



**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, 2018 through August 31, 2019**

**Published July 16, 2020**

**Report No. 1026319**





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

July 16, 2020

Board of Directors  
Everett Public Schools  
Everett, Washington

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

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

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

***Americans with Disabilities***

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

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### Everett Public Schools September 1, 2018 through August 31, 2019

#### 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 its major federal program.

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 program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
84.010	Title I Grants to Local Educational Agencies

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 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, 2018 through August 31, 2019**

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 30, 2020.

As discussed in Note 14 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the District.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

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

## **COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

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

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

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Pat McCarthy

State Auditor

Olympia, WA

April 30, 2020



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

**Everett Public Schools  
September 1, 2018 through August 31, 2019**

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, 2019. The District’s major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management’s Responsibility**

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

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of the District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

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

### **Purpose of this Report**

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

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

Pat McCarthy

State Auditor

Olympia, WA

June 22, 2020

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Everett Public Schools** **September 1, 2018 through August 31, 2019**

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 16.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We 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, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 14 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the District. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

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

an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

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

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral

part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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Pat McCarthy

State Auditor

Olympia, WA

April 30, 2020

## FINANCIAL SECTION

### Everett Public Schools September 1, 2018 through August 31, 2019

#### REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2019

#### BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2019

Statement of Activities – 2019

Governmental Funds Balance Sheet – 2019

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

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

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

Statement of Net Position – Fiduciary Funds – 2019

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

Notes to Financial Statements – 2019

#### REQUIRED SUPPLEMENTARY INFORMATION

Notes to the Required Supplementary Information – 2019

Budgetary Comparison Schedule – General Fund – 2019

Budgetary Comparison Schedule – Special Revenue Fund (Associate Student Body) – 2019  
Information on Postemployment Benefits Other Than Pensions and Schedule of Changes  
in Total OPEB Liability and Related Ratios – 2019

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

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



## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2019

Notes to the Schedule of Expenditures of Federal Awards – 2019

**EVERETT PUBLIC SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2019**

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, 2019. 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, 2019, district net position from governmental activities was \$235.9 million.
- ❑ During the year, the district had revenues for all governmental activities that were \$48.2 million higher than the \$345.6 million in expenses.
- ❑ The district's governmental funds reported combined ending fund balances of \$137.7 million for the fiscal year.
- ❑ The General Fund's revenues and other financing sources exceeded expenditures by \$7.6 million for the fiscal year.
- ❑ The General Fund's ending fund balance of \$33.1 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 debt outstanding was \$233.4 million as of August 31, 2019.
- ❑ The average student enrollment increased by approximately 175 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.

The district's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$235.9 million as of the end of the 2018-19 fiscal year. The ratio of liabilities and deferred inflows of resources to assets and deferred outflows of resources is 67 percent.

The value of the district's net investment in capital assets (i.e. land, buildings, and equipment) was \$277.5 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 up-to-date facilities. These assets are not available for future spending and the debt associated with these assets will be paid from levied property taxes (authorized by the voters in the 2006 and 2016 capital bonds).

Total liabilities of \$439.5 million have increased as compared to the prior year by approximately \$65.1 million. The increase in liabilities is due to the increase in bonds outstanding, offset by a reduction in pension liabilities.

Restricted net position total of \$97.9 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 of contributors, and external contractual impositions of grantors and regulations of other governments upon state and federal grant funds (Carryover Restricted Revenues for Education and Operations).

The unrestricted portion of net position is any portion not already classified as either net investment in capital assets or restricted. The unrestricted portion represents resources that may be considered available to finance normal district government activities without external constraints imposed by law though 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**

	<b>2018-2019</b>	<b>2017-2018</b>
Current and Other Assets	\$ 205,990,284	\$ 155,305,443
Capital Assets	476,631,656	417,130,336
<b>Total Assets</b>	<b>682,621,940</b>	<b>572,435,779</b>
Deferred Outflow - Pensions	22,153,433	10,758,903
Deferred Outflow - OPEB	1,876,126	1,709,770
Deferred Loss on Refunding	4,321,632	6,065,289
<b>Total Deferred Outflows of Resources</b>	<b>28,351,191</b>	<b>18,533,962</b>
Long-Term Liabilities	421,180,555	354,553,169
Other Liabilities	18,284,979	19,809,896
<b>Total Liabilities</b>	<b>439,465,534</b>	<b>374,363,065</b>
Deferred Inflow - Pensions	24,121,413	19,369,430
Deferred Inflow - OPEB	11,533,029	9,572,828
<b>Total Deferred Inflows of Resources</b>	<b>\$ 35,654,442</b>	<b>\$ 28,942,258</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 277,489,783	\$ 263,670,354
Restricted	97,941,606	63,653,063
Unrestricted	(139,578,234)	(139,658,999)
<b>TOTAL NET POSITION</b>	<b>\$ 235,853,155</b>	<b>\$ 187,664,418</b>

## Governmental Activities

As Table 2 shows, revenues exceeded expenses for the 2018-19 year resulting in a \$48.2 million increase in net position. Total revenues increased by \$63.8 million, while overall expenses increased by \$42.6 million. The most significant revenue increases were evident in the program revenues, operating grants and contributions (increase of \$16.0 million), general revenues, including unallocated revenue (increase of \$41.4 million) and interest and investments (increase of \$1.4 million). Increases in operating grants and contributions are due to increased state special education apportionment, increased state funding for transportation operations and other state and federal operating grants for special, compensatory, and other instructional programs where funding is driven by increased student enrollment. Increases in capital grants and contributions are from an increase in state matching funds. Unallocated revenue increase is from basic state apportionment funds as a result of increased annual average enrollment and increased state legislative investments toward fully funding basic education (per the McCleary decision).

The overall increase in program expenses is most evident in regular instruction (increase of \$26.2 million), special education (\$6.1 million increase), vocational education (\$3.7 million increase), support services (\$2.9 million increase), compensatory education (\$1.9 million increase), and interest payment on long term debt (\$1.0 million increase).

**Table 2 - Changes in Net Position**

	Governmental Activities	
	2018-2019	2017-2018
<b>Program Revenues</b>		
Charges for Services	\$7,413,773	\$7,617,748
Operating Grants and Contributions	82,236,925	66,263,336
Capital Grants and Contributions	5,392,124	446,083
<b>General Revenues</b>		
Property Taxes	105,775,007	105,425,567
Unallocated Revenue	190,129,313	148,752,291
Interest and Investments	2,876,784	1,521,146
<b>TOTAL REVENUES</b>	<b>\$393,823,926</b>	<b>\$330,026,171</b>
<b>Program Expenses</b>		
Regular Instruction	\$202,245,689	\$176,036,922
Special Education	43,626,243	37,497,974
Vocational Education	13,663,095	9,949,166
Compensatory Education	16,721,296	14,819,528
Other Instructional Programs	2,743,493	3,641,062
Community Services	2,953,003	865,830
Support Services	54,109,142	51,219,301
Extracurricular Activities	1,831,509	2,291,006
Interest Payment on Long Term Debt	7,741,719	6,702,578
<b>TOTAL EXPENSES</b>	<b>\$345,635,189</b>	<b>\$303,023,367</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>\$48,188,737</b>	<b>\$27,002,804</b>
<b>NET POSITION BEGINNING (9/1)</b>	<b>187,664,418</b>	<b>200,662,665</b>
<b>Cumulative Effect - Change in Accounting Principle</b>		<b>(40,001,051)</b>
<b>ADJUSTED NET POSITION BEGINNING</b>	<b>187,664,418</b>	<b>160,661,614</b>
<b>NET POSITION ENDING (8/31)</b>	<b>\$235,853,155</b>	<b>\$187,664,418</b>

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	
	2018-19	2017-18	2018-19	2017-18
Regular Instruction	\$202,245,689	\$176,036,922	\$196,589,966	\$174,665,758
Special Education	43,626,243	37,497,974	3,274,059	7,176,938
Vocational Education	13,663,095	9,949,166	13,346,386	9,786,726
Compensatory Education	16,721,296	14,819,528	(1,309,798)	(1,509,353)
Other Instructional Programs	2,743,493	3,641,062	286,009	25,639
Community Services	2,953,003	865,830	(61,819)	70,878
Support Services	54,109,142	51,219,301	30,660,940	31,655,297
Extracurricular Activities	1,831,509	2,291,006	64,905	121,739
Interest Payment on Long-Term Debt	7,741,719	6,702,578	7,741,719	6,702,578
<b>TOTALS</b>	<b>\$345,635,189</b>	<b>\$303,023,367</b>	<b>\$250,592,367</b>	<b>\$228,696,200</b>

### ***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 \$394.7 million while expenditures totaled \$443.5 million. Expenditures were \$48.8 million in excess of revenues for the year.

The General Fund shows an increase in fund balance of \$7.6 million. The district ended the year with a total fund balance of \$33.1 million, which is 10.6 percent of total expenditures and above the board policy target of 5 percent. The unassigned fund balance was \$23.8 million, or 7.6 percent of total expenditures. Total expenditures increased and were approximately \$5.6 million less than revenues. The increased fund balance is primarily due to the legislature's accelerated roll out of salary and benefit increases in response to the McCleary decision. State revenues were also higher due to increased special education enrollment and transportation funding, which were only partially offset by increased expenditures in the current year. Conservative budgeting during the 2017-2018 and the 2018-19 budget cycles continued efforts to rebuild general fund balances and smooth the effects of a levy cliff in 2018-2019 that ultimately was mitigated by 2019 legislation that increased the levy cap.

The ASB Fund shows a decrease 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 an increase of \$14.0 million. This increase 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 an increase in fund balance of \$31.1 million reflecting the issuance of bonds, offset by 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 one bus during the 2018-19 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 30 percent of total revenues, while the state funds approximately 65 percent of total revenues. Federal revenues and revenues from other entities comprise the remaining five percent.

The total revenue increase of \$67.2 million consists of an increase of \$61.9 million in state revenues, an increase of \$6.0 million in local resources, a decrease of \$0.1 million in revenue from other entities and a decrease in federal funds of \$0.6 million. Revenues from other entities consist primarily of \$2.1 million in Early Childhood Education and Assistance Program (ECEAP) funds granted from Snohomish County and approximately \$0.3 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.

Corresponding to the increase in revenues, program expenditures have also increased. Capital outlay shows the largest increase of \$46.2 million, driven by issuance of a bond in 2016, 2018 and 2019. Regular instruction programs increased \$23.2 million. Special education programs increased \$6.9 million. Vocational education and compensatory education programs also increased \$3.9 million and \$2.2 million, respectively. The overall increases reflect the district's continued priority of allocating resources to instructional programs. Community services and support services (comprised of maintenance, pupil transportation, administration, nutrition services and information systems) also increased by \$2.1 million and \$2.9 million, respectively. Debt Service spending increased by \$10.6 million, in alignment with debt service payment schedules.



**Table 4 - Governmental Funds**

Revenue Source	2018-2019 Amount	Percent of Total	2017-2018 Amount	Amount Increase (Decrease)	Percent Increase (Decrease)
Local Taxes & Non-Tax	\$119,530,238	30.28%	\$113,564,048	\$5,966,190	5.25%
State Revenues	258,023,524	65.37%	196,092,673	61,930,851	31.58%
Federal Revenues	14,606,819	3.70%	15,192,857	(586,038)	-3.86%
Other Entities	2,534,195	0.64%	2,636,791	(102,596)	-3.89%
<b>TOTAL</b>	<b>\$394,694,776</b>	<b>100.00%</b>	<b>\$327,486,369</b>	<b>\$67,208,407</b>	<b>20.52%</b>
<b>Expenditures</b>					
Regular Instruction	\$176,478,447	39.80%	\$153,237,579	\$23,240,868	15.17%
Special Education	44,715,601	10.08%	37,782,660	6,932,941	18.35%
Vocational Education	13,963,132	3.15%	10,053,421	3,909,711	38.89%
Compensatory Education	17,169,974	3.87%	14,964,205	2,205,769	14.74%
Other Instructional Programs	2,811,491	0.63%	3,678,692	(867,201)	-23.57%
Community Services	3,014,247	0.68%	873,396	2,140,851	245.12%
Support Services	52,423,035	11.82%	49,514,380	2,908,655	5.87%
Student Activities	1,831,509	0.41%	2,291,006	(459,497)	-20.06%
Capital Outlay	93,327,711	21.04%	47,170,471	46,157,240	97.85%
Debt Service	37,733,596	8.51%	27,140,874	10,592,722	39.03%
<b>TOTAL</b>	<b>\$443,468,743</b>	<b>100.00%</b>	<b>\$346,706,684</b>	<b>\$96,762,059</b>	<b>27.91%</b>

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 79.6 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 15 percent of total General Fund revenues. Federal revenues and revenues from other entities make up the remainder. General Fund revenues have increased by 17.2 percent. Increased revenue is primarily from the state, in response to the Washington State Supreme Court decision *McCleary vs. State*, finding the state in violation of its constitutional obligation to fully fund K-12 public education and requiring full funding by 2018. The 2016 and 2017 legislative sessions resulted in enhancements for reduced class size in kindergarten through grade three, full day kindergarten in all state schools, as well as enhanced funding for categorical programs such as Highly Capable and Transitional Bilingual. These increases also drive increased expenditures in instruction. Funding increases from the state continued in 2018-19 fiscal year to include all of the salary allocation enhancements, instead of 50 percent in 2018-19 and 50 percent in 2019-20, as previously planned.

General Fund total expenditures have increased by 14.4 percent as compared to 2017-18. The majority of the increase is from instructional expenditures, a \$37.8 million increase over the prior year. Increases correspond to rising student enrollment, increased salaries resulting from the McCleary decision, restricted funding from the state for categorical programs, as well as district investments to increase classroom capacity, improve safety and security, and improve building maintenance and grounds. Other areas show moderate increases or decreases and are consistent with expectations.

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 \$7.7 million in revenues. The direct expenditures of \$7.6 million increased \$0.1 million from 2017-18.

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	2018-19 Amount	Percent of Total	2017-18 Amount	Increase (Decrease)	Percent Increase (Decrease)
Local Taxes & Non-Tax	\$48,116,447	15.15%	\$57,875,504	(\$9,759,057)	-16.86%
State Revenues	252,723,110	79.58%	195,985,424	56,737,686	28.95%
Federal Revenues	14,302,492	4.50%	14,893,158	(590,666)	-3.97%
Other Entities	2,442,485	0.77%	2,336,791	105,694	4.52%
<b>TOTAL</b>	<b>\$317,584,534</b>	<b>100.00%</b>	<b>\$271,090,877</b>	<b>\$46,493,657</b>	<b>17.15%</b>
<b>Expenditures/Functions</b>					
Instruction	\$258,410,508	82.83%	\$220,638,644	\$37,771,864	17.12%
Maintenance/Operations	21,766,018	6.98%	21,772,674	(6,656)	-0.03%
Pupil Transportation	11,525,094	3.69%	10,976,715	548,379	5.00%
Administration	7,996,497	2.56%	7,188,091	808,406	11.25%
Nutrition Services	7,689,562	2.46%	7,541,027	148,535	1.97%
Information Systems/Other Services	4,606,175	1.48%	4,657,444	(51,269)	-1.10%
<b>TOTAL</b>	<b>\$311,993,854</b>	<b>100.00%</b>	<b>\$272,774,595</b>	<b>\$39,219,259</b>	<b>14.38%</b>

### **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 will fall anywhere 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 \$687.2 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 \$210.6 million making the capital asset net value \$476.6 million as of August 31, 2019.

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

	<b>Historical Costs</b>	<b>Accumulated Depreciation</b>	<b>NET</b>
Land	41.1		41.1
Building and Improvements	625.1	(204.0)	421.1
Equipment	15.3	(6.6)	8.7
Construction in Progress	5.7		5.7
<b>TOTALS</b>	<b>687.2</b>	<b>(210.6)</b>	<b>476.6</b>

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 over the fiscal year included the building of Tambark Creek Elementary school, North Middle School modernization, and Mill Creek Elementary roof replacement.

From the support of our voters in February 2006, bond sales of \$198.9 million have provided the financing for buildings, renovations, modernizations, and other facilities projects throughout the district over the past several years. 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 authorizes the collection of \$89.6 million in property taxes over six years.

The ending fund balance in the Capital Projects Fund of \$68.7 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)**

<b>Bond</b>	<b>Balance 8/31/2018</b>	<b>Balance 8/31/2019</b>	<b>Increase (Decrease)</b>
September 30, 2009 BAB	18.5	-	(18.5)
October 6, 2009 QSCB	17.4	17.4	-
October 30, 2014 (Refunding)	31.3	17.0	(14.3)
April 28, 2014 (Refunding)	58.5	52.8	(5.7)
December 6, 2016	45.6	37.0	(8.6)
September 26, 2018		46.2	46.2
June 5, 2019 (Refunding)		18.0	18.0
June 5, 2019		45.0	45.0
<b>TOTALS</b>	<b>171.3</b>	<b>233.4</b>	<b>62.1</b>

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. Moody's cited several credit strengths including sizeable tax base, formal fiscal policies, and conservative budgetary management. 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 bond rating is among the top eight of 295 school districts.

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:

<u>Year</u>	<u>Final Maturity</u>	<u>Balance Outstanding as of the Date of this Report</u>	<u>Insurer</u>	<u>Rating</u>
2009C	12/01/2023	\$ 17,445,000	Washington State	Aa1
2013	12/01/2020	\$ 17,020,000	Washington State	Aa1
2014	12/01/2021	\$ 52,755,000	Washington State	Aa1
2016	12/01/2036	\$ 37,015,000	Washington State	Aa1
2018	12/01/2037	\$ 46,220,000	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 15 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. Although the voter-approved levy for 2019 was \$44.2 million, a legislative levy cap of \$1.50 per \$1,000 of assessed valuation (AV) reduces the actual levy assessment to approximately \$33.5 million. Management implemented a budget reduction plan to accommodate this revenue reduction. The 2019 legislature passed legislation raising the levy cap to match the voter-approved amount in 2020.

Snohomish County economic and population growth rates are among the highest in the state. This has led to increases in assessed value, housing starts and commercial development, as well as lower unemployment rates. Major economic drivers such as the port and river front projects and commercial air at Paine Field signal economic growth and stability for years to come.

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, continues to operate; educating students using continuous learning models. The Office of Superintendent of Public Instruction (OSPI) committed to continuing state apportionment and federal reimbursement claims, the district's major revenue streams, during the closures. Although there is uncertainty around the impacts of Covid-19 the district is planning for any short-term and long-term impacts.

### ***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, 2019**

	<b>PRIMARY GOVERNMENT Governmental Activities</b>
<b>ASSETS</b>	
Cash, Cash Equivalents & Investments	143,013,751
Due from Other Governmental Units	5,226,906
Accounts Receivable, Net	1,028,609
Property Taxes Receivable	51,308,557
Inventory	4,080,417
Prepaid Items	1,166,895
Investment in Joint Venture	165,149
Capital Assets, Non-depreciable:	
Land	41,131,848
Construction in Progress	5,666,580
Capital Assets, Net of Accumulated Depreciation:	
Building & Improvements	421,103,725
Equipment	8,729,503
<b>TOTAL ASSETS</b>	<b>682,621,940</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows Related to Pensions	22,153,433
Deferred Outflows Related to OPEB	1,876,126
Deferred Loss on Refunding	4,321,632
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>28,351,191</b>
<b>LIABILITIES</b>	
Accounts Payable	15,321,317
Accrued Salaries	691,090
Payroll Deductions & Taxes Payable	1,256,280
Due to Other Governmental Units	547,263
Deposits	6,013
Unearned Revenue	463,016
Long-Term Liabilities:	
Due Within One Year	62,825,852
Due in More than One Year	358,354,703
<b>TOTAL LIABILITIES</b>	<b>439,465,534</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows Related to Pensions	24,121,413
Deferred Inflows Related to OPEB	11,533,029
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>35,654,442</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	277,489,783
Restricted for:	
Capital Projects	27,553,467
Transportation Vehicles	205,817
Debt Service	62,697,307
ASB Extra-curricular Activities	1,175,784
Carryover Restricted Revenues for Education and Operations	6,309,231
Unrestricted	(139,578,234)
<b>TOTAL NET POSITION</b>	<b>235,853,155</b>

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, 2019**

		PROGRAM REVENUES			NET (EXPENSE)
PROGRAM/ACTIVITY	EXPENSES	CHARGES FOR SERVICE	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGES IN NET POSITION
PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES:					
Regular Instruction	202,245,689	504,515	2,133	5,149,075	(196,589,966)
Special Education	43,626,243		40,352,184		(3,274,059)
Vocational Education	13,663,095	193,132	123,577		(13,346,386)
Compensatory Education	16,721,296		18,031,094		1,309,798
Other Instruction Programs	2,743,493	1,335,265	1,122,219		(286,009)
Community Services	2,953,003	728,807	2,286,015		61,819
Support Services	54,109,142	2,885,450	20,319,703	243,049	(30,660,940)
Extracurricular Activities (ASB)	1,831,509	1,766,604			(64,905)
Interest Payment on Long-Term Debt	7,741,719				(7,741,719)
TOTAL GOVERNMENTAL ACTIVITIES	345,635,189	7,413,773	82,236,925	5,392,124	(250,592,367)
GENERAL REVENUES:					
Taxes:					
Property Taxes, Levies for Maintenance/Operations					32,516,356
Property Taxes, Levies for Debt Service					60,380,851
Property Taxes, Levies for Capital Projects					12,877,800
Unallocated State Apportionment & Others Not Restricted to Specific Activities					190,129,313
Interest and Investment Earnings					2,876,784
TOTAL GENERAL REVENUES					298,781,104
TOTAL GENERAL REVENUES AND SPECIAL ITEM					298,781,104
Change in Net Position					48,188,737
NET POSITION - Beginning					187,664,418
NET POSITION - Ending					235,853,155

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

**EVERETT PUBLIC SCHOOLS  
FUND BALANCE SHEETS  
GOVERNMENTAL FUNDS  
AUGUST 31, 2019**

	GENERAL FUND	SPECIAL REVENUE (ASB) FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TRANSPORTATION VEHICLE FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>						
Cash & Cash Equivalents	\$36,048,846	\$1,577,015	\$33,631,031	\$71,551,042	\$205,817	143,013,751
Due from Other Funds	79,286	1,194				80,480
Due from Other Governmental Units	1,329,333			3,897,573		5,226,906
Accounts Receivable	252,251	34,681		741,677		1,028,609
Property Taxes Receivable	15,958,502		29,066,276	6,283,779		51,308,557
Inventory	954,903	31,051		3,094,463		4,080,417
Prepaid Items	1,148,047	18,848				1,166,895
<b>TOTAL ASSETS</b>	<b>\$55,771,168</b>	<b>\$1,662,789</b>	<b>\$62,697,307</b>	<b>\$85,568,534</b>	<b>\$205,817</b>	<b>\$205,905,615</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$4,459,420	\$125,803		\$10,736,094		\$15,321,317
Accrued Salaries	691,090					691,090
Payroll Deductions & Taxes Payable	1,256,280					1,256,280
Due to Other Governmental Units	547,263					547,263
Due to Other Funds	1,194	50,804		28,482		80,480
Deposits	6,013					6,013
Unearned Revenue	189,133	260,498		13,385		463,016
<b>TOTAL LIABILITIES</b>	<b>7,150,393</b>	<b>437,105</b>		<b>10,777,961</b>		<b>18,365,459</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue	52,412					52,412
Unavailable Revenue - Property Taxes	15,485,312		28,212,800	6,097,852		49,795,964
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>15,537,724</b>		<b>28,212,800</b>	<b>6,097,852</b>		<b>49,848,376</b>
<b>FUND BALANCES</b>						
Nonspendable Inventories and Prepaid Items	2,102,950	49,899		3,094,463		5,247,312
Restricted for Associated Student Body Fund Purposes		1,175,785				1,175,785
Restricted for Debt Service Fund Purposes			34,484,507			34,484,507
Restricted for Transportation Vehicle Fund Purposes					205,817	205,817
Restricted for Carryover of Restricted Revenues	6,309,231					6,309,231
Restricted for Bond Proceeds				45,148,802		45,148,802
Restricted for State Proceeds				5,702,340		5,702,340
Restricted for Impact Fee Proceeds				2,393,555		2,393,555
Committed Levy Proceeds				10,235,036		10,235,036
Committed Fund Balance	352,000			97,223		449,223
Assigned to Other Purposes	532,278					532,278
Assigned to Fund Purposes				2,021,302		2,021,302
Unassigned Fund Balance	23,786,592					23,786,592
<b>TOTAL FUND BALANCES</b>	<b>33,083,051</b>	<b>1,225,684</b>	<b>34,484,507</b>	<b>68,692,721</b>	<b>205,817</b>	<b>137,691,780</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$55,771,168</b>	<b>\$1,662,789</b>	<b>\$62,697,307</b>	<b>\$85,568,534</b>	<b>\$205,817</b>	<b>\$205,905,615</b>

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, 2019**

	<b>TOTAL GOVERNMENTAL FUNDS</b>	<b>LONG-TERM ASSETS, LIABILITIES*</b>	<b>RECLASSIFICATIONS AND ELIMINATIONS*</b>	<b>STATEMENT OF NET POSITION TOTALS</b>
<b>ASSETS</b>				
Cash & Cash Equivalents	143,013,751			\$143,013,751
Due From Other Funds	80,480		(80,480)	
Due From Other Governmental Units	5,226,906			5,226,906
Accounts Receivable	1,028,609			1,028,609
Property Taxes Receivable	51,308,557			51,308,557
Inventory	4,080,417			4,080,417
Prepaid Items	1,166,895			1,166,895
Investment in Joint Venture		165,149		165,149
Capital Assets, Net		476,631,656		476,631,656
<b>TOTAL ASSETS</b>	<b>205,905,615</b>	<b>476,796,805</b>	<b>(80,480)</b>	<b>682,621,940</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Changes - Investment, Experience, Assumptions, Proportion, & Contributions		22,153,433		22,153,433
OPEB Changes - Contributions		1,876,126		1,876,126
Deferred Loss on Refunding		4,321,632		4,321,632
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>		<b>28,351,191</b>		<b>28,351,191</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>205,905,615</b>	<b>505,147,996</b>	<b>(80,480)</b>	<b>\$710,973,131</b>
<b>LIABILITIES</b>				
Accounts Payable	15,321,317			\$15,321,317
Accrued Salaries	691,090			691,090
Payroll Deductions & Taxes Payable	1,256,280			1,256,280
Due to Other Governmental Units	547,263			547,263
Due to Other Funds	80,480		(80,480)	0
Deposits	6,013			6,013
Unearned Revenue	463,016			463,016
Long-Term Liabilities - Pension		80,633,718		80,633,718
Long-Term Liabilities - OPEB		85,853,243		85,853,243
Long-Term Liabilities - Other		254,693,594		254,693,594
<b>TOTAL LIABILITIES</b>	<b>18,365,459</b>	<b>421,180,555</b>	<b>(80,480)</b>	<b>439,465,534</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Changes - Experience, and Proportions		24,121,413		24,121,413
OPEB Changes - Assumptions		11,533,029		11,533,029
Unavailable Revenue	52,412	(52,412)		
Unavailable Revenue - Property Taxes	49,795,964	(49,795,964)		
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>49,848,376</b>	<b>(14,193,934)</b>		<b>35,654,442</b>
<b>FUND BALANCES/NET POSITION</b>				
Fund Balances/Position	137,691,780	98,161,375		235,853,155
<b>TOTAL FUND BALANCES/NET POSITION</b>	<b>137,691,780</b>	<b>98,161,375</b>		<b>235,853,155</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION</b>	<b>205,905,615</b>	<b>505,147,996</b>	<b>(80,480)</b>	<b>\$710,973,131</b>

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, 2019**

	GENERAL FUND	SPECIAL REVENUE (ASB) FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TRANSPORTATION VEHICLE FUND	TOTALS GOVERNMENTAL FUNDS
<b>REVENUES</b>						
Local	\$48,116,447	\$1,766,604	\$49,621,246	\$19,990,847	\$35,094	\$119,530,238
State	252,723,110			5,187,190	113,224	258,023,524
Federal	14,302,492		304,327			14,606,819
Other Entities	2,442,485			91,710		2,534,195
<b>TOTAL REVENUES</b>	<b>317,584,534</b>	<b>1,766,604</b>	<b>49,925,573</b>	<b>25,269,747</b>	<b>148,318</b>	<b>394,694,776</b>
<b>EXPENDITURES</b>						
Current:						
Regular Instruction	176,478,447					176,478,447
Special Education	44,715,601					44,715,601
Vocational Education	13,963,132					13,963,132
Compensatory Education	17,169,974					17,169,974
Other Instruction Programs	2,811,491					2,811,491
Community Services	3,014,247					3,014,247
Support Services	52,423,035					52,423,035
Student Activities		1,831,509				1,831,509
Capital Outlay:						
Sites				279,710		279,710
Buildings				77,529,365		77,529,365
Equipment	1,417,927			6,317,751	66,102	7,801,780
Instructional Technology				7,690,193		7,690,193
Sales and Lease				26,663		26,663
Debt Service:						
Bond Principal			28,680,000			28,680,000
Bond Interest and Other Charges			8,442,623	610,973		9,053,596
<b>TOTAL EXPENDITURES</b>	<b>311,993,854</b>	<b>1,831,509</b>	<b>37,122,623</b>	<b>92,454,655</b>	<b>66,102</b>	<b>443,468,743</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>5,590,680</b>	<b>(64,905)</b>	<b>12,802,950</b>	<b>(67,184,908)</b>	<b>82,216</b>	<b>(48,773,967)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Bond and Refunding Bond Issuance			17,985,000	91,170,000		109,155,000
Bond and Refunding Bond Issuance Premium			1,885,391	9,134,955		11,020,346
Redemption of Refunding Bonds			(18,708,089)			(18,708,089)
Sale of Surplus Equipment	15,701					15,701
Transfers	2,000,000			(2,000,000)		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,015,701</b>		<b>1,162,302</b>	<b>98,304,955</b>	<b>-</b>	<b>101,482,958</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>7,606,381</b>	<b>(64,905)</b>	<b>13,965,252</b>	<b>31,120,047</b>	<b>82,216</b>	<b>52,708,991</b>
<b>FUND BALANCE -- September 1, 2018</b>	<b>25,476,670</b>	<b>1,290,589</b>	<b>20,519,255</b>	<b>37,572,674</b>	<b>123,601</b>	<b>84,982,789</b>
<b>FUND BALANCE -- August 31, 2019</b>	<b>\$33,083,051</b>	<b>\$1,225,684</b>	<b>\$34,484,507</b>	<b>\$68,692,721</b>	<b>\$205,817</b>	<b>\$137,691,780</b>

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, 2019

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE, EXPENSES*	CAPITAL RELATED ITEMS*	LONG-TERM DEBT TRANSACTIONS*	STATEMENT OF ACTIVITIES TOTAL
<b>REVENUES &amp; OTHER SOURCES</b>					
<b>Revenues:</b>					
Local	119,530,238	(511,734)			119,018,504
State	258,023,524				258,023,524
Federal	14,606,819				14,606,819
Other Entities	2,534,195	12,501			2,546,696
<b>Other Sources:</b>					
Bond and Refunding Bond Issuance	109,155,000			(109,155,000)	
Bond and Refunding Bond Issuance Premium	11,020,346			(11,020,346)	
Sale of Surplus Equipment	15,701		(387,318)		(371,617)
<b>TOTAL REVENUES &amp; OTHER SOURCES</b>	<b>514,885,823</b>	<b>(499,233)</b>	<b>(387,318)</b>	<b>(120,175,346)</b>	<b>393,823,926</b>
<b>EXPENDITURES &amp; OTHER USES</b>					
<b>Current:</b>					
Regular Instruction	176,478,447	(4,935,314)	30,702,556		202,245,689
Special Education	44,715,601	(1,090,800)	1,442		43,626,243
Vocational Education	13,963,132	(342,096)	42,059		13,663,095
Compensatory Education	17,169,974	(451,789)	3,111		16,721,296
Other Instruction Programs	2,811,491	(74,382)	6,384		2,743,493
Community Services	3,014,247	(63,458)	2,214		2,953,003
Support Services	52,423,035	(995,201)	2,681,308		54,109,142
Student Activities	1,831,509				1,831,509
<b>Capital Outlay:</b>					
Sites	279,710		(279,710)		
Buildings	77,529,365		(77,529,365)		
Equipment	7,801,780		(7,801,780)		
Instructional Technology	7,690,193		(7,690,193)		
Sales and Lease	26,663		(26,663)		
<b>Debt Service:</b>					
Bond Principal	28,680,000			(28,680,000)	
Bond Interest and Other Charges	9,053,596			(1,311,877)	7,741,719
<b>Other Uses:</b>					
Redemption of Refunding Bonds	18,708,089			(18,708,089)	
<b>TOTAL EXPENDITURES &amp; OTHER USES</b>	<b>462,176,832</b>	<b>(7,953,040)</b>	<b>(59,888,637)</b>	<b>(48,699,966)</b>	<b>345,635,189</b>
<b>NET CHANGE FOR THE YEAR</b>	<b>\$52,708,991</b>	<b>\$7,453,807</b>	<b>59,501,319</b>	<b>(\$71,475,380)</b>	<b>\$48,188,737</b>

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, 2019**

	<b>PRIVATE PURPOSE TRUST</b>
<b>ASSETS</b>	
Cash & Cash Equivalents	\$168,687
<b>TOTAL ASSETS</b>	<b>168,687</b>
<b>LIABILITIES</b>	
Accounts Payable	13,389
<b>TOTAL LIABILITIES</b>	<b>13,389</b>
<b>NET POSITION</b>	
Held in Trust for Intact Trust Principal	25,500
Held in Trust for Scholarships and Private Beneficiaries	129,798
<b>TOTAL NET POSITION</b>	<b>\$155,298</b>

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, 2019**

	<b>PRIVATE PURPOSE TRUST</b>
<b>ADDITIONS</b>	
Donations	\$21,874
Investment Earnings	3,941
<b>TOTAL ADDITIONS</b>	<b>25,815</b>
<b>DEDUCTIONS</b>	
Administrative Expenses	277
Scholarships	36,413
<b>TOTAL DEDUCTIONS</b>	<b>36,690</b>
<b>CHANGE IN NET POSITION</b>	<b>(10,875)</b>
<b>NET POSITION -- September 1, 2018</b>	166,173
<b>NET POSITION -- August 31, 2019</b>	<b>\$155,298</b>

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, 2019

*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. For the year ended August 31, 2019, the Transportation Vehicle Fund received an insurance recovery of \$32,352 for a surplus bus.

***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. 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 pay

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 obligation, 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 \$165,149 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	\$ 687,233,454
Less Accumulated Depreciation	(210,601,798)
Capital Assets, Net	<u>\$ 476,631,656</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 \$22,153,433 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 \$1,876,126 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 \$4,321,632 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, \$421,180,555 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	\$ 80,633,718
Long-Term Liability - OPEB	85,853,243
Long-Term Liability - Other	254,693,594
	<u>\$ 421,180,555</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 \$24,121,413 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 \$11,533,029 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 (\$49,795,964) and unavailable revenue for other miscellaneous entitlements (\$52,412) 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 \$80,480 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, \$511,734 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 \$12,501 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 \$7,953,040 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 \$13,439,899. The compensated absences liability increased expenses by \$1,402,029, and the OPEB liability increased expenses by \$4,084,830. 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	\$	1,131,673
Less Accumulated Depreciation		(744,355)
Book Value of Assets	\$	387,318
Proceeds from Sale of Equipment		15,701
Less Book Value of Equipment		(387,318)
Net Gain from Surplus Equipment	\$	(371,617)

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 (\$93,327,711), while government-wide financial statements report depreciation expense (\$18,790,649) 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 (\$14,648,427) 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	\$ 13,531,895	\$ 17,164,659	\$ 30,696,554
Special Education		1,442	1,442
Vocational Education	(20,832)	62,891	42,059
Compensatory Education		3,111	3,111
Other Instructional Programs		6,384	6,384
Community Services		2,214	2,214
Support Services	1,131,360	1,549,948	2,681,308
Total	<u>\$ 14,642,423</u>	<u>\$ 18,790,649</u>	<u>\$ 33,433,072</u>

Reconciliation Summary:

Non-Capitalized, Building & Equipment Costs	\$ 14,642,423
Depreciation Expense	18,790,649
Capital Outlay (Sites, Buildings, Equipment)	(93,327,711)
Difference	<u>\$ (59,894,639)</u>

6. Long-Term Debt Transactions, Bond Principal -- Repayment of bond principal in the amount of \$28,680,000 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 \$9,053,596 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 \$1,311,877 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	\$1,986,746
Amortization of Bond Premium	(3,298,623)
Net Adjustment to Bond Interest & Other Charges	<u>(\$1,311,877)</u>

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 executive director of finance and business services. 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* -- The Capital Projects Fund made a budget amendment during the 2018-2019 fiscal year. The remaining governmental funds 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 \$143,013,750, which consisted of the following:

Description	Governmental Funds	Total Government Wide
Investment at Fair Value	\$141,977,967	\$141,977,967
Cash with County Treasurer, Net of Outstanding Warrants	223,151	223,151
Cash Bank Deposits Used as Imprest Revolving Funds	395,950	395,950
Cash	416,683	416,683
Total Cash, Cash Equivalents and Investments	<u>\$143,013,751</u>	<u>\$143,013,751</u>

Fiduciary Fund, cash, cash equivalents, and investments at year-end totaled \$168,687, and consisted of the following:

Investments at Fair Value	\$168,316
Cash with County Treasurer, Net of Outstanding Warrants	79
Cash	292
Total Cash, Cash Equivalents and Investments	<u>\$168,687</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, 2019, are as follows:

Investment Type	Cost	Level 1 - Fair Value	Investment Maturities (In Years)			
			Less Than 1 Year	1-5	6-10	More Than 10 Years
Government-Wide						
State Investment Pool (LGIP)	\$ 141,977,967	\$ 141,977,967	\$ 141,977,967			
Government-Wide Investments	141,977,967	141,977,967	141,977,967	-	-	-
Fiduciary Funds						
State Investment Pool (LGIP)	168,316	168,316	168,316			
Total Investments	\$ 142,146,283	\$ 142,146,283	\$ 142,146,283	\$ -	\$ -	\$ -

**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, 2019, 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, 2019, 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	\$79,286	\$1,194
Special Revenue Fund	1,194	50,804
Capital Projects Fund		28,482
Total	<u>\$80,480</u>	<u>\$80,480</u>

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 2018-2019, transfers included \$2,000,000 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 2018-2019 fiscal year.

*Due from Other Governmental Units* -- As of August 31, 2019, receivables from other governments consisted of the following related to apportionment, grants, and reimbursements for services owed:

Due from Other Governmental Units	Capital	
	General Fund	Projects Fund
State of Washington		
Washington State matching funds		\$ 3,897,573
Categorical education program grants	\$ 1,322,331	
School Districts	7,002	
Total	<u>\$ 1,329,333</u>	<u>\$ 3,897,573</u>

## 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
<b>Government Activities:</b>				
Non-depreciable Capital Assets				
Land	\$ 41,086,848	\$ 45,000		\$ 41,131,848
Construction in Progress	19,137,499	75,815,160	(89,286,079)	5,666,580
Total Non-Depreciable Capital Assets	60,224,347	75,860,160	(89,286,079)	46,798,428
Depreciable Capital Assets				
Building & Improvements	548,808,091	89,376,454	(13,055,302)	625,129,243
Equipment	13,627,488	2,842,029	(1,163,734)	15,305,783
Total Depreciable Capital Assets	562,435,579	92,218,483	(14,219,036)	640,435,026
Less Accumulated Depreciation				
Building & Improvements	(199,172,753)	(17,801,175)	12,948,410	(204,025,518)
Equipment	(6,356,837)	(989,474)	770,031	(6,576,280)
Total Accumulated Depreciation	(205,529,590)	(18,790,649)	13,718,441	(210,601,798)
Total Depreciable Capital Assets, Net of Depreciation	356,905,989	73,427,834	(500,595)	429,833,228
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<b>\$ 417,130,336</b>	<b>\$ 149,287,994</b>	<b>\$ (89,786,674)</b>	<b>\$ 476,631,656</b>

Depreciation expense was charged to governmental activities as follows:

Regular Instruction	\$ 17,164,659
Special Education	1,442
Vocational Instruction	62,891
Compensatory Education	3,111
Other Instruction Programs	6,384
Community Services	2,214
Support Services	1,549,948
Total:	<u>\$ 18,790,649</u>

### Construction in Progress

Projects	Project Authority Dollars	Expenditures Accumulated August 31, 2019
Community Resource Center Donor Wall	45,000	2,590
Forest View Elementary Boiler Replacement	209,667	617
Longfellow Site Redevelopment	780,000	296,691
Everett High School Vocational Building	4,000,000	1,190,301
Woodside Elementary Modernization	27,800,000	4,176,382
	<u>\$32,834,667</u>	<u>\$5,666,582</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, prepares a stand-alone comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each pension plan. The pension plan's basic financial statement is accounted for using the accrual basis of accounting. The measurement date of the pension plans is June 30. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

*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).

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

Plan	Active Members	Inactive Vested Members	Retired Members	Total Members
PERS 1	1,535	401	45,792	47,728
SERS 2	28,494	6,175	10,072	44,741
SERS 3	35,746	8,983	10,007	54,736
TRS 1	349	120	32,645	33,114
TRS 2	21,788	2,779	5,874	30,441
TRS 3	55,733	8,675	13,745	78,153

The latest actuarial valuation date for all plans was June 30, 2018.

Source: Washington State Office of the State Actuary

*C. MEMBERSHIP PLAN AND 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)

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

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

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

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

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

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

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

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

### Public Employees Retirement System (PERS)

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)

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

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

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

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

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

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

capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

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

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

<b>Pension Rates</b>			
	<b>7/1/19 Rate</b>	<b>9/1/18 Rate</b>	
<b>PERS 1</b>			
Member Contribution Rate	0.0600	0.0600	
Employer Contribution Rate	0.1286	0.1283	
	<b>9/1/19 Rate</b>	<b>9/1/18 Rate</b>	
<b>TRS 1</b>			
Member Contribution Rate	0.0600	0.0600	
Employer Contribution Rate	0.1551	0.1541	
<b>TRS 2</b>			
Member Contribution Rate	0.0777	0.0706	
Employer Contribution Rate	0.1551	0.1541	
<b>TRS 3</b>			
Member Contribution Rate	*	*	
Employer Contribution Rate	0.1551	0.1541	**
<b>SERS 2</b>			
Member Contribution Rate	0.0825	0.0727	
Employer Contribution Rate	0.1319	0.1358	
<b>SERS 3</b>			
Member Contribution Rate	*	*	
Employer Contribution Rate	0.1319	0.1358	**
<b>Note: The DRS administrative rate of .0018 is included in the employer rate.</b>			
* = Variable from 5% to 15% based on rate selected by the member			
** = Defined benefit portion only			

Employer required contributions in dollars (September 1 through August 31):

Plan	FY18-19	FY17-18	FY16-17
Plan 1 TRS	\$10,839,344	\$8,901,622	\$7,213,943
Plan 2 TRS	2,397,426	1,818,522	1,418,780
Plan 3 TRS	8,934,283	7,738,399	6,463,620
Plan 1 PERS	2,222,417	1,936,914	1,671,348
Plan 2 SERS	1,461,868	1,293,389	969,298
Plan 3 SERS	2,088,325	1,835,071	1,385,518

E. *PENSION LIABILITY*

Collective Net Pension Liability

The collective net pension liabilities for the pension plans school districts participated in as of June 30, 2019, are reported in the following table:

<b>Collective Net Pension Liability (dollars in thousands)</b>	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total pension liability	\$11,696,634	\$6,352,843	\$8,355,496	\$16,545,194
Plan fiduciary net position	-7,851,279	-6,118,345	-5,879,693	-15,942,660
Participating employers' net pension liability	3,845,355	234,498	2,475,803	602,534
Plan fiduciary net position as a percentage of the total pension liability	67.12%	96.31%	70.37%	96.36%

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

At June 30, 2019, the district reported a total liability of \$80,633,718 for its proportionate shares of the individual plans' collective net pension liability. The district's proportionate share of the collective net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2019, the district's proportionate share of each plan's net pension liability is reported below.

<b>Contributions and Proportionate Share</b>	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's annual contributions	\$2,174,403	\$3,482,435	\$10,474,340	\$10,996,103
Employer allocation percentage	0.303247%	1.739773%	2.109099%	2.103771%
Proportionate share of the Net Pension Liability	11,660,912	4,079,733	52,217,137	12,675,937

At June 30, 2019, 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.

<b>Change in Proportionate Share Allocation Percentage</b>	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.303247%	1.739773%	2.109099%	2.103771%
Prior year proportionate share of the Net Pension Liability	0.282975%	1.701217%	2.067471%	2.071302%
<b>Net difference percentage</b>	<b>0.020272%</b>	<b>0.038556%</b>	<b>0.041628%</b>	<b>0.032469%</b>

### Actuarial Assumptions

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

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

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

### Long-Term Expected Rate of Return

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

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

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

The long-term expected rate of return of 7.40 percent approximately equals the median of the simulated investment returns over a 50-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a 10-15 year period, becomes amplified over a 50-year measurement period.

Best estimates of arithmetic real rates of return for each major class included in the pension plans' target asset allocation as of June 30, 2019, are summarized in the following table:

<b>The long-term expected rate of return and pension plans' target asset allocation</b>		
<b>TRS1, TRS 2/3, PERS 1, and SERS 2/3</b>		
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%

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

#### Discount Rate

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

#### Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The pension plans reported collective deferred outflows of resources and collective deferred inflows of resources related to the individual plans. At August 31, 2019, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	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		(\$ 779,047)
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	\$ 380,413	
<b>PERS 1 TOTAL</b>	<b>\$ 380,413</b>	<b>(\$ 779,047)</b>

<b>SERS 2/3</b>	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	\$2,567,177	-
Net difference between projected and actual earnings on pension plan investments		(\$3,464,547)
Changes in assumptions or other inputs	124,876	(866,498)
Changes in the district's proportion and differences between the district contributions and proportionate share of contributions	350,888	-
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	608,478	
<b>SERS 2/3 TOTAL</b>	<b>\$3,651,419</b>	<b>(\$4,331,045)</b>

<b>TRS 1</b>	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	-	-
Net difference between projected and actual earnings on pension plan investments		(\$4,004,638)
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	\$1,944,590	
<b>TRS 1 TOTAL</b>	<b>\$1,944,590</b>	<b>(\$4,004,638)</b>

<b>TRS 2/3</b>	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	\$8,813,782	\$ (407,879)
Net difference between projected and actual earnings on pension plan investments		(10,943,747)
Changes in assumptions or other inputs	4,778,778	(3,367,997)
Changes in the district's proportion and differences between the district contributions and proportionate share of contributions	553,282	(287,059)
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	2,031,170	
<b>TRS 2/3 TOTAL</b>	<b>\$16,177,012</b>	<b>\$(15,006,682)</b>

The \$4,964,650 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, 2020.

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

Year ended August 31	PERS 1	SERS 2/3	TRS 1	TRS 2/3
2020	(\$171,979)	(\$418,820)	(\$822,025)	(\$1,651,608)
2021	(407,369)	(1,137,553)	(2,149,905)	(3,971,395)
2022	(145,373)	(163,420)	(755,987)	(828,711)
2023	(54,326)	52,256	(276,722)	298,433
2024	-	311,532	-	1,221,162
Thereafter	-	67,901	-	4,071,279

#### Pension Expense

The district's pension expense consists of contributions made on behalf of its members, the changes in the net pension liability, and the changes in deferred outflows and deferred inflows of resources related to pensions. For the year ending August 31, 2019, the district recognized a total pension expense of \$14,503,765. Details of pension expense by plan is as follows:

<u>Plan Name</u>	<u>Pension Expense</u>
PERS 1	\$1,474,427
SERS 2/3	1,961,795
TRS 1	3,731,457
TRS 2/3	7,336,086
Total	<u>\$14,503,765</u>

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

The table below presents the district's proportionate share of the net pension liability 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 one percentage point lower (6.40 percent) or one percentage point higher (8.40 percent) than the current rate. Amounts are calculated by plan using the district's allocation percentage.



<b>Sensitivity of the Net Pension Liability (NPL) to changes in the discount rate:</b>			
<b>Participating Plans for TRS, PERS, and SERS</b>			
	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
<b>PERS1 - NPL</b>	<b>\$4,815,609,000</b>	<b>\$3,845,355,000</b>	<b>\$3,003,532,000</b>
Allocation percentage	0.303247 %	0.303247 %	0.303247 %
Proportionate share of collective NPL	\$14,603,175	\$11,660,912	\$9,108,112
<b>SERS2/3 - NPL</b>	<b>\$1,141,883,000</b>	<b>\$234,498,000</b>	<b>\$ (513,722,000)</b>
Allocation percentage	1.739773 %	1.739773 %	1.739773 %
Proportionate share of collective NPL	\$19,866,171	\$4,079,733	(\$8,937,596)
<b>TRS1 - NPL</b>	<b>\$3,164,358,000</b>	<b>\$2,475,803,000</b>	<b>\$1,878,531,000</b>
Allocation percentage	2.109099 %	2.109099 %	2.109099 %
Proportionate share of collective NPL	\$66,739,444	\$52,217,137	\$39,620,079
<b>TRS2/3 - NPL</b>	<b>\$3,283,747,000</b>	<b>\$602,534,000</b>	<b>\$ (1,577,475,000)</b>
Allocation percentage	2.103771 %	2.103771 %	2.103771 %
Proportionate share of collective NPL	\$69,082,523	\$12,675,937	(\$33,186,464)

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

*Plan Description* -- Washington State, through the Health Care Authority (HCA), administers a single - employer defined benefit other post-employment benefit plan (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. PEBB programs include medical, dental, life and long-term disability.

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

According to state law, the Washington State Treasurer collects a fee from all school district entities who are not active members of the State Health Care Authority but participate in the state retirement system. As outlined by the state's operating budget, school districts were mandated to pay the state HCA \$71.08 per month per full-time equivalent employee in the 2018-19 fiscal year, in support of this program. This assessment to the district is subject to change annually. Participation in PEBB is limited to only its retirees.

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.

*Employees Covered by Benefit Terms* -- Employers participating in the plan include the state (which includes general governmental agencies and higher education institutions), 76 of the state's K-12 schools and educational service districts (ESDs), and 249 political subdivisions. Additionally, the PEBB plan is available to the retirees of the remaining 227 K-12 school districts and ESDs. The District's retirees are eligible to participate in the PEBB plan under this arrangement.

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
<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 for 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.

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

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

*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, 2019 OPEB liability was determined using the following methodologies:

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

<sup>1</sup> 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, 2019 OPEB liability was set equal to the 20-year tax-exempt municipal bond yield, or 3.96 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%
2096	4.50%	4.60%	4.60%

(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, 2019, the District reported a total OPEB liability of \$85,853,243.

#### *Changes in Total OPEB Liability*

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

Changes in total OPEB Liability	
OPEB Liability, August 31, 2018	\$ 83,562,258
Changes for the year:	
Service Cost	4,641,906
Interest on total OPEB Liability	3,066,218
Effect of Plan Changes	-
Effect of Economic/demographic gains or losses	(989,986)
Effect of Assumptions Changes or Inputs	(2,717,383)
Expected Benefit Payments	(1,709,770)
Net Changes in Total OPEB Liability	2,290,985
OPEB Liability, August 31, 2019	\$ 85,853,243

*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 3.96 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 (2.96 percent) or 1 percentage point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
August 31, 2019 OPEB Liability	\$ 102,866,812	\$ 85,853,243	\$ 72,511,592

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.

	1% Decrease	Current Discount	1% Increase
August 31, 2019 OPEB Liability	\$ 70,915,753	\$ 85,853,243	\$ 105,545,590

*OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB.* -- For the year ending August 31, 2019, the District recognized OPEB expense of \$5,960,956.

On August 31, 2019, 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	\$ (877,488)	\$ -
Changes of assumptions	(10,655,541)	-
Contributions made subsequent to measurement date	-	1,876,126
Total	\$ (11,533,029)	\$ 1,876,126

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, 2020.

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	\$ (1,747,168)
2021	(1,747,168)
2022	(1,747,168)
2023	(1,747,168)
2024	(1,747,168)
Thereafter	(2,797,189)

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, 2019, 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](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
<b>Bonds Payable</b>					
2009B UTGO Taxable Build America Bonds (BAB)	\$ 18,465,000		18,465,000	-	
2009C UTGO Qualified School Construction Bonds*	17,445,000			17,445,000	
*(QSCB) Tax Credit Bonds					
2013 Unlimited Tax GO Refunding Bonds	31,330,000		14,310,000	17,020,000	\$ 8,100,000
2014 Unlimited Tax GO Refunding Bonds	58,505,000		5,750,000	52,755,000	14,065,000
2016 Unlimited Tax GO Bonds	45,635,000		8,620,000	37,015,000	3,645,000
2018 Unlimited Tax GO Bonds		46,220,000		46,220,000	26,000,000
2019 Unlimited Tax GO Refunding Bonds		17,985,000		17,985,000	
2019 Unlimited Tax GO Bonds		44,950,000		44,950,000	
<b>Total Bonds Payable</b>	<b>171,380,000</b>	<b>109,155,000</b>	<b>47,145,000</b>	<b>233,390,000</b>	<b>51,810,000</b>
<b>Net Pension Liabilities</b>					
PERS Plan 1	12,637,752		976,841	11,660,911	
SERS Plans 2/3	5,087,694		1,007,961	4,079,733	
TRS Plan 1	60,382,403		8,165,266	52,217,137	
TRS Plans 2/3	9,323,221	3,352,716		12,675,937	
<b>Total Net Pension Liabilities</b>	<b>87,431,070</b>	<b>3,352,716</b>	<b>10,150,068</b>	<b>80,633,718</b>	
<b>Other Liabilities</b>					
Unamortized Bond Premium	6,500,424	11,020,346	3,298,622	14,222,148	3,075,872
Compensated Absences	5,679,417	6,063,854	4,661,825	7,081,446	6,063,854
<b>Total OPEB Liabilities</b>	<b>83,562,258</b>	<b>7,708,124</b>	<b>5,417,139</b>	<b>85,853,243</b>	<b>1,876,126</b>
<b>Total Other Liabilities</b>	<b>95,742,099</b>	<b>24,792,324</b>	<b>13,377,586</b>	<b>107,156,837</b>	<b>11,015,852</b>
<b>GRAND TOTAL</b>	<b>\$ 354,553,169</b>	<b>\$ 137,300,040</b>	<b>\$ 70,672,654</b>	<b>\$ 421,180,555</b>	<b>\$ 62,825,852</b>

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, 2019, 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	17,020,000
2014 Unlimited Tax GO Refunding Bonds	1.00 - 5.00	04/28/14	12/01/21	69,645,000	52,755,000
2016 Unlimited Tax GO Bonds	2.25 - 5.00	12/06/16	12/01/36	47,065,000	37,015,000
2018 Unlimited Tax GO Bonds	5.00	09/26/18	12/01/37	46,220,000	46,220,000
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	12/01/32	44,950,000	44,950,000
Total Bonds Payable				<u>\$277,475,000</u>	<u>233,390,000</u>

## 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	1,091,540		(659,332)	432,208
2014 Unlimited Tax GO Refunding Bonds	3,183,791		(1,308,223)	1,875,568
2016 Unlimited Tax GO Bonds	2,225,093		(507,567)	1,717,526
2018 Unlimited Tax GO Bonds		4,104,579	(823,501)	3,281,078
2019 Unlimited Tax GO Refunding Bonds		890,935		890,935
2019 Unlimited Tax GO Bonds		6,024,832		6,024,832
Total Unamortized Bond Premium	<u>\$6,500,424</u>	<u>\$11,020,346</u>	<u>(\$3,298,623)</u>	<u>\$14,222,148</u>

## 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)	1,618,765		647,505	971,260
2006 Unlimited Tax GO Bonds (April 2014)	602,047		240,819	361,228
2007 Unlimited Tax GO Bonds (April 2014)	3,844,477		1,098,422	2,746,055
2009B Unlimited Tax GO Bonds BAB (June 2019)		249,089		249,089
Total Unamortized Deferred Amount on Refunding	<u>\$6,065,289</u>	<u>\$249,089</u>	<u>\$1,986,746</u>	<u>\$4,327,632</u>



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, 2019:

Annual Requirements to Amortize Long-Term Debt

Year Ending August 31	Principal	Interest	Premium Amortized	Carrying Amount of Bonds
2019				\$ 247,612,148
2020	\$ 51,810,000	8,654,109	3,075,872	192,726,276
2021	48,265,000	6,298,536	2,044,936	142,416,340
2022	25,395,000	4,633,561	1,488,898	115,532,442
2023	19,115,000	3,748,661	1,000,585	95,416,857
2024	17,445,000	3,332,749	972,979	76,998,878
2025-2029	15,170,000	14,715,981	3,390,512	58,438,366
2030-2034	28,805,000	9,824,475	1,952,429	27,680,937
2035-2037	<u>27,385,000</u>	<u>2,325,400</u>	<u>295,937</u>	-

As of August 31, 2019, the district had \$34,484,507 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, 2019:

Long-Term Debt Payable at 9/01/2018	\$171,380,000
Debt Issued	109,155,000
Debt Retired	<u>47,145,000</u>
Long-Term Debt Payable at 8/31/2019	<u>\$233,390,000</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. Defeased bonds of \$18,465,000 were redeemed on December 1, 2019.

*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 2018-19 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, 2019
Non-spendable Inventories - Supplies and Materials	\$ 811,426
Non-spendable Inventories - Food Services Lunchrooms	143,477
Sub-total Non-spendable Inventories	<u>954,903</u>
Non-spendable Prepaid Items, Registrations and Subscriptions	1,148,047
Total Non-spendable Fund Balance	<u>2,102,950</u>
Restricted - Title 1	8,662
Restricted - State Learning Assistance	686,753
Restricted - Capital Maintenance and Capital Technology	712,155
Restricted - Snohomish County Early Childhood Education Assistance	76,254
Restricted - Professional Development	177,810
Restricted - Vocational Education	643,894
Restricted - Transportation	3,198,111
Restricted - Food Services Summer Lunch	92,282
Restricted - Food Services Breakfast and Lunch	713,310
Total Restricted Fund Balance	<u>6,309,231</u>
Committed - Imprest Accounts	352,000
Assigned - School Budget Carryover	507,166
Assigned - Operations Budget Carryover	6,000
Assigned - Gates, United Way, Boeing	19,112
Total Assigned Fund Balance	<u>532,278</u>
Unassigned Fund Balance	23,786,592
Total Fund Balance	<u><u>\$ 33,083,051</u></u>

Special Revenue - Associated Student Body (ASB) Fund	August 31, 2019
Non-spendable Inventories - Supplies and Materials	\$ 31,051
Non-spendable Prepaid Items - Registrations and Subscriptions	18,848
Total Non-spendable Fund Balance	<u>49,899</u>
Restricted for ASB Fund Purposes - Extra-Curricular Activities	1,175,785
Total Fund Balance	<u><u>\$ 1,225,684</u></u>

<u>Debt Service Fund</u>	<u>August 31, 2019</u>
Restricted - Debt Service Fund Purposes - Principal and Interest	\$ 34,484,507
Total Fund Balance	<u>\$ 34,484,507</u>
 <u>Capital Projects Fund</u>	 <u>August 31, 2019</u>
Non-spendable Inventories - Technology Materials	\$ 3,094,463
Restricted - Bond Proceeds	45,148,802
Restricted - State Building Match Proceeds	5,702,340
Restricted - Impact Fee Proceeds	<u>2,393,555</u>
Total Restricted Funds	53,244,697
Committed - Technology Levy Proceeds	10,235,036
Committed - Memorial Baseball Stadium	<u>97,223</u>
Total Committed Funds	10,332,259
Assigned - Capital Projects Fund Purposes	2,021,302
Total Fund Balance	<u>\$ 68,692,721</u>
 <u>Transportation Vehicle Fund</u>	 <u>August 31, 2019</u>
Restricted - Student Transportation Buses	\$ 205,817
Total Fund Balance	<u>\$ 205,817</u>

#### *NOTE 10. RISK MANAGEMENT*

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

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

The district made net premium payments totaling \$1,889,135 to the Pool for its 2018-19 coverage. This premium includes a loss control incentive discount credit of \$47,923 in recognition of the district's risk management practices. The Pool acquires reinsurance from unrelated underwriters that are subject to a per-occurrence self-insured retention of \$1 million risk shared by the Pool. Members are responsible for varied deductibles for both liability and property claims. Insurance carriers cover losses over \$1 million

to the maximum limits of each policy. Since the Pool is a cooperative program, there is a joint liability among the participating members.

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

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

The district did not have any significant reductions in insurance coverage as compared to the prior year, nor did the district have any insurance settlements that exceeded insurance coverage over the last three fiscal years.

The Washington Schools Risk Management Pool has produced its own financial report for the year ended August 31, 2019, which can be obtained from:

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

*Employee Benefits* -- Qualified employees of the district receive comprehensive medical, dental, life, accidental death and dismemberment and long-term disability coverage through the Everett School Employee Benefit Trust (the Trust). The Trust is a separate legal entity that is governed by a board of three district appointed trustees and three Everett Education Association appointed trustees. The district's monthly contributions to the Trust are based on the State's "full time equivalent" funding allocation. Optional coverage may be purchased by district employees through payroll deductions which are remitted to the Trust monthly. The Trust is required to purchase fiduciary liability insurance and any other insurance as deemed prudent to cover potential losses. There were no settlements resulting from losses that would exceed the insurance coverage. Medical benefit claims by participants are covered by the contracted insurance provider, either Aetna or Kaiser Permanente.

*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 \$2,471,207 in payments to the Pool in fiscal year 2018-19. 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 \$2,369,385 were made by the Pool on behalf of the district for fiscal year 2018-19. The following is a summary of activity:

Unemployment Insurance			
Fiscal Year	Contributions/Earnings	Reductions	Ending Balance
2018-2019	\$3,751,941	\$2,691,456	\$1,060,485

*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 2018-19, the district made

premium payments totaling \$2,109,064 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, 2019, 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:

- Ten years provided applications have been submitted prior to July 22, 2007;
- 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.

	Amount of Tax Abated as of August 31, 2019
<u>Tax Abatement Program</u>	
Multifamily Property Tax Exemption	\$ 562,431
Specific Exempt Property	884,397

#### *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), a 501(c)(9) non-profit separate legal entity, is a local governmental employee health benefit program as defined by Title 48.62 of the Revised Code of Washington (RCW). It provides 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. The ESEBT has also incorporated a comprehensive wellness program to promote healthy lifestyles and reduce medical plan costs. The ESEBT is governed and administered by a board of three management and three labor trustees. Everett Public Schools and the Everett Education Association appoints board of trustees. The trustees act in a fiduciary capacity over the ESEBT and decisions or actions of the trustees require a majority vote. As of June 30, 2019 the ESEBT net position was \$3,233,301. For the 2018-19 year, the district contributed \$23,226,216.

The ESEBT has produced its own financial report for the year ended June 30, 2019, 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 2018, Everett Public Schools purchased \$4,084,776 through KCDA contracts, including direct billings by vendors. Everett Public Schools' equity in KCDA as of December 31, 2018, was \$165,149.

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 in regard to withdrawing the ownership amount, if the district so chooses:

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, 2018, 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 2018-2019, the Skills Center received \$565,327 in state apportionment funding for providing service to Everett Public Schools' students.

#### *E. LEVIES*

*Replacement Educational Programs and Operations Levy* -- In a special election held on February 11, 2014, voters approved excess taxes to be levied in calendar years 2015 (\$48 million), 2016 (\$49 million), 2017 (\$53 million), and 2018 (\$51 million). This levy covers a four-year period and replaces the levies expiring in calendar years 2011 (\$40 million), 2012 (\$41.5 million), 2013 (\$43 million) and 2014 (\$45 million). Educational programs and operations levy dollars help the district provide continued funding for textbooks, curriculum materials, salaries, and other programs that support student graduation success and academic rigor.

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 \$93,917,325 million in bond proceeds as authorized under the 2016 vote, on school building renovations and projects as described in the bond measures.

*2019 General Unlimited Tax Refunding Bond Issue* – In June 2019, the district issued \$17,985,000 in General Unlimited Tax Refunding Bonds. The bonds were sold at a premium of \$890,935. Bond issuance costs were \$166,907 consisting of bond underwriters, bond counsel, credit and financial advisor fees. Bonds were issued with an average interest rate of 3.08% and a final maturity date of December 1, 2022.

#### **NOTE 14. SUBSEQUENT EVENTS**

The Everett School Employee Benefit Trust (ESEBT), which provides 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 is dissolving during 2020. Starting January 1, 2020, the School Employees Benefits Board (SEBB) Program, through the Washington State Health Care Authority (HCA), will administer health insurance and other benefits to all employees in school districts and charter schools, and union-represented employees of educational service districts in Washington State.

#### **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.

The Office of Superintendent of Public Instruction (OSPI) has committed to continuing state apportionment and federal reimbursement claims, the district's major revenue streams, during the closure. In addition, the district is applying for economic assistance under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, which provides assistance to state and local governments. The district is also analyzing whether it is eligible for Federal Emergency Management Agency (FEMA) reimbursement for costs related to emergency protective measures taken to protect public health. Currently, there is uncertainty around the overall financial impact of Covid-19, but the district is planning for short-term and long-term impacts.

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



## Required Supplementary Information

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 OTHER POST-EMPLOYMENT BENEFITS (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.

#### *OTHER POST-EMPLOYMENT BENEFITS (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, 2019**

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
<b>REVENUES</b>				
Local Taxes	\$41,302,233	\$41,302,233	\$41,325,039	\$22,806
Local Non-Tax	12,243,555	12,243,555	6,791,407	(5,452,148)
State, General Purpose	194,247,806	194,247,806	193,913,466	(334,340)
State, Special Purpose	55,411,803	55,411,803	58,809,644	3,397,841
Federal, General Purpose	60,000	60,000	51,676	(8,324)
Federal, Special Purpose	15,015,030	15,015,030	14,250,817	(764,213)
Other	2,244,650	2,244,650	2,442,484	197,834
<b>TOTAL REVENUES</b>	<b>320,525,077</b>	<b>320,525,077</b>	<b>317,584,534</b>	<b>(2,940,543)</b>
<b>EXPENDITURES</b>				
Current:				
Regular Instruction	186,719,936	186,719,936	176,478,447	10,241,489
Special Education	45,521,230	45,521,230	44,715,601	805,629
Vocational Education	12,677,320	12,677,320	13,963,132	(1,285,812)
Compensatory Education	18,644,166	18,644,166	17,169,974	1,474,192
Other Instruction Programs	4,034,631	4,034,631	2,811,491	1,223,140
Community Services	722,438	722,438	3,014,247	(2,291,809)
Support Services	52,392,226	52,392,226	52,423,035	(30,809)
Capital Outlay:				
Equipment	294,290	294,290	1,417,927	(1,123,637)
<b>TOTAL EXPENDITURES</b>	<b>321,006,237</b>	<b>321,006,237</b>	<b>311,993,854</b>	<b>9,012,383</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(481,160)</b>	<b>(481,160)</b>	<b>5,590,679</b>	<b>6,071,839</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Surplus Equipment			15,701	15,701
Transfers	2,000,000	2,000,000	2,000,000	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,015,701</b>	<b>15,701</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>\$1,518,840</b>	<b>\$1,518,840</b>	<b>7,606,381</b>	<b>\$6,087,541</b>
<b>FUND BALANCE -- September 1, 2018</b>			25,476,670	
<b>FUND BALANCE -- August 31, 2019</b>			<b>\$33,083,051</b>	

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, 2019**

	<b>BUDGETED AMOUNTS</b>			
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES</b>				
General	\$982,848	\$982,848	\$756,059	(\$226,789)
Athletics	364,395	364,395	353,565	(10,830)
Classes	79,070	79,070	56,727	(22,343)
Clubs	705,564	705,564	530,520	(175,044)
Private Monies	91,000	91,000	69,733	(21,267)
<b>TOTAL REVENUES</b>	<b><u>2,222,877</u></b>	<b><u>2,222,877</u></b>	<b><u>1,766,604</u></b>	<b><u>(456,273)</u></b>
<b>EXPENDITURES</b>				
General	888,362	888,362	573,729	314,633
Athletics	544,072	544,072	499,914	44,158
Classes	90,491	90,491	63,313	27,178
Clubs	904,544	904,544	622,148	282,396
Private Monies	91,000	91,000	72,404	18,596
<b>TOTAL EXPENDITURES</b>	<b><u>2,518,469</u></b>	<b><u>2,518,469</u></b>	<b><u>1,831,509</u></b>	<b><u>686,960</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b><u>(\$295,592)</u></b>	<b><u>(\$295,592)</u></b>	<b><u>(64,905)</u></b>	<b><u>\$230,687</u></b>
<b>FUND BALANCE -- September 1, 2018</b>			<u>1,290,589</u>	
<b>FUND BALANCE -- August 31, 2019</b>			<b><u>\$1,225,684</u></b>	

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**

	<b>FISCAL YEAR ENDED AUGUST 31, 2018*</b>	<b>FISCAL YEAR ENDED AUGUST 31, 2019*</b>
Service cost	\$ 5,431,775	\$ 4,641,906
Interest on total OPEB liability	2,630,292	3,066,218
Changes of benefit terms	-	-
Effect of economic/demographic gains or (losses)	-	(989,986)
Effect of assumption changes or inputs	(10,898,704)	(2,717,383)
Expected benefit payments	(1,559,591)	(1,709,770)
Net change in total OPEB liability	(4,396,228)	2,290,985
 Total OPEB liability, beginning	 87,958,486	 83,562,258
Total OPEB liability, ending	83,562,258	85,853,243
 Covered employee payroll	 \$ 156,700,436	 \$ 170,396,419
Total OPEB liability as a % of covered employee payroll	53.33%	50.38%

\*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**

	2015*	2016*	As of June 30,		
			2017*	2018*	2019*
<b><u>PERS 1</u></b>					
District's proportion of the net pension liability (percentage)	0.253349%	0.256754%	0.273586%	0.282975%	0.303247%
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
District's covered payroll	\$28,559,392	\$30,767,818	\$33,995,511	\$37,528,660	\$42,278,246
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%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%
<b><u>SERS 2/3</u></b>					
District's proportion of the net pension liability (percentage)	1.631183%	1.639176%	1.645115%	1.701217%	1.739773%
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
District's covered payroll	\$28,076,353	\$30,324,651	\$33,608,957	\$37,250,663	\$42,113,702
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%
Plan fiduciary net position as a percentage of the total pension liability	90.92%	86.52%	90.79%	94.77%	96.31%
<b><u>TRS 1</u></b>					
District's proportion of the net pension liability (percentage)	2.077874%	2.080021%	2.035627%	2.067471%	2.109099%
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
District's covered payroll	\$99,530,951	\$104,608,824	\$112,886,403	\$121,626,651	\$141,309,403
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%
Plan fiduciary net position as a percentage of the total pension liability	65.70%	62.07%	65.58%	66.52%	70.37%
<b><u>TRS 2/3</u></b>					
District's proportion of the net pension liability (percentage)	2.074337%	2.060122%	2.034198%	2.071302%	2.103771%
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
District's covered payroll	\$97,065,368	\$102,670,166	\$111,534,575	\$120,683,922	\$140,438,894
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%
Plan fiduciary net position as a percentage of the total pension liability	92.48%	88.72%	93.14%	96.88%	96.36%

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

\*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, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	School Breakfast Program	10.553	N/A	964,563	-	964,563	-	2
	National School Lunch Program	10.555	N/A	3,486,073	-	3,486,073	-	2
	National School Lunch Program	10.555	N/A	621,802	-	621,802	-	3
Total CFDA 10.555:				4,107,875	-	4,107,875	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Summer Food Service Program for Children	10.559	N/A	117,997	-	117,997	-	2
	Total Child Nutrition Cluster:				5,190,436	-	5,190,436	-
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Child and Adult Care Food Program	10.558	N/A	73,732	-	73,732	-	2,5
	Fresh Fruit and Vegetable Program	10.582	N/A	21,491	-	21,491	-	2,5
Forest Service Schools and Roads Cluster								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via State Treasurer)	Schools and Roads - Grants to States	10.665	N/A	51,676	-	51,676	-	

*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, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
	<b>Total Forest Service Schools and Roads Cluster:</b>			<b>51,676</b>	<b>-</b>	<b>51,676</b>	<b>-</b>	
Office of the Secretary of Defense, DEPARTMENT OF DEFENSE	ROTC Language and Culture Training Grants	12.357	N39735	-	70,400	70,400	-	2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	202953	3,247,587	-	3,247,587	-	2,4,5
<b>Special Education Cluster (IDEA)</b>								
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	306519	3,777,425	-	3,777,425	-	2,5
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	338122	447,503	-	447,503	-	2
<b>Total CFDA 84.027:</b>				<b>4,224,928</b>	<b>-</b>	<b>4,224,928</b>	<b>-</b>	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	366007	139,028	-	139,028	-	2,5
<b>Total Special Education Cluster (IDEA):</b>				<b>4,363,956</b>	<b>-</b>	<b>4,363,956</b>	<b>-</b>	
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA OSPI)	Career and Technical Education -- Basic Grants to States	84.048	174383	123,577	-	123,577	-	2,5

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, 2019**

Federal Agency (Pass-Through Agency)	Expenditures						Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Education for Homeless Children and Youth	84.196	456927	34,730	-	34,730	-	2,5
OFFICE OF POSTSECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WSAC)	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	19-IA127	123,837	-	123,837	-	2,5
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	English Language Acquisition State Grants	84.365	402704	258,707	-	258,707	-	2,5
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	550018	800	-	800	-	2,5
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	524529	568,879	-	568,879	-	2,5
<b>Total CFDA 84.367:</b>				<b>569,679</b>	<b>-</b>	<b>569,679</b>	<b>-</b>	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	Student Support and Academic Enrichment Program	84.424	430280	174,677	-	174,677	-	
<b>Total Federal Awards Expended:</b>				<b>14,234,084</b>	<b>70,400</b>	<b>14,304,483</b>	<b>-</b>	

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, 2019**

**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 – Program Costs/Matching Contributions**

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

**Note 3 – Non Cash Awards – Commodities**

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

**Note 4 – Schoolwide Programs**

Everett Public Schools 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 Everett Public Schools in its schoolwide program: Title I (84.010) \$2,155,620.

**Note 5 – Federal Indirect Rate**

The district has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. Everett Public Schools used up to the federal unrestricted rate of 11.84 percent or the federal restricted rate of 3.2 percent, as allowed by each grant.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>