other Funds -- In the governmental fund financial statements, interfund payables and receivables and the associated expenditures and/or reimbursement of expenditures are recorded in the respective funds as a result of general operations. In the conversion of fund financial statements to government-wide financial statements, all the governmental funds are consolidated and presented as a total. Accordingly, interfund receivable/payable balances of \$445,065 were eliminated.

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE DISTRICT FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

1. Long-Term Revenues, Local -- Property tax levies not collected within 30 days of year-end, and other miscellaneous entitlements, less estimated uncollectible accounts that do not provide current financial resources, are reported as deferred inflows of resources in the governmental funds, but as revenues in the government-wide financial statements. Accordingly, \$3,016,998 in revenue is deducted from the statement of activities.

2. Long-Term Revenues, Other Entities -- The value of the district's investment in joint venture (see also Note 12-Other Disclosures, KCDA) increased by \$5,294 from the prior year. The increase in the value of this asset results in an adjustment of general revenue in the statement of activities. The value of the investment in joint venture is not reported in the governmental funds.

3. Long-Term Expenses -- The net amount of \$2,948,629 represents the changes in the district's pension, compensated absences, and other post-employment benefits (OPEB) liabilities. The pension liability change resulted in a decrease to expenses of \$9,883,137. The compensated absences liability increased expenses by \$592,340, and the OPEB liability increased expenses by \$6,342,168. These long-term assets or liabilities are not reported in governmental funds. The net increase in liabilities results in an adjustment to the statement of activities as expenses to appropriate programs.

4. Capital Related Items, Other Sources -- When surplus capital assets are disposed of, the proceeds from the sale or the disposal is recognized as other financing sources in the governmental funds. However, in the government-wide financial statements, statement of activities, a net loss or gain on the sale or disposal of the assets is recognized. Accordingly, the book value of the assets are offset against the proceeds (if any) from the sale or disposal to calculate, a net gain or loss. Sale of surplus equipment is categorized as a general revenue, unallocated, on the statement of activities. The net gain from the sale of real property is considered a special item on the statement of activities.

Equipment Historical Cost	\$	22,845
Less Accumulated Depreciation		(20,397)
Book Value of Assets	\$	2,448
Proceeds from Sale of Equipment		273
Less Book Value of Equipment		(2,448)
Net loss from Surplus Equipment	\$	(2,175)

5. Capital Related Items, Expenses -- When capital assets (i.e. land, buildings, equipment) are purchased or constructed to be used in governmental activities, the cost of those assets are reported as capital outlay expenditures in the governmental funds. However, the statement of net position includes capital assets among the assets of the district as a whole. Thus, governmental fund financial statements report capital outlay as expenditures (\$48,982,928), while government-wide financial statements report depreciation expense (\$18,627,164) for capital assets which are allocated to various applicable programs. Expenditures for equipment costing less than \$5,000 that are reported as capital outlay expenditures in the governmental fund financial statements (\$11,300,891) are not capitalized and therefore have been re-allocated as expenses to governmental

activities in the statement of activities as follows:

	<u>Non-Capitalized</u>	<u>Depreciation</u>	<u>Total</u>
Regular Instruction	\$ 10,623,513	\$ 16,856,044	\$ 27,479,557
Special Education		1,359	1,359
Vocational Education	(20,738)	115,327	94,589
Compensatory Education	(8,310)	3,297	(5,013)
Other Instructional Programs		15,579	15,579
Community Services	13,826	3,583	17,409
Support Services	692,600	1,631,975	2,324,575
	<hr/>	<hr/>	<hr/>
Total	\$ 11,300,891	\$ 18,627,164	\$ 29,928,055
	<hr/>	<hr/>	<hr/>

Reconciliation Summary:

Non-Capitalized, Building & Equipment Costs	\$ 11,300,891
Depreciation Expense	18,627,164
Capital Outlay (Sites, Buildings, Equipment)	(48,982,928)
Difference	<hr/> \$ (19,054,873) <hr/>

6. Long-Term Debt Transactions, Bond Principal -- Repayment of bond principal in the amount of \$51,810,000 was reported as an expenditure in the governmental funds and, thus, has the effect of reducing fund balance. For the district as a whole, the principal payments reduce the liabilities in the statement of net position. (See Long-Term Debt Note 8.)

7. Long-Term Debt Transactions, Bond Interest & Other Charges -- In governmental fund financial statements, interest and transfer fee payments of \$8,650,421 on general obligation bonds were charged to expenditures. However, in the government-wide financial statements, interest expense is adjusted to reflect amortization of deferred amount on refunding (which has the effect of increasing interest expense), and amortization of bond premium (which has the effect of decreasing interest expense). Accordingly, a net adjustment of \$1,028,354 is made to decrease bond interest expense in the statement of activities. (See Long-Term Debt Note 8 for amortization schedules.)

Amortization of Deferred Amount on Refunding	\$2,047,518
Amortization of Bond Premium	(3,075,872)
Net Adjustment to Bond Interest & Other Charges	<hr/> (\$1,028,354) <hr/>

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

General Budgetary Policies -- The Everett Public Schools budgets the funds in accordance with the Revised Code of Washington Chapter 28A.505 and Chapter 392-123 of the Washington Administrative Code (WAC). The board of directors adopts annual appropriation budgets at the fund level for all governmental type funds after a public hearing. Appropriations lapse at the end of the fiscal period.

Budgetary Basis of Accounting -- For budget and accounting purposes, revenues and expenditures are accounted for on a modified accrual basis as prescribed by law for all governmental funds. Fund balance is budgeted as available resources and, pursuant to law, cannot be negative.

Budget Controls and Revisions -- Each governmental fund's total expenditures cannot, by law, exceed its formal fund appropriation. The district's finance office reviews requests from management to modify specific accounts within the overall fund appropriation and implements

those under the authority granted by approval from the chief financial officer. 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 after a public hearing anytime during the fiscal year.

Budget Amendments – There were no budget amendments made during the 2019-2020 fiscal year. The original budget is the same as the final budget, total expenditures were within budget and there were no fund-level revisions necessary.

NOTE 4. CASH AND INVESTMENTS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The Snohomish County Treasurer is the *ex-officio* treasurer for the district. In this capacity, the Snohomish County Treasurer receives deposits and transacts investment activity on the district's behalf.

The district's cash and cash equivalents are covered entirely by federal depository insurance (FDIC) or by collateral held by the district's custodial banks in the district's name.

Statutes authorize the district to: (1) invest in securities, certificates, notes, bonds, short-term securities, or other obligations of the United States, in bankers' acceptances and commercial paper purchased on the secondary market, the Washington State Local Government Investment Pool, and county treasurer investment pools, and (2) make deposits in financial institutions in accordance with RCW 30.04.300, which have been designated as qualified public depositories by the Washington State Public Deposit Protection Commission (WSPDPC).

To qualify as public depositories in the State of Washington, financial institutions must provide collateral to the WSPDPC in an amount equal to not less than ten percent of all public deposits by municipalities up to the net worth of the qualified institution. WSPDPC guidelines basically provide that in the event of default of a qualified public depository, all other qualified public depositories will collectively assure that no loss of funds will be suffered by any public entity.

Investments are stated at fair value on the balance sheet. Changes in fair value are included as revenue in the financial statements. The fair value of securities was based on quoted market prices.

Investments in the State Investment Pool (Local Government Investment Pool – LGIP) as held by the County Treasurer on behalf of the district, have fair values that are the same as the value of the pool shares. The information was provided by the County Treasurer in their capacity as *ex-officio* treasurer for the district.

Government-wide cash, cash equivalents, and investments at year-end totaled \$116,453,682, which consisted of the following:

Description	Governmental Funds	Total Government Wide
Investment at Fair Value	\$115,650,280	\$115,650,280
Cash with County Treasurer, Net of Outstanding Warrants	344,377	344,377
Cash Bank Deposits Used as Imprest Revolving Funds	395,950	395,950
Cash	63,075	63,075
Total Cash, Cash Equivalents and Investments	<u>\$116,453,682</u>	<u>\$116,453,682</u>

Fiduciary Fund, cash, cash equivalents, and investments at year-end totaled \$187,635, and consisted of the following:

Investments at Fair Value	\$187,393
Cash with County Treasurer, Net of Outstanding Warrants	237
Cash	5
Total Cash, Cash Equivalents and Investments	<u>\$187,635</u>

The district's deposits are covered entirely by federal depository insurance (FDIC) or by collateral held in the multiple financial institution collateral pool administered by the WSPDPC. All of the district's investments during the year and at year-end were held by the district or by the Snohomish County Treasurer on behalf of the district.

The district's investments are measured and categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. These guidelines recognize a three-tiered fair value hierarchy as follows: Level 1: Quoted prices in active markets for identical assets. Level 2: Quoted market prices for similar assets, quoted prices for identical or similar assets in markets that are not active, or other than quoted prices that are not observable. Level 3: Unobservable inputs for an asset. Investments held by the district are considered Level 1 only and at August 31, 2020, are as follows:

Investment Type	Cost	Level 1 - Fair Value	Investment Maturities (In Years)			
			Less Than Year	1 1-5	6-10	More Than 10 Years
<i>Government-Wide</i>						
State Investment Pool (LGIP)	\$ 115,650,280	\$ 115,650,280	\$ 115,650,280			
Government-Wide Investments	115,650,280	115,650,280	115,650,280	-	-	-
<i>Fiduciary Funds</i>						
State Investment Pool (LGIP)	187,393	187,393	187,393			
Total Investments	<u>\$ 115,837,673</u>	<u>\$ 115,837,673</u>	<u>\$ 115,837,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk – The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates. However, Snohomish County, as a means of limiting its exposure to raising interest rates, invests in securities that have a final maturity of no longer than five years. All of the district's

investments are with Snohomish County which invests almost 100 percent of the funds with the Washington State Treasurer's Local Government Investment Pool (LGIP).

The Washington State Local Government Investment Pool (LGIP) is operated by the Washington State Treasurer and is managed in a manner generally consistent with SEC regulated Rule 2a-7 money market funds. Participation in the pool is voluntary and the pool is not rated by a nationally recognized statistical rating organization (NRSRO). Fair value of the district's investment in the pool is measured using a net asset value (NAV) calculation based on the amortized cost of all securities held such that the securities will be valued at their acquisition cost, plus accrued income, amortized daily. The pool maintains a weighted average maturity (WAM) of 60 days or shorter. Accordingly, participants' balances in the LGIP are not subject to interest rate risk since the weighted average maturity of the portfolio will not exceed 90 days.

Credit Risk – The basic risk for holders of debt securities is that the debtor will not be able to make scheduled payments (*credit risk*). State law prohibits investments in commercial paper, corporate bonds, and mutual bond funds. The district has no investment policy that would further limit its investment choices. As of August 31, 2020, the district's investment in the State Investment Pool was not rated by a nationally recognized statistical rating organization (NRSRO).

Credit risk is limited because the majority of the district's investments outside of the pool are typically either obligations of the US government, government sponsored enterprises, or insured demand deposits accounts and certificates of deposit.

Concentration of Risk -- The district places no limit on the amount the district may invest in any one investment facilitator. All of the district's investments are invested in the Washington State Treasurer's Local Government Investment Pool and U.S. Government Obligations. In compliance with State of Washington statutes, pool policies authorize investments in US securities, US agency securities, and mortgaged-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements and the LGIP managed by the Washington State Treasurer's Office.

The LGIP is a voluntary investment vehicle operated by the State Treasurer. Over 530 governments have participated in the pool since it was started in 1986 to provide safe, liquid, and competitive investment options for local governments pursuant to RCW 43.250. The LGIP lets local governments use the State Treasurer's resources to safely invest their funds while enjoying the economies of scale available from a \$10-16 billion pooled fund investment portfolio. The LGIP's investment objectives are, 1) safety of principal, 2) maintaining adequate liquidity to meet cash flows, and 3) providing a competitive interest rate relative to other comparable investment alternatives. LGIP offers 100 percent liquidity to its participants. The LGIP portfolio is managed in a manner generally consistent with SEC regulated Rule 2a-7 money market funds.

Oversight of the LGIP is provided by the LGIP Advisory Committee. The LGIP Advisory Committee was created in 1995 to advise the State Treasurer on the operation of the Pool. The committee is comprised of 12 appointed members; four are appointed by the State Treasurer and the other eight are appointed by state associations including the Washington Finance Officers Association (WFOA), and the Washington Municipal Treasurers Association (WMTA) among others. Each member serves a three-year term and is eligible for two total terms. The LGIP Advisory Committee meets quarterly to advise the Treasurer on LGIP operational issues, budget, and oversight of the Statewide Custody Program.

Custodial Risk -- The district does not have a formal custodial policy that limits its exposure to custodial risk. All of the district's cash and cash equivalents are subject to custodial risk.

However, they are covered entirely by federal depository insurance (FDIC) or by collateral held by the district's custodial banks in the district's name.

Additionally, all of the district's investments are with Snohomish County which invests almost 100 percent of the funds with the Washington State Treasurer's Local Government Investment Pool (LGIP) and is managed in a manner generally consistent with SEC regulated Rule 2a-7 money market funds.

NOTE 5. INTERFUND, TRANSFERS, AND OTHER GOVERNMENT TRANSACTIONS

Interfund Balances -- (Amounts Due to Other Funds/Amounts Due from Other Funds) Interfund balances between the district's governmental funds are transactions that have occurred in one fund that are later reclassified to the appropriate fund. Payroll transactions are streamlined and paid wholly through the General Fund. The costs are then reclassified as an expenditure to the appropriate fund, and a reimbursement of expenditure to the General Fund. Interfund receivables/payables are liquidated monthly. As of August 31, 2020, short-term interfund receivables and payables in governmental funds resulting from general operating transactions (primarily salaries with a minor amount attributable to supplies or equipment) in governmental fund financial statements were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$436,487	\$8,578
Special Revenue Fund	8,578	50,370
Capital Projects Fund		386,117
Total	\$445,065	\$445,065

Interfund receivables and payables between governmental funds are eliminated in the government-wide financial statements. Interfund receivables and payables from the private-purpose trust fund have been reclassified as third party receivables/payables in the government-wide financial statements.

Interfund Transfers -- Planned transfers between funds are included in the budgeting process. In 2019-2020, transfers included \$2,650,000 from the Capital Projects Fund to the General Fund. The transfers are in connection with certain eligible equipment repairs, preventative maintenance, and technology related projects.

Interfund Loans -- There were no interfund loans made during the course of the 2019-2020 fiscal year.

Due from Other Governmental Units -- As of August 31, 2020, receivables from other governments consisted of the following related to apportionment, grants, and reimbursements for services owed:

Due from Other Governmental Units	General Fund	Capital Projects Fund
State of Washington		
Washington State matching funds		\$ 85,402
Categorical education program grants	\$ 2,074,288	
School Districts	64,885	
United States Government		
Elementary and Secondary School Emergency Relief Fund	230,018	
Total	\$ 2,369,191	\$ 85,402

NOTE 6. CHANGES IN CAPITAL ASSETS

Purchases of equipment with a unit cost of \$5,000 or more, are capitalized and depreciated in government-wide financial statements. Equipment costing less than \$5,000 is not included in capital asset cost values or depreciation totals in the district's government-wide financial statements. The district's capital assets are insured up to the cost of replacement, subject to a \$1,000 deductible per occurrence. Course of construction insurance is carried on projects under construction. There have been no significant reductions to insurance coverage. Changes in capital assets for the year are as follows:

	Primary Government			
	Beginning Balance	Additions	Deletions	Ending Balance
Government Activities:				
Non-depreciable Capital Assets				
Land	\$ 41,131,848	\$ 1,686,763	\$ (45,730)	\$ 42,772,881
Construction in Progress	5,666,580	35,401,227	(34,971,918)	6,095,889
Total Non-Depreciable Capital Assets	<u>46,798,428</u>	<u>37,087,990</u>	<u>(35,017,648)</u>	<u>48,868,770</u>
Depreciable Capital Assets				
Building & Improvements	625,129,243	34,675,229	(9,791,327)	650,013,145
Equipment	15,305,783	928,215	(22,845)	16,211,153
Total Depreciable Capital Assets	<u>640,435,026</u>	<u>35,603,444</u>	<u>(9,814,172)</u>	<u>666,224,298</u>
Less Accumulated Depreciation				
Building & Improvements	(204,025,518)	(17,489,149)	9,791,327	(211,723,340)
Equipment	(6,576,280)	(1,138,015)	20,397	(7,693,898)
Total Accumulated Depreciation	<u>(210,601,798)</u>	<u>(18,627,164)</u>	<u>9,811,724</u>	<u>(219,417,238)</u>
Total Depreciable Capital Assets, Net of Depreciation	<u>429,833,228</u>	<u>16,976,280</u>	<u>(2,448)</u>	<u>446,807,060</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 476,631,656</u>	<u>\$ 54,064,270</u>	<u>\$ (35,020,096)</u>	<u>\$ 495,675,830</u>

Depreciation expense was charged to governmental activities as follows:

Regular Instruction	\$ 16,856,044
Special Education	1,359
Vocational Instruction	115,327
Compensatory Education	3,297
Other Instruction Programs	15,579
Community Services	3,583
Support Services	1,631,975
Total:	<u>\$ 18,627,164</u>

Construction in Progress

Projects	Project Authority Dollars	Expenditures Accumulated August 31, 2020
Athletics HVAC and Fire Alarm	1,116,291	117,733
Woodside Elementary Modernization	10,850,000	5,978,156
	<u>\$11,966,291</u>	<u>\$6,095,889</u>

NOTE 7. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. PENSIONS GENERAL INFORMATION

The Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each pension plan.

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

B. 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).

C. MEMBERSHIP AND 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.

Teachers Retirement System (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 multi-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.

Public Employees Retirement System (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.

School Employees Retirement System (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, multiemployer 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.

D. 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:

Pension Contribution Rates from September 01, 2019 to August 31, 2020			
	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%	*/**
<i>Note: The Employer rates include .0018 DRS administrative expense.</i>			
* – 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.			

E. *PENSION LIABILITY*

District's Proportionate Share of the Net Pension Liability (NPL)

At June 30, 2020, the district reported a total liability of \$ 103,647,955 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.

Contributions and Proportionate Share	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's annual contributions	\$2,273,203	\$3,864,750	\$11,048,235	\$12,269,714
Proportionate share of the Net Pension Liability	11,073,721	9,507,355	50,676,448	32,390,432

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 and the change in the allocation percentage from the prior period is illustrated below.

Change in Proportionate Share Allocation Percentage	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.313655%	1.787218%	2.103817%	2.108778%
Prior year proportionate share of the Net Pension Liability	0.303247%	1.739773%	2.109099%	2.103771%
Net difference percentage	0.010408%	0.047445%	-0.005282%	0.005007%

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:

Actuarial Assumptions	
Inflation	2.75% total economic inflation, 3.50% salary inflation
Salary increases	In addition to the base 3.50% salary inflations 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:

TRS1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	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	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	-	-
Net difference between projected and actual earnings on pension plan investments		(\$61,654)
Changes in assumptions or other inputs	-	
Changes in the district's proportion and differences between the district contributions and proportionate share of contributions	-	-
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	\$37,377.6	
PERS 1 TOTAL	\$37,377.6	(\$61,654)

SERS 2/3	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	\$5,651,928	-
Net difference between projected and actual earnings on pension plan investments		(\$99,556)
Changes in assumptions or other inputs	103,608	(875,253)
Changes in the district's proportion and differences between the district contributions and proportionate share of contributions	405,726	-
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	644,607	
SERS 2/3 TOTAL	\$6,805,869	(\$974,809)

TRS 1	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	-	-
Net difference between projected and actual earnings on pension plan investments		(\$325,900)
Changes in assumptions or other inputs	-	
Changes in the district's proportion and differences between the district contributions and proportionate share of contributions	-	-
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	\$1,931,073	
TRS 1 TOTAL	\$1,931,073	(\$325,900)

TRS 2/3	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	\$20,470,518	\$ (116,814)
Net difference between projected and actual earnings on pension plan investments		(314,446)
Changes in assumptions or other inputs	4,177,763	(3,549,734)
Changes in the district's proportion and differences between the district contributions and proportionate share of contributions	514,384	(178,970)
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	2,178,341	
TRS 2/3 TOTAL	\$27,341,005	\$ (4,159,964)

The \$5,127,796 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	(\$279,788)	\$108,596	(\$1,432,335)	(\$715,200)
2022	(8,800)	1,109,294	(41,908)	2,434,937
2023	85,371	1,330,930	436,157	3,564,764
2024	141,563	1,598,210	712,186	4,489,689
2025	-	716,152	-	2,547,663
Thereafter	-	323,271	-	8,680,848

Pension Expense

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

Plan Name	Pension Expense
PERS 1	\$969,049
SERS 2/3	2,818,558
TRS 1	5,834,176
TRS 2/3	10,126,898
Total	<u>\$19,748,681</u>

Sensitivity of the Net Pension Liability (NPL) to Changes in the Discount Rate

The following table presents the district's proportionate share of the collective net pension liability (NPL) calculated using the discount rate of 7.40 percent, 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 percent) or one percentage-point higher (8.40 percent) 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.

Sensitivity of the Net Pension Liability (NPL) to changes in the discount rate:			
Participating Plans for TRS, PERS, and SERS			
	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS1 - NPL	\$4,422,202,000	\$3,530,540,000	\$2,752,919,000
Allocation percentage	0.313655%	0.313655%	0.313655%
Proportionate share of collective NPL	\$13,870,465	\$11,073,721	\$8,634,673
SERS2/3 - NPL	\$1,517,879,000	\$531,964,000	\$ (283,583,000)
Allocation percentage	1.787218%	1.787218%	1.787218%
Proportionate share of collective NPL	\$27,127,802	\$9,507,355	(\$5,068,246)
TRS1 - NPL	\$3,051,911,000	\$2,408,786,000	\$1,847,550,000
Allocation percentage	2.103817%	2.103817%	2.103817%
Proportionate share of collective NPL	\$64,206,620	\$50,676,448	\$38,869,070
TRS2/3 - NPL	\$4,526,645,000	\$1,535,981,000	\$ (903,643,000)
Allocation percentage	2.108778%	2.108778%	2.108778%
Proportionate share of collective NPL	\$95,456,901	\$32,390,432	(\$19,055,826)

F. *OTHER POST-EMPLOYMENT BENEFITS (OPEB)*

Plan Description -- Washington 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.

Employers participating in the PEBB plan include the state of Washington (which includes general government agencies and higher education institutions), political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of K–12 school districts and ESDs. The District's retirees are eligible to participate in the PEBB plan under this arrangement.

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. Nevertheless, the actuarial assumption used in valuations presented in this footnote assume that this substantive plan will be carried forward into the future.

The School Employee Benefits Board (SEBB) collects benefit premiums from all school district entities for covered employees. The premium includes a fee, established in state law. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees who elect to purchase their health care benefits through the state Health Care Authority PEBB plan. For the fiscal year 2019–20, SEBB was required to collect for the HCA \$1,056 per month per eligible employee to support the program. This amount is set forth in the state's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported by the State of Washington using the modified accrual basis and the current financial resources measurement focus. The PEBB OPEB plan has no assets and does not issue a publicly available financial report.

The District has no control over the benefits offered to retirees, the rates charged to retirees, nor the fee paid to the Health Care Authority. The District does not determine its annual required contribution, nor the net other post-employment benefit obligation associated with this plan. These amounts are not shown on the financial statements.

Eligibility -- District members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plan 2 or 3 of TRS or SERS.

Former members who are entitled to a deferred vested pension benefit are not eligible to receive medical and life insurance benefits after pension benefit commencement. Survivors of covered members who die are eligible for medical benefits.

Everett Public Schools' members, for the purposes of determining actuarial numbers relative to the

subsidies and liabilities for the district's OPEB were as follows:

<u>Total Membership</u>	
Active Members	2,150
Inactive member entitled to but not yet receiving benefits	0
<u>Members Currently Receiving Benefits</u>	
Retired Members and Surviving Spouses	629
Spouses of Retired Members	269

Benefits Provided -- Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The implicit rate subsidy is the difference between the total cost of medical benefits for retirees and the contribution paid by retirees.

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. Prior to January 1, 2019, the explicit subsidy was up to \$150 per member per month. As of January 1, 2019 and 2020 the explicit rate was \$168 and \$183, respectively.

Contribution Information. Administrative costs as well as implicit and explicit subsidies are funded by required contributions (RCW 41.05.050) from participating employers. The subsidies provide monetary assistance for medical benefits.

Medical Benefits -- Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 Medical coverage for 2020:

Descriptions	Type of Coverage		
	Employee	Employee & Spouse	Full Family
Kaiser Permanente NW Classic	\$715.66	\$1,426.75	\$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
UMP Classic	679.72	1,354.37	1,860.37
UMP 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

Retirees enrolled in Medicare Parts A and B receive an explicit subsidy in the form of reduced premiums on Medicare supplemental plans. Retirees pay the following monthly rates:

Descriptions	Type of Coverage		
	Employee	Employee & Spouse ¹	Full Family ¹
Kaiser Permanente NW Senior Advantage	\$173.01	\$342.75	\$875.70
Kaiser Permanente WA Medicare Plan	\$174.55	\$344.04	N/A
Kaiser Permanente WA Classic	N/A	N/A	\$904.36
Kaiser Permanente WA Sound Choice	N/A	N/A	\$804.11
Kaiser Permanente WA Value	N/A	N/A	\$847.03
UMP Classic	\$320.54	\$636.02	\$1,142.01

(1) Employee—Spouse and Full Family with two Medicare eligible subscribers.

Eligibility -- District members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under TRS and SERS Plan 2 and Plan 3.

Plan 2

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

Plan 3

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

Former employees 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.

Actuarial Methods and Assumptions -- The August 31, 2020 OPEB liability was determined using the following methodologies:

Actuarial valuation date	7/1/2018
Actuarial measurement date	8/31/2019
Actuarial cost method	Entry age
Asset valuation method	N/A - no asset ¹

¹ No assets have been accumulated in a trust.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

Inflation Rate	2.75%
Projected Salary Changes	3.50%
Post-Retirement Participation Percentage	65%
Percentage With Spouse Coverage	45%

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

Demographic assumptions regarding retirement, disability, turnover, and mortality are based upon the SERS and TRS Plan 2 and 3 as shown in the 2007-2012 Experience Study by the Washington State Public Retirement Systems.

Discount Rate -- The discount rate used to measure the total August 31, 2020 OPEB liability was set equal to the 20-year tax-exempt municipal bond yield, or 2.97 percent.

Health costs and life insurance trend rates used for the actuarial study are as follows:

Year Ending August 31	Pre-65 Retiree Premiums and Claims (1)	Post-65 Claims (2)	Post-65 Contributions (3)
2019	6.70%	3.50%	1.00%
2020	6.30%	7.60%	9.40%
2021	6.10%	7.50%	12.10%
2022	5.30%	5.20%	6.70%
2025	5.50%	5.30%	5.50%
2035	6.30%	5.40%	5.50%
2045	6.00%	5.60%	5.70%
2055	5.60%	5.80%	5.90%
2065	5.40%	5.50%	5.50%
2075	4.60%	4.70%	4.70%
2085	4.50%	4.60%	4.60%
2095	4.50%	4.70%	4.70%

(1) Used to project annual increase to total cost of pre-65 medical benefits, and retiree contributions for pre-65 medical benefits.

(2) Used to project annual increases to total cost for Post-65 medical benefits

(3) Used to project annual increases to explicit subsidy for Post-65 medical benefits. It's reflected the \$150 monthly maximum explicit subsidy prior to January 1, 2019 and it's reflected the \$168 rate as of January 1, 2019 and it's reflected the \$183 rate as of January 1, 2020

Assumption changes from last valuation included updated retiree claims costs, updated medical trend data, increase in participation assumptions, decrease in wage growth, updated demographic assumptions and an updated discount rate.

The District OPEB liability decreased compared to expectation in the prior valuation due to a change in the future inflation rate, an increase in the discount rate and demographic experience. This decrease was partially offset by changes in the participation assumption and a change in the medical costs compared to expectations.

Total OPEB Liability. As of August 31, 2020, the District reported a total OPEB liability of \$110,186,719.

Changes in Total OPEB Liability

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

<u>Changes in total OPEB Liability</u>	
OPEB Liability, August 31, 2019	\$ 85,853,243
Changes for the year:	
Service Cost	4,617,836
Interest on total OPEB Liability	3,545,744
Effect of Plan Changes	-
Effect of Economic/demographic gains or losses	-
Effect of Assumptions Changes or Inputs	18,046,022
Expected Benefit Payments	<u>(1,876,126)</u>
Net Changes in Total OPEB Liability	<u>24,333,476</u>
OPEB Liability, August 31, 2020	<u>\$ 110,186,719</u>

Sensitivity of the Total Liability to Changes in the Discount Rate and Healthcare Costs Trend Rates -- The following presents the total OPEB liability of the District, calculated using the discount rate of 2.97 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.97 percent) or 1 percentage point higher (3.97 percent) than the current rate:

	<u>1% Decrease (1.97%)</u>	<u>Current Discount Rate (2.97%)</u>	<u>1% Increase (3.97%)</u>
August 31, 2020 OPEB Liability	\$ 133,653,115	\$ 110,186,719	\$ 91,976,848

The following presents the total OPEB liability of the District, calculated using the current healthcare cost trend rates as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
August 31, 2020 OPEB Liability	\$ 88,909,530	\$ 110,186,719	\$ 138,792,144

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB. -- For the year ending August 31, 2020, the District recognized OPEB expense of \$8,467,096.

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

	Deferred Inflow of Resources	Deferred Outflows of Resources
Difference between expected and an actual experience	\$ (764,990)	\$ -
Changes of assumptions	(9,020,871)	15,995,338
Contributions made subsequent to measurement date	-	2,124,928
Total	<u>\$ (9,785,861)</u>	<u>\$ 18,120,266</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended August 31, 2021.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for the District will be recognized in OPEB expense in the fiscal years ended August 31 as follows:

	Year ended August 31,
2020	\$ 303,516
2021	303,516
2022	303,516
2023	303,516
2024	303,516
Thereafter	4,691,897

Further information about the state's PEBB plan as it pertains to OPEB is presented in a separate report, the State of Washington's June 30, 2020, comprehensive annual financial report. Refer to this audited GAAP basis report for detailed trend information. It is available from:

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

The state's PEBB OPEB plan does not issue a publicly available financial report. However, the results of an actuarial valuation of Washington State's employer provided subsidies associated with the PEBB plan, including more detailed trend information can be found at:

http://osa.leg.wa.gov/Actuarial_services/OPEB/OPEB.htm

NOTE 8. LONG-TERM LIABILITIES

CHANGES IN LONG-TERM LIABILITIES

During the year, the following changes occurred in liabilities reported in the government-wide financial statements:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds Payable					
2009C UTGO Qualified School Construction Bonds* *(QSCB) Tax Credit Bonds	17,445,000			17,445,000	
2013 Unlimited Tax GO Refunding Bonds	17,020,000		8,100,000	8,920,000	8,920,000
2014 Unlimited Tax GO Refunding Bonds	52,755,000		14,065,000	38,690,000	15,140,000
2016 Unlimited Tax GO Bonds	37,015,000		3,645,000	33,370,000	2,190,000
2018 Unlimited Tax GO Bonds	46,220,000		26,000,000	20,220,000	
2019 Unlimited Tax GO Refunding Bonds	17,985,000			17,985,000	
2019 Unlimited Tax GO Bonds	44,950,000			44,950,000	22,015,000
Total Bonds Payable	233,390,000	-	51,810,000	181,580,000	48,265,000
Net Pension Liabilities					
PERS Plan 1	11,660,911		587,191	11,073,720	
SERS Plans 2/3	4,079,733	5,427,622		9,507,355	
TRS Plan 1	52,217,137		1,540,689	50,676,448	
TRS Plans 2/3	12,675,937	19,714,495		32,390,432	
Total Net Pension Liabilities	80,633,718	25,142,117	2,127,880	103,647,955	
Other Liabilities					
Unamortized Bond Premium	14,222,148		3,075,872	11,146,276	2,044,036
Compensated Absences	7,081,446	6,172,617	5,580,277	7,673,786	6,172,617
Total OPEB Liabilities	85,853,243	26,209,602	1,876,126	110,186,719	2,124,928
Total Other Liabilities	107,156,837	32,382,219	10,532,275	129,006,781	10,341,581
GRAND TOTAL	\$ 421,180,555	\$ 57,524,336	\$ 64,470,155	\$ 414,234,736	\$ 58,606,581

Debt service requirements for bonds are funded out of the Debt Service Fund with the revenue sources being property taxes, investment income, and refunding bonds. The General Fund typically bears the cost of liquidating long-term liabilities associated with pension, OPEB and compensated absences obligations.

BONDS OUTSTANDING

General obligation bonds payable at August 31, 2020, are comprised of the following individual issues:

Purpose - Governmental Activities	Interest Rate	Issue date	Maturity Date	Amount Issued	Amount Outstanding
2009C UTGO Qualified School Construction Bonds* *(QSCB) Tax Credit Bonds	1.14 - 6.11	10/06/09	12/01/23	17,445,000	17,445,000
2013 Unlimited Tax GO Refunding Bonds	1.50 - 5.00	10/30/13	12/01/20	34,165,000	8,920,000
2014 Unlimited Tax GO Refunding Bonds	1.00 - 5.00	04/28/14	12/01/21	69,645,000	38,690,000
2016 Unlimited Tax GO Refunding Bonds	2.25-5.00	12/06/16	12/01/36	47,065,000	33,370,000
2018 Unlimited Tax GO Bonds	5.00	09/26/18	12/01/37	46,220,000	20,220,000
2019 Unlimited Tax GO Refunding Bonds	3.00-4.00	06/05/19	12/01/22	17,985,000	17,985,000
2019 Unlimited Tax GO Bonds	4.00-5.00	06/05/19	12/01/33	44,950,000	44,950,000
			Total Bonds Payable	\$277,475,000	181,580,000

AMORTIZATION OF BOND PREMIUM/DISCOUNT

Below is a schedule of amortization of bond premiums/discounts on all applicable general obligation bond issues. The effective interest method was used in calculating the amortization schedule.

Unamortized Bond Premium/Discount: Descriptions	Premium/ (Discount) Beginning Balance	Net Bond Issue Premium	(Premium)/ Discount Amortization	Ending Balance
2013 Unlimited Tax GO Refunding Bonds	432,208		(325,150)	107,058
2014 Unlimited Tax GO Refunding Bonds	1,875,568		(1,022,717)	852,851
2016 Unlimited Tax GO Bonds	1,717,526		(282,496)	1,435,030
2018 Unlimited Tax GO Bonds	3,281,078		(502,245)	2,778,834
2019 Unlimited Tax GO Refunding Bonds	890,935		(183,707)	707,228
2019 Unlimited Tax GO Bonds	6,024,832		(759,557)	5,265,275
Total Unamortized Bond Premium	\$14,222,148	\$0	(\$3,075,872)	\$11,146,275

UNAMORTIZED DEFERRED AMOUNT ON REFUNDING

Below is a schedule of amortization of deferred amount on refunding which is carried as a deferred outflow of resources balance on the government-wide statement of net position. The deferred amount on refunding is amortized on a straight-line basis over the life of the old debt or the life of the new debt, whichever is shorter. The amortization increases interest expense on the statement of activities.

Descriptions	Beginning Balance	Additions	Reductions	Ending Balance
2006 Unlimited Tax GO Bonds (Oct 2013)	971,260		647,505	323,755
2006 Unlimited Tax GO Bonds (April 2014)	361,228		240,819	120,409
2007 Unlimited Tax GO Bonds (April 2014)	2,746,055		1,098,422	1,647,633
2009B Unlimited Tax GO Bonds Build America Bonds (June 2019)	243,089		60,772	182,317
Total Unamortized Deferred Amount on Refunding	\$4,321,632	\$0	\$2,047,518	\$2,274,114

The district has pledged its full faith and credit to the payment of principal and interest on the bonds. The bonds are secured by ad valorem taxes to be levied without limitation as to rate or amount. The taxes, when collected, are required to be applied solely for the payments of principal and interest on the bonds.

The following is a schedule of annual requirements to amortize debt at August 31, 2020:

<u>Annual Requirements to Amortize Long-Term Debt</u>				
Year Ending August 31	Principal	Interest	Premium Amortized	Carrying Amount of Bonds
2020				\$ 192,726,275
2021	48,265,000	6,298,536	2,044,936	142,416,339
2022	25,395,000	4,633,560	1,488,898	115,532,441
2023	19,115,000	3,748,661	1,000,585	95,416,856
2024	17,445,000	3,332,749	972,979	76,998,877
2025	2,075,000	3,194,706	747,318	74,176,559
2026-2030	17,765,000	13,986,975	3,170,925	53,240,634
2031-2035	31,745,000	8,444,175	1,561,304	19,934,330
2036-2037	19,775,000	1,240,000	159,330	-
Total Long-Term Bonded Debt	<u>\$ 181,580,000</u>	<u>\$ 44,879,362</u>	<u>\$11,146,275</u>	

As of August 31, 2020, the district had \$33,130,619 available in the Debt Service Fund to service the general obligation bonds.

The following is a summary of general obligation long-term debt transactions of the district for the fiscal year ended August 31, 2020:

Long-Term Debt Payable at 9/01/2019	\$233,390,000
Debt Retired	<u>51,810,000</u>
Long-Term Debt Payable at 8/31/2020	<u>\$181,580,000</u>

Defeasance of Debt -- The district's refunded bonds satisfy the criteria for in-substance defeasance and are considered no longer outstanding. Accordingly, the district does not budget or report any refunded (old) debt. The irrevocable trust account assets and the liability for the defeased bonds are not included in the district's financial statements. Notice has been given that the bonds are defeased and will be called for redemption at 100 percent of par. No defeased bonds were redeemed during the 2019-20 fiscal year.

Arbitrage Regulations -- The Tax Reform Act of 1986, Internal Revenue Service Code Section 148, requires the district to rebate to the federal government, earnings on investment of bond proceeds which are in excess of the debt yield. This requirement is effective for the district's bonds issued after September 1, 1986. Rebates are due and payable five years from the date tax-exempt debt is issued and at five-year intervals thereafter while the debt is outstanding. The final rebate is due and payable 60 days after retirement of the debt. Positive arbitrage can be offset against negative arbitrage, therefore, the potential liability fluctuates from year to year and potentially may not be owing at the payment intervals. Calculations monitoring the applicability of federal arbitrage regulations are provided by Arbitrage Compliance Specialists, Inc. Current calculations performed by Arbitrage Compliance Specialists indicate the district's outstanding bonds subject to arbitrage are not in a position of positive arbitrage liability. Accordingly, no contingent liability has been estimated and a reserve in the Capital Projects Fund is not deemed necessary for the 2019-20 reporting period. The district will continue to monitor for arbitrage liability with technical assistance from its consultants, Arbitrage Compliance Specialists. Future reserves may be established if appropriate.

NOTE 9. FUND EQUITY (GOVERNMENTAL FUNDS)

GASB Statement No. 54 pertaining to fund balance classifications dictates that if restricted, committed or assigned fund balances are displayed in the aggregate on the balance sheet, specific purposes information should be disclosed in the notes to the financial statements. The district displays the

specific purpose details for some classifications on the face of the balance sheet, and discloses the details for other classifications in the notes to the financial statements. Accordingly, the following fund balances list all the fund balance classifications, including the special purposes information for any of the fund balance classifications that were listed in the aggregate on the balance sheet:

General Fund	August 31, 2020
Non-spendable Inventories - Supplies and Materials	\$ 339,517
Non-spendable Inventories - Food Services Lunchrooms	471,178
Sub-total Non-spendable Inventories	<u>810,695</u>
Non-spendable Prepaid Items Registrations and Subscriptions	2,284,910
Total Non-spendable Fund Balance	<u>3,095,605</u>
Restricted - Title 1	2,286
Restricted - State Learning Assistance	520,767
Restricted - Capital Maintenance and Capital Technology	703,168
Restricted - Snohomish County Early Childhood Education Assistance	107,227
Restricted - Vocational Education	1,547,929
Restricted - Food Services Breakfast and Lunch	179,177
Total Restricted Fund Balance	<u>3,060,554</u>
Committed - Imprest Accounts	352,000
Assigned - School Budget Carryover	616,960
Assigned - Operation Budget Carryover	69,312
Assigned - Transportation Carryover	2,375,441
Assigned - Other Grants	7,782
Total Assigned Fund Balance	<u>3,069,495</u>
Unassigned Fund Balance	27,516,757
Total Fund Balance	<u><u>\$ 37,094,411</u></u>

Special Revenue - Associated Student Body (ASB) Fund	August 31, 2020
Non-spendable Inventories - Supplies and Materials	\$ 2,462
Non-spendable Prepaid Items - Registrations and Subscriptions	237,868
Total Non-spendable Fund Balance	<u>240,330</u>
Restricted for ASB Fund Purposes - Extra-Curricular Activities	1,079,575
Total Fund Balance	<u><u>\$ 1,319,905</u></u>

<u>Debt Service Fund</u>	<u>August 31, 2020</u>
Restricted - Debt Service Fund Purposes - Principal and Interest	\$ 33,130,619
Total Fund Balance	<u>\$ 33,130,619</u>

<u>Capital Projects Fund</u>	<u>August 31, 2020</u>
Non-spendable Inventories - Technology Materials	\$ 2,080,490
Restricted - Bond Proceeds	14,066,117
Restricted - State Building Match Proceeds	14,544,273
Restricted - Impact Fee Proceeds	3,321,425
Total Restricted Funds	<u>31,931,815</u>
Committed - Technology Levy Proceeds	10,316,372
Committed - Memorial Baseball Stadium	125,601
Total Committed Funds	<u>10,441,973</u>
Assigned - Capital Projects Fund Purposes	2,004,268
Total Fund Balance	<u>\$ 46,458,546</u>

<u>Transportation Vehicle Fund</u>	<u>August 31, 2019</u>
Restricted - Student Transportation Buses	\$ 316,528
Total Fund Balance	<u>\$ 316,528</u>

NOTE 10. RISK MANAGEMENT

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.

The district made net premium payments totaling \$2,026,385 to the Pool for its 2019-20 coverage. 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 Washington Schools Risk Management Pool has produced its own financial report for the year ended August 31, 2020, which can be obtained from:

Washington Schools Risk Management Pool
P.O. Box 88700
Tukwila, WA 98138-2700

Unemployment Insurance -- The district joined together with school districts in Island, San Juan, Skagit, Snohomish and Whatcom Counties on July 1, 1978, to form the Northwest Educational Service District 189 Unemployment Compensation Pool (Pool), a public entity risk pool for unemployment insurance. The district made \$80,493 in payments to the Pool in fiscal year 2019-20. Claims against the district are paid by the Washington State Department of Employment Security (WSDDES). The WSDDES is reimbursed by the Pool for all claims paid. Unemployment claims of \$300,412 were made by the Pool on behalf of the district for fiscal year 2019-20. The following is a summary of activity:

Unemployment Insurance				
Fiscal Year	Beginning Balance	Contributions/Earnings	Reductions	Ending Balance
2019-2020	\$1,060,485	\$97,522	\$308,725	\$849,282

Workers' Compensation -- In December 2000, the board of directors adopted Resolution No. 718 which authorized the district to become a member of the Puget Sound Workers' Compensation Trust (PSWCT), a cooperative that was formed to provide workers' compensation coverage for its members. The district joins 30 other school districts or educational service districts in the PSWCT, which is administered by the Puget Sound Educational Service District. For fiscal year 2019-20, the district made premium payments totaling \$2,179,125 to the PSWCT in lieu of premium payments to the State of Washington for industrial insurance. This practice enables the PSWCT to pay industrial insurance beneficiaries as they become eligible and minimizes the district's costs for the program.

NOTE 11. TAX ABATEMENTS

As of August 31, 2020, the District property tax revenues were reduced through the City of Everett's Multifamily Housing Property Tax Exemption and the State of Washington's specific exempt property types.

In keeping with the goals of the Growth Management Act (Chapter 36.70A RCW), the Multifamily Urban Housing Tax Exemption program provides property tax exemptions to stimulate the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for multifamily housing in urban centers.

The value of new construction, conversion, and rehabilitation improvements qualifying under this program are exempt from ad valorem property taxation for:

- Eight years if applications were submitted on or after July 22, 2007; or
- Twelve years if applications were submitted on or after July 22, 2007, the property otherwise qualifies for the exemption under Chapter 84.14 RCW, and the owner commits to renting or selling at least twenty percent of the multifamily housing units as affordable housing units to low- and moderate-income households.

Tax exemptions are obtained through application by the property owner. Property owners receiving tax exemptions are required to file a notarized annual declaration indicating ongoing compliance.

Taxes have been abated for specific property types classified under RCW 84.36.020, 86.36.060, 84.36.560. These include, but are not limited to, properties related to non-profit organizations, cemeteries, churches, parsonages and convents.

Tax Abatement Program	Amount of Tax Abated as of August 31, 2020
Multifamily Property Tax Exemption	\$ 484,121
Specific Exempt Property	1,020,221

NOTE 12. SUMMARY OF SIGNIFICANT CONTINGENCIES

Litigation -- The district is party to several legal actions arising from its normal educational activities. It is the opinion of the administration that these actions will be resolved without material impact on the financial position of the district.

NOTE 13. OTHER DISCLOSURES

A. EVERETT SCHOOL EMPLOYEE BENEFIT TRUST

Related Party -- The Everett School Employee Benefit Trust (ESEBT), which provided comprehensive medical, vision, dental, life, accidental death and dismemberment, long-term disability, and short-term disability coverage to qualified district employees and their covered dependents through December 31, 2019. The ESEBT was dissolved during the 2019-20 fiscal year. The ESEBT, a 501(c)(9) non-profit separate legal entity, was a local governmental employee health benefit program as defined by Title 48.62 of the Revised Code of Washington (RCW). As of January 31, 2020, the ESEBT net position was zero. For the 2019-20 year, the district contributed \$10,953,760.

The ESEBT has produced its own financial report for the year ended January 31, 2020, which can be obtained from:

Everett School Employee Benefit Trust
P.O. Box 2098
Everett, WA 98213

B. KING COUNTY DIRECTORS' ASSOCIATION

Investment in Joint Venture -- Everett Public Schools has been a member of the King County Directors' Association (KCDA) for many years. KCDA is a purchasing cooperative that serves 294 school districts throughout the State of Washington. In 2020, Everett Public Schools purchased \$3,844,341 through KCDA contracts, including direct billings by vendors. Everett Public Schools' equity in KCDA as of December 31, 2019, was \$170,443.

Because of the purchasing power of KCDA, it is the intent of the district to remain a member. Should the district decide to terminate its membership in KCDA, the following options are available regarding withdrawing the ownership amount:

1. The district may withdraw inventory at a maximum rate of ten percent (10%) per year for a ten (10) year period or;
2. The district may withdraw cash equally over a fifteen (15) year period.

KCDA has published its own financial report for the year ended December 31, 2019, which can be obtained from:

King County Directors' Association
P.O. Box 5550
Kent, WA 98064-5550

C. NORTHWEST EDUCATIONAL SERVICE DISTRICT

Jointly Governed Organization -- The district is served by Northwest Educational Service District No. 189 (ESD). The ESD is a regional service entity organized to serve the educational needs of all school districts in Island, San Juan, Skagit, Snohomish and Whatcom Counties. All school districts in the ESD's service area collectively elect nine directors to the ESD. Participating school districts have neither an ongoing financial interest nor responsibility. The ESD's relationship to the school district is one of a jointly governed organization.

D. SNO-ISLE VOCATIONAL SKILLS CENTER

In 1978, the district participated in the establishment of the Sno-Isle Skills Center (Skills Center), a vocational education facility operated by host district, Mukilteo School District. The Skills Center was established to broaden the vocational curriculum for participating districts and avoid unnecessary duplication of courses which involve expensive training equipment. The participating districts continue to operate local vocational programs separate from the Skills Center.

The Skills Center is administered by the host district but is jointly governed by an Administrative Council consisting of a representative from each participating district. There are currently 13 participating districts including the host district.

The host district retains ownership of all facilities and equipment purchased by the Skills Center or donated to the Skills Center. The participating districts share in the annual operating costs of the Skills Center, but have no ownership equity in the facilities or equipment.

In fiscal year 2019-2020, the Skills Center received \$717,215 in state apportionment funding for providing service to Everett Public Schools' students.

E. LEVIES

In a special election held on February 13, 2018, voters approved excess taxes to be levied in calendar years 2019 (\$44 million), 2020 (\$45 million), 2021 (\$49 million), and 2022 (\$53 million). The proposition replaces the expiring levy voters approved February 11, 2014, and would be used to support educational programs and operation expenses.

Replacement Levy for Safety, Building and Instructional Technology Improvements, Capital Levy – In a special election held on April 26, 2016, voters authorized the district to levy an additional tax providing a total of \$89.624 million for the district's Capital Projects Fund. The levy allows the district to assess additional property taxes over the course of six years to pay a portion of the district's construction and installation of safety, building and instructional technology improvements. This levy replaces the \$48 million capital levy which allowed the district to assess \$8 million each year for six years beginning 2011 through 2016, to fund renovation and improvement of district facilities, technology improvements, and equipment.

F. BOND MEASURES AND BOND ISSUES

Capital Improvement and School Construction Bond -- In a special election held on April 26, 2016, voters approved a capital bond proposition which authorizes the district to issue \$149.7 million in bonds to be paid from future excess levies and collection of property taxes. These funds will be used to build additional classrooms to relieve overcrowding, build a new elementary school, modernize North Middle and Woodside Elementary schools, upgrade communications and technology infrastructure, improve HVAC systems, buy land for a future school, and other capital improvements. Accordingly, the following bond sale was issued:

2016 General Unlimited Tax Bond Issue -- In December 2016, the District issued \$47,065,000 in General Unlimited Tax Bonds. The bonds were sold at a premium of \$3,255,000. Bond issuance costs were \$319,209 consisting of bond underwriters, bond counsel, credit and financial advisor fees. Bonds were issued with an average interest rate of 4.03% and a final maturity date of December 1, 2036. The district has expended \$47,065,000 million in bond proceeds as authorized under the 2016 vote, on school building renovations and projects as described in the bond measures.

2018 General Unlimited Tax Bond Issue -- In September 2018, the District issued \$46,220,000 in General Unlimited Tax Bonds. The bonds were sold at a premium of \$4,104,579. Bond issuance costs were \$320,187 consisting of bond underwriters, bond counsel, credit and financial advisor fees. Bonds were issued with an average interest rate of 5.00% and a final maturity date of December 1, 2037.

2019 General Unlimited Tax Bond Issue -- In June 2019, the district issued \$44,950,000 in General Unlimited Tax Bonds. The bonds were sold at a premium of \$6,024,832. Bond issuance costs were \$284,768 consisting of bond underwriters, bond counsel, credit and financial advisor fees. Bonds were issued with an average interest rate of 4.87% and a final maturity date of December 1, 2032.

The district has expended \$138,927,205 in bond proceeds as authorized under the 2016 vote, on school building renovations and projects as described in the bond measures.

NOTE 14. SUBSEQUENT EVENTS

COVID-19 Pandemic

In February 2020, Washington State Governor Inslee declared a state of emergency in response to the spread of a new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures include closing schools, canceling public events, limiting gathering sizes, and requiring people to stay home unless they are leaving for an essential function. On April 6, 2020, the Governor closed all public and private K–12 school buildings

throughout the remainder of the 2019–20 school year. The school district, however, continues to operate, educating students using continuous learning models.

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.

The district began the 2020-21 school year in 100% remote learning using a staged approach to reopening. The district has begun migrating to a hybrid learning model, which currently includes a variety of students, primarily at the elementary level.

The district has experienced decreased enrollment in the 2020–2021 school year resulting in 805 fewer students in October 2020 compared to budget (604 lower than October 2019). A similar Annual Average FTE reduction is expected, resulting in a funding impact of approximately \$8.2 million. In addition, remote learning has significantly reduced transportation ridership, with an estimated funding reduction of \$5 million.

The district has experienced an unanticipated increase in unemployment compensation costs as a result of increased claim activity in the Unemployment Compensation Pool Cooperative (the Cooperative). As the Cooperative is a risk sharing pool, the Cooperative and district are unable to identify specific cost increases for either the Cooperative or district at this time.

Due to the closure of facilities, the district expects facility rental and ASB fund revenues to decrease, approximately \$425,000 in rental income and \$200,000 in ASB Fund revenues during the 2020–2021 school year. Expenditures have also decreased in both areas.

The district has taken the following measures to mitigate the funding and resources losses related to the COVID-19 Pandemic:

- Initiated cost-saving measures late spring and summer 2020, resulting in higher than anticipated 2019-20 fund balance carry forward
- Reduced summer hiring of elementary certificated instructional staff in anticipation of decreased enrollment
- Furloughed classified staff who were not working directly with students in a remote learning environment
- Implemented cost-saving measures in the areas of substitutes, vacancies, overtime, and other operational costs
- Mitigated cost increases with federal Elementary and Secondary School Emergency Relief (ESSER) funds.

The district also anticipates receiving a second round of federal pandemic relief funds, ESSER II, to help offset enrollment and transportation funding losses, and to assist in bringing students back to in-person learning. State legislative action must occur first, but the preliminary combined amount for Everett Public Schools is estimated at \$12 million, further offsetting the above funding shortfalls.



Required Supplementary Information

The Required Supplementary Information presents budgetary comparison (original and final budget), actual inflows and outflows, and balances for General Fund and its annually budgeted Special Revenue Fund (Associated Student Body Fund). In addition, Required Supplementary Information presents a Schedule of Actuarial Valuation of Post Employment Benefits Other Than Pensions, a Schedule of the District's Proportionate Share of the Net Pension Liability and a Pension Plan Schedule of District Contributions.

Notes to the Required Supplementary Information

NOTE 1. PENSIONS AND OPEB

Pensions - The Office of the State Actuary (OSA) calculates the ADC based on the results of an actuarial valuation consistent with the state's funding policy defined in RCW 41.45. The results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that follows two years later. Amounts reported as RSI are determined as of the June 30 measurement date of the collective net pension liability.

The Everett Public Schools has no independent ability to fund or satisfy this pension liability outside of Washington State's legislatively adopted contribution rates as they currently exist or may be adopted in the future. Assessments now and in the future are made based on the annual qualified worker compensation and are paid by both the district, as the employer, and its employees.

GASB 68 was implemented for the fiscal year ended August 31, 2015. The RSI schedules for pensions will be built prospectively until they contain ten years of data.

OPEB - Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB) created within the HCA is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. The PEBB plan does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis.

Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, salary projections, and participation percentages.

GASB 75 was implemented for the fiscal year ended August 31, 2017. The RSI schedules for the OPEB liability will be built prospectively until they contain ten years of data.

**EVERETT PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020**

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Local Taxes	\$39,406,906	\$39,406,906	\$39,859,072	\$452,166
Local Non-Tax	12,419,437	12,419,437	4,295,044	(8,124,393)
State, General Purpose	203,266,426	203,266,426	203,364,181	97,755
State, Special Purpose	62,841,424	62,841,424	60,845,038	(1,996,386)
Federal, General Purpose	60,000	60,000	46,882	(13,118)
Federal, Special Purpose	15,698,800	15,698,800	14,493,010	(1,205,790)
Other	2,541,284	2,541,284	2,830,505	289,221
TOTAL REVENUES	<u>336,234,277</u>	<u>336,234,277</u>	<u>325,733,732</u>	<u>(10,500,545)</u>
EXPENDITURES				
Current:				
Regular Instruction	195,156,086	195,156,086	182,862,262	12,293,824
Special Education	49,661,482	49,661,482	48,416,407	1,245,075
Vocational Education	14,878,978	14,878,978	15,194,606	(315,628)
Compensatory Education	19,723,603	19,723,603	18,349,061	1,374,542
Other Instruction Programs	2,575,774	2,575,774	2,377,603	198,171
Community Services	3,037,777	3,037,777	4,625,645	(1,587,868)
Support Services	59,808,709	59,808,709	51,864,358	7,944,351
Capital Outlay:				
Equipment	2,491,140	2,491,140	682,430	1,808,710
TOTAL EXPENDITURES	<u>347,333,549</u>	<u>347,333,549</u>	<u>324,372,372</u>	<u>22,961,177</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,099,272)	(11,099,272)	1,361,360	12,460,632
OTHER FINANCING SOURCES (USES)				
Transfers	2,650,000	2,650,000	2,650,000	0
TOTAL OTHER FINANCING SOURCES (USES)	2,650,000	2,650,000	2,650,000	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$8,449,272)</u>	<u>(\$8,449,272)</u>	4,011,360	<u>\$12,460,632</u>
FUND BALANCE -- September 1, 2019			33,083,051	
FUND BALANCE -- August 31, 2020			<u>\$37,094,411</u>	

The basis of budgeting is the same as GAAP.

**EVERETT PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND (ASSOCIATED STUDENT BODY FUND)
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020**

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
General	\$985,863	\$985,863	\$651,600	(\$334,263)
Athletics	330,392	330,392	300,319	(30,073)
Classes	47,870	47,870	16,816	(31,054)
Clubs	1,042,312	1,042,312	274,614	(767,698)
Private Monies	84,300	84,300	45,136	(39,164)
TOTAL REVENUES	<u>2,490,737</u>	<u>2,490,737</u>	<u>1,288,485</u>	<u>(1,202,252)</u>
EXPENDITURES				
General	857,755	857,775	395,223	462,552
Athletics	453,392	453,392	420,464	32,928
Classes	50,200	50,200	15,214	34,986
Clubs	1,201,609	1,201,609	328,204	873,405
Private Monies	83,800	83,800	35,159	48,641
TOTAL EXPENDITURES	<u>2,646,756</u>	<u>2,646,776</u>	<u>1,194,264</u>	<u>1,452,492</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(\$156,019)</u>	<u>(\$156,039)</u>	94,221	<u>\$250,240</u>
FUND BALANCE -- September 1, 2019			<u>1,225,684</u>	
FUND BALANCE -- August 31, 2020			<u>\$1,319,905</u>	

The basis of budgeting is the same as GAAP.

EVERETT PUBLIC SCHOOLS
POST EMPLOYMENT BENEFITS OTHER THAN PENSION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

	FISCAL YEAR ENDED AUGUST 31, 2018*	FISCAL YEAR ENDED AUGUST 31, 2019*	FISCAL YEAR ENDED AUGUST 31, 2020*
Service cost	\$ 5,431,775	\$ 4,641,906	\$ 4,617,836
Interest on total OPEB liability	2,630,292	3,066,218	3,545,744
Changes of benefit terms	-	-	-
Effect of economic/demographic gains or (losse:	-	(989,986)	-
Effect of assumption changes or inputs	(10,898,704)	(2,717,383)	18,046,022
Expected benefit payments	(1,559,591)	(1,709,770)	(1,876,126)
Net change in total OPEB liability	<u>(4,396,228)</u>	<u>2,290,985</u>	<u>24,333,476</u>
Total OPEB liability, beginning	87,958,486	83,562,258	85,853,243
Total OPEB liability, ending	83,562,258	85,853,243	110,186,719
Covered employee payroll	\$ 156,700,436	\$ 170,396,419	\$ 197,151,932
Total OPEB liability as a % of covered employee payroll	53.33%	50.38%	55.89%

*GASB 75 was implemented for the fiscal year ended August 31, 2018. This schedule is to be built prospectively until it contains ten years of data.

EVERETT PUBLIC SCHOOLS
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

	As of June 30,					
	2015*	2016*	2017*	2018*	2019*	2020*
PERS 1						
District's proportion of the net pension liability (percentage)	0.253349%	0.256754%	0.273586%	0.282975%	0.303247%	0.313655%
District's proportionate share of the net pension liability (amount)	\$13,252,490	\$13,788,889	\$12,981,858	\$12,637,752	\$11,660,912	\$11,073,721
District's covered payroll	\$28,559,392	\$30,767,818	\$33,995,511	\$37,528,660	\$42,278,246	\$46,988,828
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	46.40%	44.82%	38.19%	33.67%	27.58%	23.57%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%
SERS 2/3						
District's proportion of the net pension liability (percentage)	1.631183%	1.639176%	1.645115%	1.701217%	1.739773%	1.787218%
District's proportionate share of the net pension liability (amount)	\$6,625,065	\$10,765,567	\$8,118,231	\$5,087,694	\$4,079,733	\$9,507,355
District's covered payroll	\$28,076,353	\$30,324,651	\$33,608,957	\$37,250,663	\$42,113,702	\$46,876,699
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	23.60%	35.50%	24.15%	13.66%	9.69%	20.28%
Plan fiduciary net position as a percentage of the total pension liability	90.92%	86.52%	90.79%	94.77%	96.31%	92.45%
TRS 1						
District's proportion of the net pension liability (percentage)	2.077874%	2.080021%	2.035627%	2.067471%	2.109099%	2.103817%
District's proportionate share of the net pension liability (amount)	\$65,830,005	\$71,016,861	\$61,542,470	\$60,382,403	\$52,217,137	\$50,676,448
District's covered payroll	\$99,530,951	\$104,608,824	\$112,886,403	\$121,626,651	\$141,309,403	\$152,295,093
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	66.14%	67.89%	54.52%	49.65%	36.95%	33.28%
Plan fiduciary net position as a percentage of the total pension liability	65.70%	62.07%	65.58%	66.52%	70.37%	70.55%
TRS 2/3						
District's proportion of the net pension liability (percentage)	2.074337%	2.060122%	2.034198%	2.071302%	2.103771%	2.108778%
District's proportionate share of the net pension liability (amount)	\$17,503,301	\$28,291,596	\$18,774,485	\$9,323,221	\$12,675,937	\$32,390,432
District's covered payroll	\$97,065,368	\$102,670,166	\$111,534,575	\$120,683,922	\$140,438,894	\$151,660,808
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	18.03%	27.56%	16.83%	7.73%	9.03%	21.36%
Plan fiduciary net position as a percentage of the total pension liability	92.48%	88.72%	93.14%	96.88%	96.36%	91.72%

*Amounts reported are determined as of the June 30 measurement date of the collective net pension liability. GASB 68 was implemented for the fiscal year ended August 31, 2015. This schedule is to be built prospectively until it contains ten years of data.

EVERETT PUBLIC SCHOOLS
PENSION PLAN SCHEDULE OF DISTRICT CONTRIBUTIONS

	FOR THE FISCAL YEAR ENDED AUGUST 31					
	2015*	2016*	2017*	2018*	2019*	2020*
<u>PERS 1</u>						
Contractually required contribution	\$1,164,385	\$1,524,261	\$1,671,348	\$1,936,914	\$2,222,417	\$2,266,995
Contributions in relation to the contractually required contributions	\$1,164,385	\$1,524,261	\$1,671,348	\$1,936,914	\$2,222,417	\$2,266,995
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0
District's covered payroll	\$28,726,003	\$31,411,273	\$34,510,139	\$38,178,004	\$43,096,360	\$47,442,274
Contribution as a percentage of covered payroll	4.05%	4.85%	4.84%	5.07%	5.16%	4.78%
<u>SERS 2/3</u>						
Contractually required contribution	\$1,650,091	\$2,113,651	\$2,354,816	\$3,128,459	\$3,550,193	\$3,901,622
Contributions in relation to the contractually required contributions	\$1,650,091	\$2,113,651	\$2,354,816	\$3,128,459	\$3,550,193	\$3,901,622
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0
District's covered payroll	\$28,250,934	\$30,973,083	\$34,131,574	\$37,936,499	\$42,936,023	\$47,339,381
Contribution as a percentage of covered payroll	5.65%	6.82%	6.90%	8.25%	8.27%	8.24%
<u>TRS 1</u>						
Contractually required contribution	\$4,631,809	\$6,752,604	\$7,213,943	\$8,901,622	\$10,839,344	\$11,040,087
Contributions in relation to the contractually required contributions	\$4,631,809	\$6,752,604	\$7,213,943	\$8,901,622	\$10,839,344	\$11,040,087
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0
District's covered payroll	\$99,115,901	\$106,750,992	\$114,297,898	\$123,179,110	\$145,612,986	\$153,069,529
Contribution as a percentage of covered payroll	4.67%	6.33%	6.31%	7.23%	7.44%	7.21%
<u>TRS 2/3</u>						
Contractually required contribution	\$5,686,914	\$7,282,538	\$7,882,401	\$9,556,920	\$11,331,709	\$12,423,115
Contributions in relation to the contractually required contributions	\$5,686,914	\$7,282,538	\$7,882,401	\$9,556,920	\$11,331,709	\$12,423,115
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0
District's covered payroll	\$96,701,352	\$104,908,845	\$113,043,460	\$122,300,663	\$144,726,232	\$152,523,476
Contribution as a percentage of covered payroll	5.88%	6.94%	6.97%	7.81%	7.83%	8.15%

*GASB 68 was implemented for the fiscal year ended August 31, 2015. This schedule is to be built prospectively until it contains ten years of data.

**Everett School District No. 2
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			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	School Breakfast Program	10.553	207WAWA3N10 99	635,031	-	635,031	-	4
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	National School Lunch Program	10.555	207WAWA3N10 99	2,271,964	-	2,271,964	-	4
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	National School Lunch Program	10.555	207WAWA3N10 99	825,547	-	825,547	-	5
			Total CFDA 10.555:	3,097,511	-	3,097,511	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	COVID 19 - Summer Food Service Program for Children	10.559	207WAWA3N10 99	1,005,345	-	1,005,345	-	4
			Total Child Nutrition Cluster:	4,737,887	-	4,737,887	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Child and Adult Care Food Program	10.558	207WAWA3N20 20	88,474	-	88,474	-	4

The accompanying notes are an integral part of this schedule.

Everett School District No. 2
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			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Fresh Fruit and Vegetable Program	10.582	207WAWA1L16 03	25,876	-	25,876	-	4
Forest Service Schools and Roads Cluster								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Treasurer)	Schools and Roads - Grants to States	10.665	N/A	46,882	-	46,882	-	
Total Forest Service Schools and Roads Cluster:				46,882	-	46,882	-	
Office of the Secretary of Defense, DEPT OF DEFENSE	ROTC Language and Culture Training Grants	12.357	N39735	-	73,575	73,575	-	4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Title I Grants to Local Educational Agencies	84.010	203258	2,750,894	-	2,750,894	-	3,6
Special Education Cluster (IDEA)								
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Special Education Grants to States	84.027	306785	3,767,285	-	3,767,285	-	3

The accompanying notes are an integral part of this schedule.

Everett School District No. 2
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			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Special Education Grants to States	84.027	338219	398,337	-	398,337	-	
		Total CFDA 84.027:		4,165,622	-	4,165,622	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Special Education Preschool Grants	84.173	366278	142,353	-	142,353	-	3
		Total CFDA 84.173:		5,010	-	5,010	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Special Education Preschool Grants	84.173	385435	5,010	-	5,010	-	
		Total CFDA 84.173:		147,363	-	147,363	-	
Total Special Education Cluster (IDEA):				4,312,985	-	4,312,985	-	
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Career and Technical Education -- Basic Grants to States	84.048	174578	114,145	-	114,145	-	3
		Total CFDA 84.048:		114,145	-	114,145	-	

The accompanying notes are an integral part of this schedule.

Everett School District No. 2
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			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Education for Homeless Children and Youth	84.196	456956	55,000	-	55,000	-	3
OFFICE OF POSTSECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Achievement Council)	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	21-IA-012	152,389	-	152,389	-	3
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	English Language Acquisition State Grants	84.365	402793	253,578	-	253,578	-	3
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	524821	553,288	-	553,288	-	3,7
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Student Support and Academic Enrichment Program	84.424	430568	225,178	-	225,178	-	3,7

The accompanying notes are an integral part of this schedule.

Everett School District No. 2
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			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	COVID 19 - Elementary and Secondary School Emergency Relief Fund (ESSER)	84.425D	120005	1,149,741	-	1,149,741	-	3
Total Federal Awards Expended:				14,466,317	73,575	14,539,892	-	

The accompanying notes are an integral part of this schedule.

Everett School District No. 2
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending August 31, 2020

Note 1 – Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

Note 2 – Federal De Minimis Indirect Rate

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

Note 3 – Federal Indirect Rate

The Everett School District used up to the federal unrestricted rate of 11.74 percent or federal restricted rate of 3.74 percent, as allowed by each grant.

Note 4 – Program Costs/Matching Contributions

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

Note 5 – Noncash Awards – Commodities

The amount of commodities reported on the schedule is the value of commodities received by Everett School District during the current year and priced as prescribed by the United States Department of Agriculture (USDA).

Note 6 – Schoolwide Programs

The Everett School District operates a “schoolwide program” in six elementary buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the district in its schoolwide program: Title I (84.010) \$1,718,049.

Note 7 – Transferability

As allowed by federal regulations, Everett School District elected to transfer program funds. The district expended \$65,000 from its Student Support and Academic Enrichment (84.424) program on allowable activities of the Supporting Effective Instruction (84.367) program. This amount is reflected in the expenditures of Supporting Effective Instruction (84.367) program.

ABOUT THE STATE AUDITOR'S OFFICE

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

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.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

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