



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Spokane School District No. 81

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

Published March 29, 2021

Report No. 1028059



Find out what's new at SAO
by scanning this code with
your smartphone's camera



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

March 29, 2021

Board of Directors
Spokane School District No. 81
Spokane, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Spokane School District No. 81'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.

TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
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.....	6
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	9
Independent Auditor's Report on the Financial Statements.....	12
Financial Section.....	16
About the State Auditor's Office.....	82

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Spokane School District No. 81 September 1, 2019 through August 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Spokane School District No. 81 are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
84.027	Special Education Cluster (IDEA) – Special Education Grants to States
84.173	Special Education Cluster (IDEA) – Special Education Preschool Grants
84.425D	COVID -19 – Education Stabilization Fund

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$986,212.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

Spokane School District No. 81 September 1, 2019 through August 31, 2020

Board of Directors
Spokane School District No. 81
Spokane, 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 Spokane School District No. 81, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 26, 2021.

As discussed in Note 15 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 15.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

In addition, we noted certain matters that we have reported to the management of the District in a separate letter dated March 26, 2021.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy

State Auditor

Olympia, WA

March 26, 2021

INDEPENDENT AUDITOR'S REPORT

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

Spokane School District No. 81 September 1, 2019 through August 31, 2020

Board of Directors
Spokane School District No. 81
Spokane, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Spokane School District No. 81, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2020. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

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

Pat McCarthy

State Auditor

Olympia, WA

March 26, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Spokane School District No. 81 September 1, 2019 through August 31, 2020

Board of Directors
Spokane School District No. 81
Spokane, 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 Spokane School District No. 81, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 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 Spokane School District No. 81, as of August 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 15 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 15. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

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

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

Pat McCarthy

State Auditor

Olympia, WA

March 26, 2021

FINANCIAL SECTION

Spokane School District No. 81 September 1, 2019 through August 31, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2020

Statement of Activities – 2020

Balance Sheet – Governmental Funds – 2020

Reconciliation – Balance Sheet/Statement of Net Position – 2020

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

Reconciliation – Statement of Revenues, Expenditures, and Changes in Fund
Balance/Statement of Activities – 2020

Statement of Fiduciary Net Position – Fiduciary Funds – 2020

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

Notes to Basic Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
– General Fund – 2020

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
– Special Revenue Fund (Associated Student Body Fund) – 2020

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

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

Schedule of Changes in Total OPEB (Other Post-Employment Benefits) Liability and
Related Ratios – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The district's total net position of governmental activities as of August 31, 2020 was \$55.0 million. During the year, the district had revenues of \$520.5 million and expenses of \$472.1 million incurred for all governmental activities. The results of operation resulted in an increase to Net Position of \$48.4 million.
- The district's governmental funds as of August 31, 2020, reported a combined ending fund balance of \$193.1 million, a decrease of \$46.9 million compared to the prior year.
- The General Fund total fund balance was \$57.6 million reflecting an increase of \$21.1 million. The General Fund balance represents 13.3% of General Fund expenditures. Of the \$57.6 million in fund balance, \$42.9 million is available for spending at the district's discretion (assigned and unassigned fund balance). The discretionary General Fund balance represents 9.9% of General Fund expenditures.
- The average student enrollment decreased by one full time equivalent (FTE) students as compared to the previous year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. 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. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statement section also reports the district's operations in more detail than the government-wide statements by providing information about the district's most significant funds. The remaining statements (fiduciary funds) provide financial information about activities for which the district acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

Our analysis of the school district as a whole begins in the *government-wide financial statement* section. Is the district as a whole better off or worse off as a result of the year's activities? The *statement of net position* and the *statement of activities* report information about the district as a whole and about its activities in a way that helps answer this question. The financial statements of the district present a better financial position as reflected in the *statement of net position*. These statements include all assets, liabilities, deferred outflows of resources and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the district's net position and changes in the position. The district's net position (the difference between assets, liabilities, deferred outflows of resources and deferred inflows of resources) may be viewed as one way to measure the district's financial health. Over time, increases or decreases in the district's net position are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors must be considered in assessing the *overall health* of the district, such as changes in the district's property tax base and student enrollment.

In the *statement of net position* and the *statement of activities*, we present governmental activities. The district's basic services, including associated student body, debt service, and capital projects are reported here. Revenue from state and federal grants, property taxes, and other miscellaneous private sources finance most of these activities.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Governmental Funds Financial Statements

Our analysis of the school district's major funds begins in the governmental funds financial statement section. The governmental funds financial statements provide detailed information about the most significant funds - not the district as a whole. Some funds, such as the Special Revenue Fund (Associated Student Body Fund), are required and established consistent with state law.

Governmental Funds – All of the district's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed *short-term* view of the district's general education and support operations and the basic services. Governmental funds information helps determine whether there are more or less financial resources that can be spent in the near future to finance the district's programs. We describe the relationship (or differences) between governmental activities (reported in the *statement of net position* and the *statement of activities*) and governmental funds in the reconciliation presented in exhibit 3A and exhibit 4A of the basic financial statements and in Note 2 of the financial statements.

THE SCHOOL DISTRICT AS TRUSTEE

Reporting the School District's Fiduciary Responsibilities

The district is the trustee, or fiduciary, for individuals, private organizations, and other governments for scholarships and other specific purposes. All of the district's fiduciary activities are reported in a separate *statement of fiduciary net position* and *changes in fiduciary net position* under the fiduciary financial statement section. We exclude these activities from the district's other financial statements because the district cannot use these assets to finance day-to-day operations. The district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

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

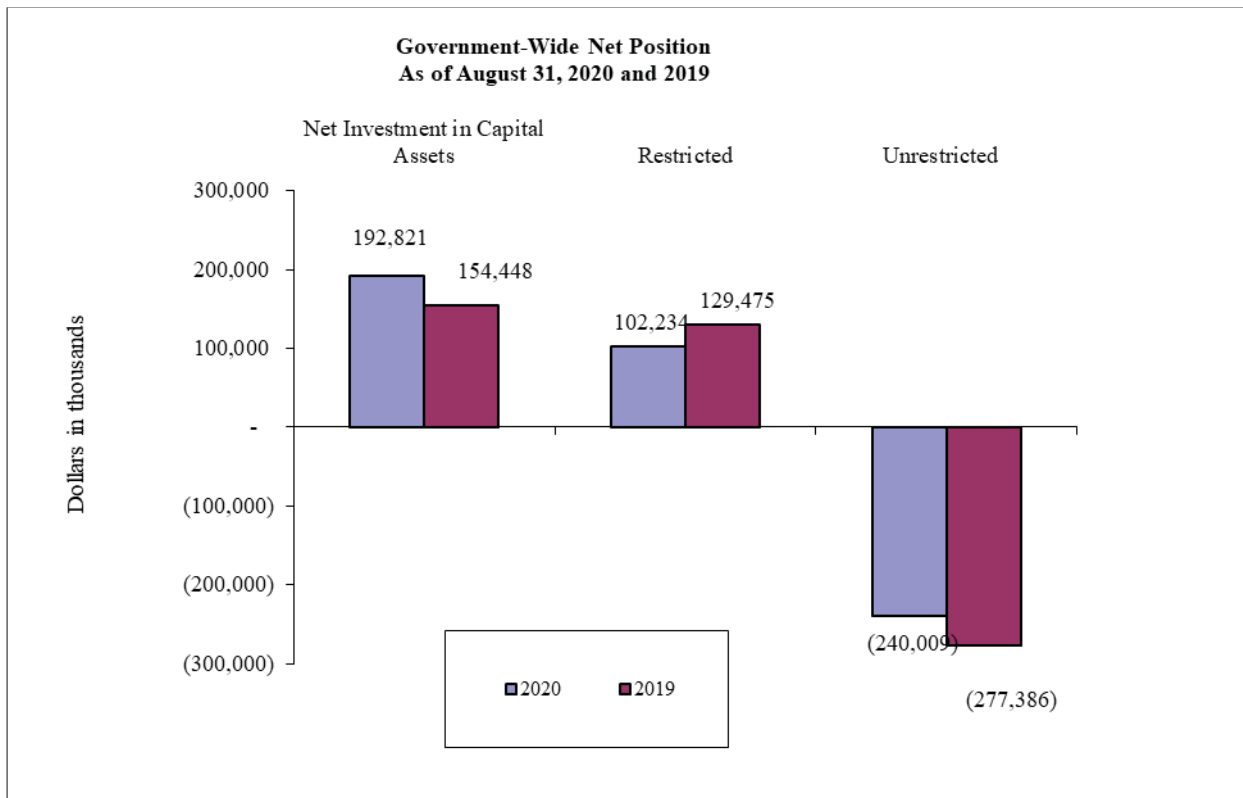
In 2019-2020 revenues exceeded expenses by \$48.4 million as compared to \$10.5 million in the prior year. Our analysis focuses on the net position and changes in net position of the district's governmental activities.

The net position of the district's governmental activities increased by \$48.4 million. The district increased capital assets by \$41.3 million net of depreciation. The capital additions were financed by long term debt issued in the current year and state funding. Increased liabilities for other post-employment benefits and pension, partially offset by decreases in bonds payable, resulted in a \$28.3 million increase to long term liabilities.

Unrestricted net position reflects funds that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. The unrestricted net position of the district is negative \$240.0 million. The net position of \$102.2 million is restricted under legal obligations (for debt payments and other contractual obligations) and \$192.8 million is invested in capital assets.

**Government-Wide Net Position
As of August 31**

	2020	2019
Current and Other Assets	\$275,762,179	\$ 309,960,816
Capital Assets	630,210,356	588,883,851
Total Assets	<u>905,972,535</u>	<u>898,844,667</u>
 Total Deferred Outflows	 <u>89,501,178</u>	 <u>42,240,835</u>
 Other Liabilities	 44,436,084	 37,195,466
Long-Term Liabilities	866,631,426	838,374,447
Total Liabilities	<u>911,067,510</u>	<u>875,569,913</u>
 Total Deferred Inflows	 <u>29,434,592</u>	 <u>58,978,981</u>
 Net Investment in Capital Assets	 192,820,951	 154,447,855
Restricted	102,233,719	129,475,182
Unrestricted	(240,083,059)	(277,386,429)
TOTAL NET POSITION	<u><u>\$ 54,971,611</u></u>	<u><u>\$ 6,536,608</u></u>



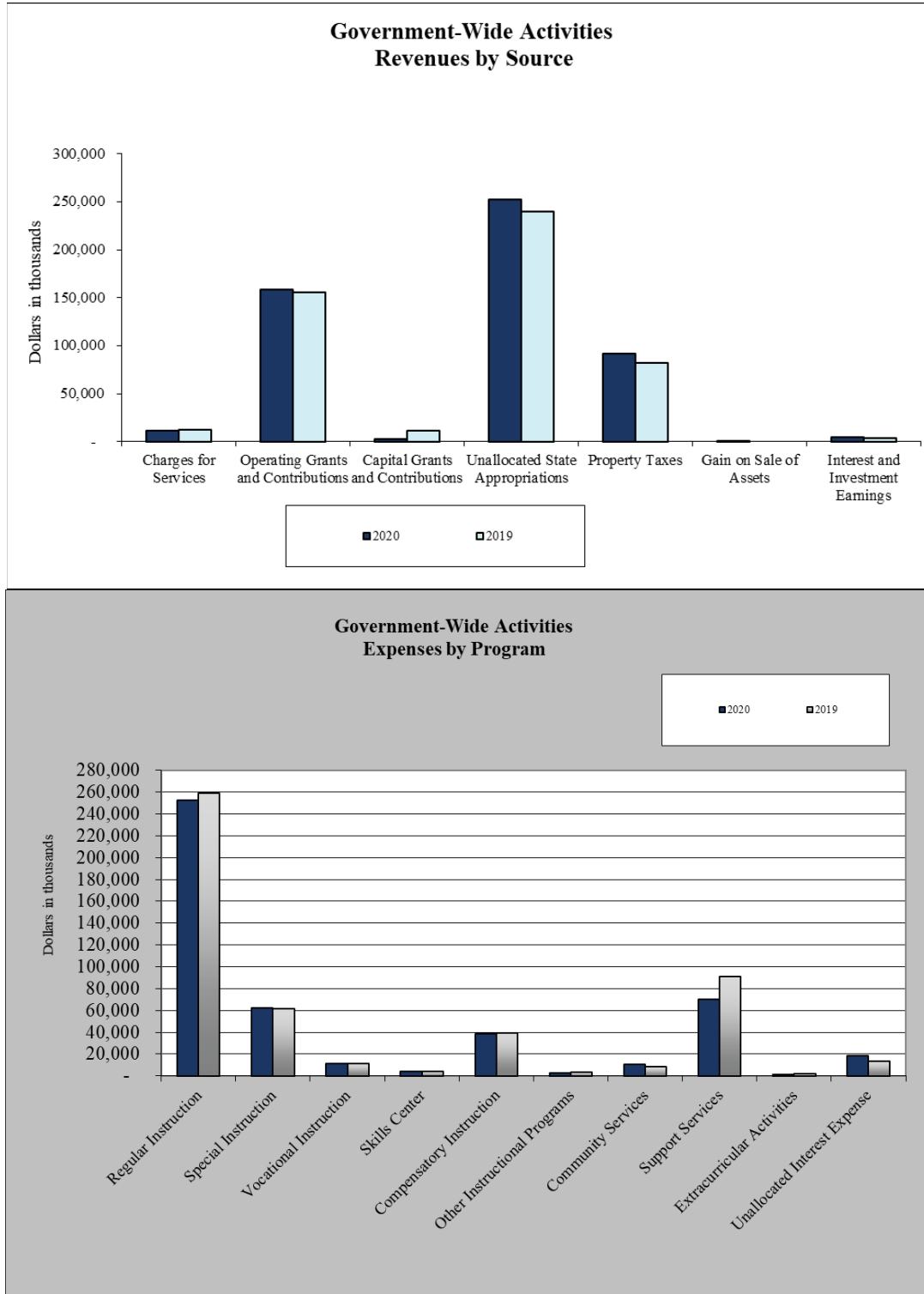
The 2019-2020 total revenues of \$520.6 million exceed total expenses of \$472.1 million by \$48.4 million. Total revenues were up due to increased general revenues from unallocated state appropriations and property taxes. This increase reflects the state's investment of additional basic education resources for salaries, instruction, student support and materials. The increase in property taxes is represents the increase in the educational program and operations levy approved by voters in 2018 and bond. Capital grants and contributions fluctuate with the projects that they fund and are dependent on the number of projects that are eligible for state funding. Expenses decrease by \$22.3 million in 2019-20, primarily due to decrease in costs as the result of the COVID19 pandemic.

**Government-Wide Changes in Net Position
PRIMARY GOVERNMENT
For the Year Ended August 31**

	2020	2019
Program Revenues:		
Charges for Services	\$ 11,261,408	\$ 12,453,359
Operating Grants and Contributions	158,231,251	155,743,203
Capital Grants and Contributions	2,723,176	10,910,047
General Revenues:		
Property Taxes	91,792,890	82,181,566
Unallocated State Appropriations	252,260,630	239,748,398
Gain on Sale of Assets	45,507	-
Interest and Investment Earnings	4,263,498	3,836,724
TOTAL REVENUES	520,578,359	504,873,297
PROGRAM EXPENSES:		
Regular Instruction	252,616,563	259,243,692
Special Instruction	62,518,757	61,903,840
Vocational Instruction	11,131,051	11,298,917
Skills Center	4,110,069	4,250,796
Compensatory Instruction	38,348,614	39,435,287
Other Instructional Programs	2,598,935	3,801,180
Community Services	10,751,136	8,401,629
Support Services	70,253,014	90,767,606
Extracurricular Activities	1,189,681	1,999,797
Unallocated Interest Expense	18,625,537	13,314,484
TOTAL EXPENSES	472,143,357	494,417,228
Increase (Decrease) in Net Position	48,435,003	10,456,069
Net Position - Beginning	6,536,608	(3,919,461)
Ending Net Position	\$ 54,971,611	\$ 6,536,608

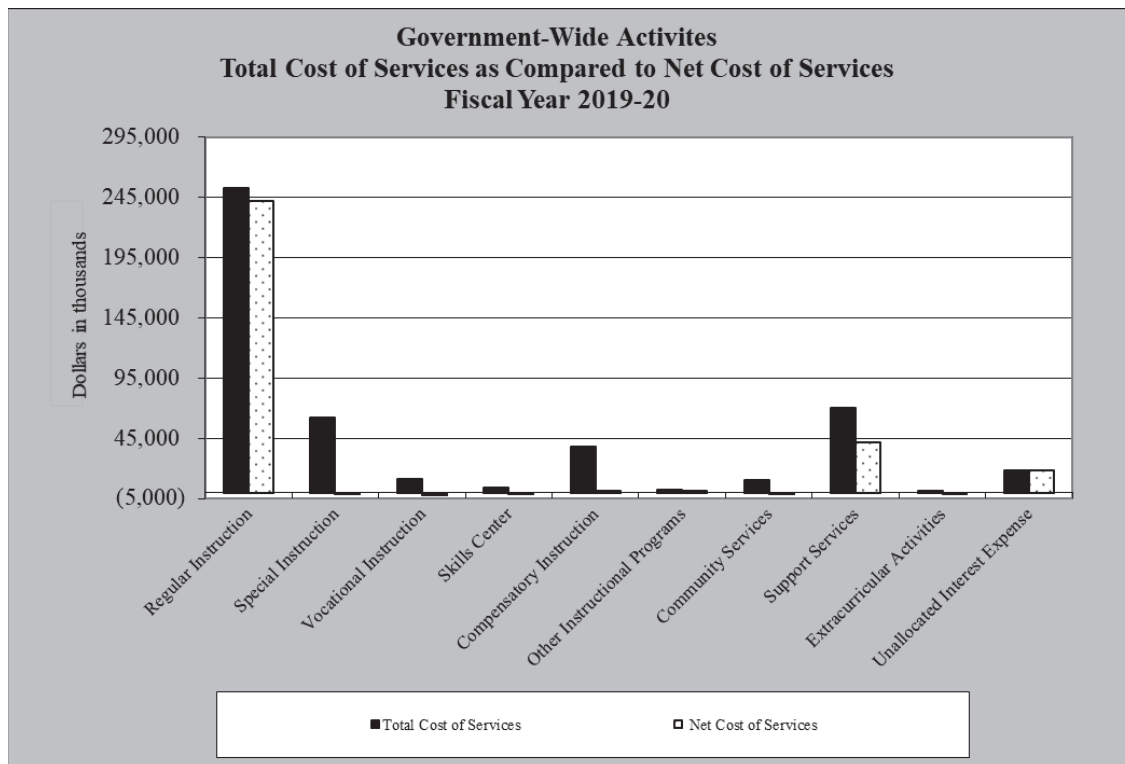
Government-Wide Activities

Revenues by source and the costs of the district, including the district's largest programs consisting of regular instruction, special instruction, vocational instruction, compensatory instruction and support services are presented below. On the following page each program's net cost (total cost less revenues) is presented. The net cost shows the financial impact of these programs. The net cost of services is funded by the school district's revenue sources as presented on the following charts and tables.



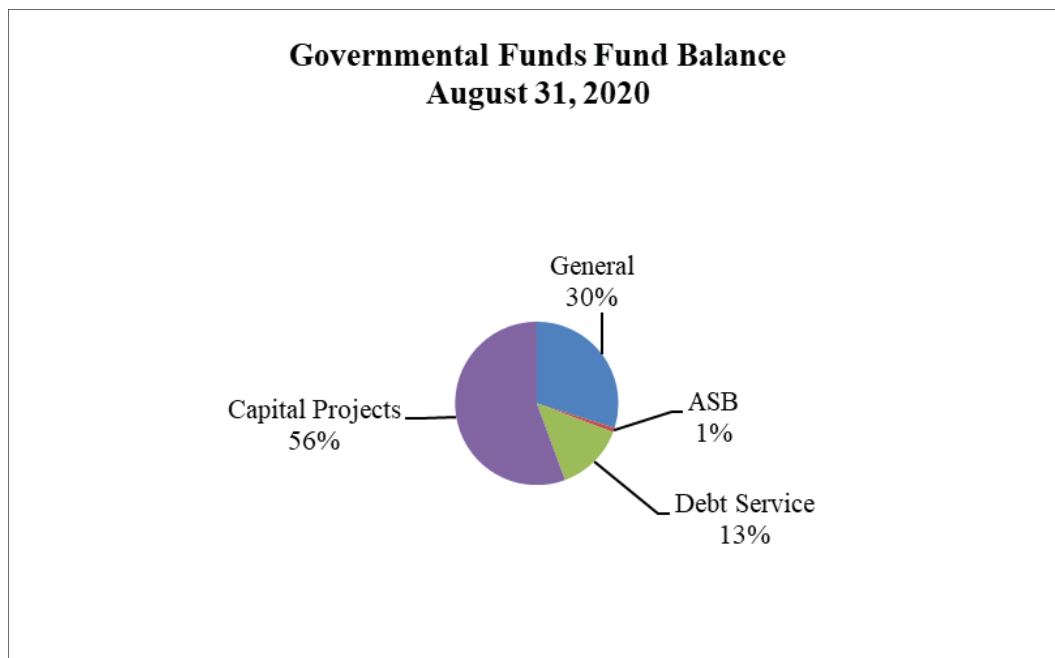
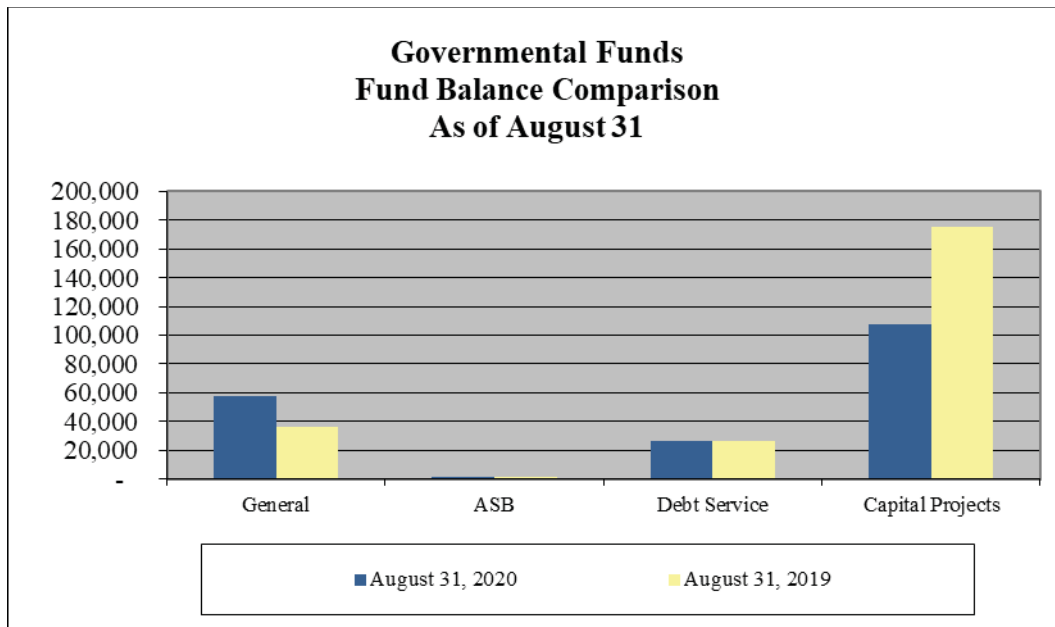
Government-Wide Activities
Net Cost of Services
For the year ended August 31, 2020

	Program Revenues	Total Cost of Services	Net Cost of Services
Regular Instruction	\$ 10,859,693	\$ 252,616,563	\$ (241,756,870)
Special Instruction	62,589,350	62,518,757	70,593
Vocational Instruction	13,572,952	11,131,051	2,441,901
Skills Center	4,630,863	4,110,069	520,794
Compensatory Instruction	37,013,183	38,348,614	(1,335,431)
Other Instructional Programs	1,439,011	2,598,935	(1,159,924)
Community Services	11,022,483	10,751,136	271,347
Support Services	28,962,766	70,253,014	(41,290,248)
Extracurricular Activities	1,420,643	1,189,681	230,962
Unallocated Interest Expense	704,891	18,625,537	(17,920,646)
Totals	\$ 172,215,835	\$ 472,143,357	\$ (299,927,522)



THE SCHOOL DISTRICT'S FUNDS (Fund Financial Statements)

At the end of the 2020 fiscal year, total governmental fund balance was \$193.1 million (as presented in the balance sheets under the governmental financial statement section), which is \$46.9 million less than last year's fund balance of \$240.0 million. This decrease is a result of spending funds borrowed through issuance of capital construction bonds. As presented in the bottom chart below, the General Fund comprises 29.9% and the Capital Projects Fund comprises 55.6% of total fund balance at August 31, 2020.



The table below presents a summary of the General Fund revenues and expenditures for fiscal years 2020 and 2019. The significant changes are explained below the table. A graphical presentation of revenues and expenditures follows.

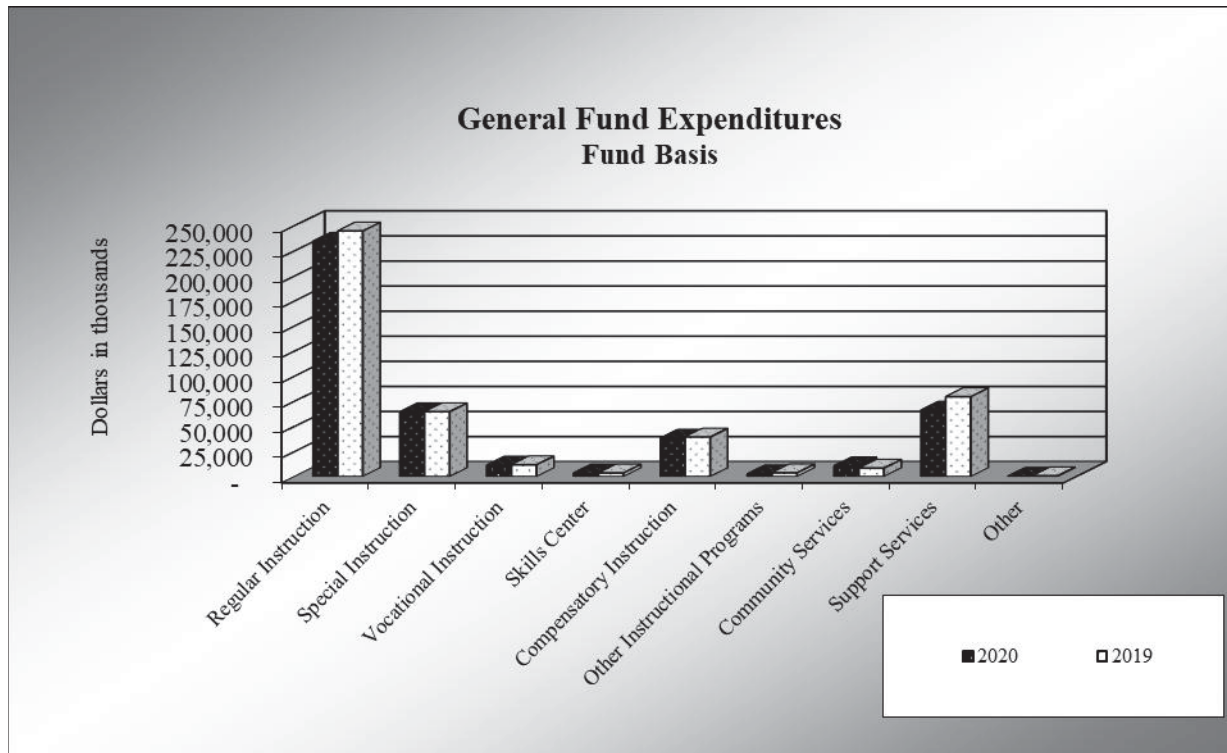
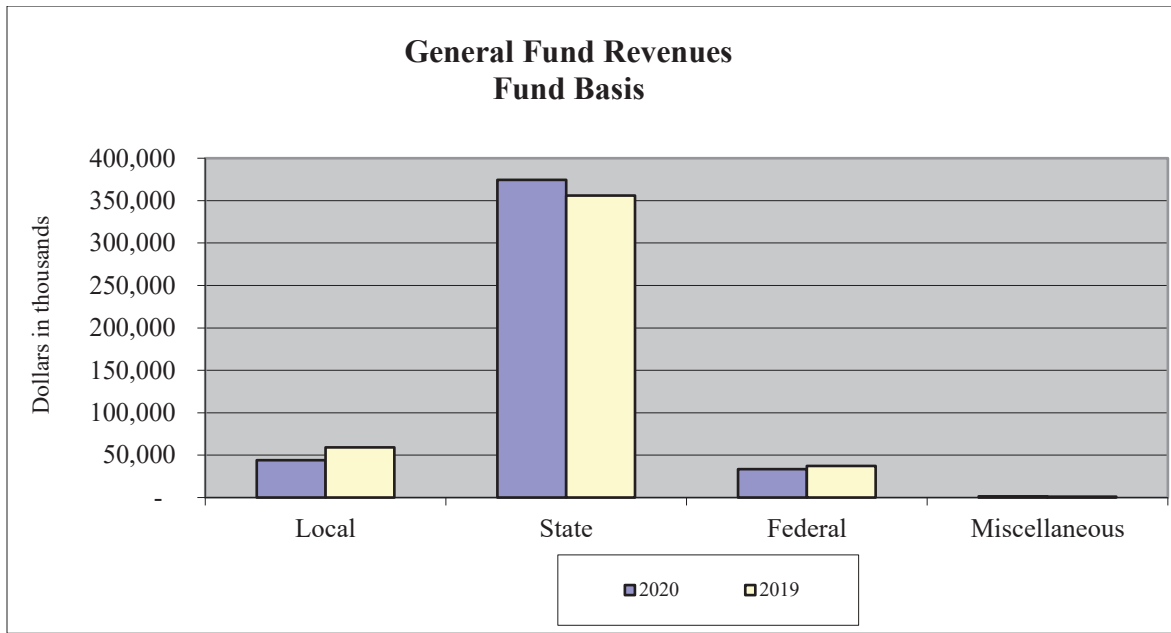
**General Fund
For the Year Ended August 31**

	2020	2019	Percent Change
Revenues			
Local	\$ 44,050,911	\$ 59,059,395	(25.41%)
State	374,452,277	355,977,431	5.19
Federal	33,417,775	37,077,356	(9.87)
Miscellaneous	1,446,615	1,161,973	24.50
Total Revenues	<u>\$ 453,367,578</u>	<u>\$ 453,276,155</u>	<u>0.02%</u>
Expenditures			
Regular Instruction	\$ 234,509,096	\$ 244,819,855	(4.21%)
Special Instruction	64,560,846	64,667,720	(0.17)
Vocational Instruction	11,484,811	11,781,119	(2.52)
Skills Center	3,495,304	3,653,629	(4.33)
Compensatory Instruction	38,348,614	39,435,287	(2.76)
Other Instructional Programs	2,598,935	3,801,180	(31.63)
Community Services	10,751,136	8,401,629	27.96
Support Services	66,266,986	79,668,160	(16.82)
Capital Outlay			
Other	269,726	737,512	(63.43)
Total Expenditures	<u>\$ 432,285,454</u>	<u>\$ 456,966,091</u>	<u>(5.40%)</u>

State revenues increased during the year. The increase in state funding reflects the state's investment of additional basic education resources for salaries, instruction, student support and materials.

The district expenditures reflect overall decreases to all budgets as a result of the COVID-19 pandemic. With the closure of all schools in March 2020 under the order of Governor Inslee, a number of services, both staff and contracted services, and purchased were not incurred. The one exception is community services due the district operating first responder child care and an emergency feeding program across the district

The capital outlay expenditures, though insignificant in dollar amount, represent the district's commitment to maintaining district facilities and equipment at an acceptable level. The district has been monitoring the budget very closely and has developed a process for requesting and prioritizing the purchases of capital equipment in the General Fund. The amount presented for each year reflects procurement of the highest priority items.



The table below presents a summary of the Capital Projects Fund. The district is in the third phase of the long-range capital improvement plan. Under this plan, the district continues to renovate or replace district facilities. Funding for projects has been provided through the use of funds in bonds issued and a state matching program.

Capital Projects Fund For the Year Ended August 31

	2020	2019	Percent Change
Revenues			
Local	\$ 3,143,252	\$ 2,629,207	19.55%
State	2,119,640	9,387,766	(77.42%)
Federal	398,040	1,242,823	(67.97%)
Total Revenues	\$ 5,660,932	\$ 13,259,796	(57.31%)
Expenditures			
Capital Outlay			
Other	\$ 73,606,421	\$ 47,332,580	55.51%
Total Expenditures	\$ 73,606,421	\$ 47,332,580	55.51%

Other Funds

The Debt Service Fund reflects the collection of property taxes used for payment of bonded debt. See Note 8 for a detail description of debt outstanding.

The Associated Student Body Fund reflects student body activity for the year. Both revenues and expenditures were over 25% below historical trends due to school closure from March 2020 through the remainder of the school year and summer. Given the nature of the Associated Student Body Fund, the expenditures will vary from year to year based on the success of athletic teams and non-athletic extra-curricular trips that occur.

Budgetary Highlights

Adopted budgeted expenditures are a prerequisite to expenditures in the governmental funds. The budgeted expenditures lapse at the end of the fiscal year. The board may adopt a revised or supplemental expenditure budget after a public hearing anytime during the fiscal year. There were no board adopted budget revisions during 2019-2020.

Due to changes in state law on the amount of local property taxes a local district can levy and increased staffing costs the 2019-2020 budget was adopted with a \$2.0 million deficit. The district administration made conscious decisions to manage expenditures resulting in underspend across all expenditure categories, preserving fund balance for future years. In the expenditure budget-to-actual schedules, there are under expenditures as a result of the school closure due to COVID-19. A detailed comparison of budget to actual for the General Fund is presented in Schedule A-1.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2019-2020 fiscal year, the district had \$980.6 million invested in a broad range of capital assets, including technology, equipment and school buildings. This amount represents a net increase (including additions and deletions) of \$68.6 million or 7.5 percent.

The district has a long-range capital improvement plan that was originally adopted in 2003. The capital plan is financed with General Obligation Bonds. The projects established in the first phase of the plan approved by voters in 2003 are complete. The projects included the renovation of two high schools, replacement of three elementary schools, athletic facility improvements, technology, and infrastructure to support technology.

The second phase of the long-range capital improvement plan was started in 2009 when district voters approved a \$288 million bond. All of those General Obligation Bonds have been sold to fund the second phase of projects. The second

phase included replacing or renovating four elementary schools, renovating one high school, replacing one middle school gymnasium, technology, infrastructure to support technology and a variety of smaller capital improvements across the district.

The third phase of the long-range capital improvement plan was started in 2015 when district voters approved a \$145 million bond. The first installment of the general obligation bonds was sold in December 2015 with the remaining balance of bonds, (\$46,000,000) sold in February 2018. The third phase includes replacing or renovating four elementary schools, replacement of a middle school, replacement of a middle school gymnasium, addition of classrooms at selected sites, technology, infrastructure to support technology and a variety of smaller capital improvements across the district.

The fourth phase of the long-range capital improvement plan was started in 2018 when district voters approved a \$495.3 million bond. The first installment of the general obligation bonds, (\$100,000,000) was sold in February 2019 with the remaining balanced to be issued over the next five years. The fourth phase includes replacing or renovation three middle schools, constructing three new middle schools, replacing or replacing On Track Academy, replacing or renovating Albi Stadium, technology, infrastructure to support technology and a variety of smaller capital improvements across the district.

The district's fiscal year 2020-2021 capital projects budget is \$195.0 million. The budget will be used for construction of the third and fourth phase of bond projects and locally funded projects. Projects funded by bonds authorized by voters in 2015 are scheduled to continue through 2021 and projects funded by bonds authorized by voters in 2018 are scheduled to continue through 2024. The construction in progress of \$58.5 million as of August 31, 2020 consists of bond projects.

Additional information on capital assets is included in the notes to the financial statements, Note 4.

Capital Assets As of August 31, 2020

	Historical Cost	Accumulated Depreciation	Net Capital Assets
Land	\$ 26,271,196	\$ -	\$ 26,271,196
Land Improvements	45,470,302	23,698,129	21,772,173
Buildings and Improvements	832,818,386	311,537,971	521,280,415
Other Equipment and Machinery	17,534,137	15,164,727	2,369,410
Construction in Progress	58,517,162	-	58,517,162
Total	\$ 980,611,183	\$ 350,400,827	\$ 630,210,356

Debt

At year end, the district had \$456.7 million in unlimited tax general obligation bonds outstanding. Additional information on debt is included in the notes to the financial statements, Note 8.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The district serves the City of Spokane and some adjacent areas in Spokane County. The economic indicators for the region were showing growth with increased job creation, decreased unemployment and increasing property values prior to COVID-19. Subsequent to March 2020, when Governor Inslee issued a Stay Home Stay Healthy order, only essential services operated. This has caused unemployment rates to increase. With the ability for employees to perform remote work, Spokane has seen an influx of people relocating or purchasing second homes. The result of this influx has been increases in property assessed values in excess of historical trends.

Spokane County is the largest labor market in eastern Washington and northern Idaho. The diversified economy includes logistics and distribution, transportation/warehousing, advanced manufacturing, health services, finance/insurance, information technology, government including education, and agriculture. The benefit of the diverse economy has resulted in less significant impacts to Spokane than other metropolitan areas.

Manufacturing has a solid base due to the hydropower generation, rail and Interstate highways. Fairchild Air Force Base is the county's largest employer. The health sciences continue to grow with the hospital systems and the University District campuses which train a health care workforce, attract research development and biotechnology, and provide jobs in the

health care sector. Health services and education were impacted by the COVID-19 pandemic, but this is expected to be a temporary impact.

The 2020-2021 expenditures for governmental funds of the district are budgeted at \$738.7 million. The 2020 property tax rate was \$4.19 per thousand dollars of assessed value for the amounts collected in both the General Fund and the Debt Service Fund. The property tax collections for the General Fund represent approximately 10.3% of fund revenues in the 2020-2021 budget.

The district budgeted for a minimal increase in student enrollment for the 2020-2021 school year (11 students). Actual enrollment for the 2019-2020 school year came in 13 students under budget. Due the COVID-19 pandemic the district has experienced a decline in enrollment, similar to many other districts. The district anticipates recovery of enrollment lost during the pandemic and the return to slow growth in enrollment over the next few years.

The district has taken a proactive approach to engage the community and staff in establishing priorities to be applied during the budget process. Management held staff meetings, public forums and online surveys to establish and revise district priorities and strategies to increase enrollment. These strategies will be used to adjust budget priorities as students return to in-person instruction and the costs associated with safety protocols for in-person instruction. As the district returns to slow enrollment growth and economic growth in the community, these strategies will be used to direct additional investment of resources. These priorities will be updated as necessary, and will inform future budget development.

The School Board and district management are committed to maintaining General Fund budgeted fund balance sufficient to provide stability of programs and to maintain sound financial practices. School Board Policy number 6022 – Minimum Fund Balance has a target of minimum committed, assigned and unassigned (CAU) fund balance in the range of 5-6%. The August 31, 2020 actual General Fund CAU fund balance of \$42.9 million is 9.9% of actual expenditures. The 2020-2021 budget was adopted with a budgeted ending CAU fund balance of 3.8% of budgeted General Fund expenditures. The August 31, 2020 ending fund balance exceeded the budgeted September 1, 2020 beginning fund balance providing additional resources for fiscal year 2021. Future spending plans will be adjusted to sustain the district investments in human capital. The District is taking proactive steps to meet the minimum fund balance goals and sustainable operations. The School Board and district management will continue to keep staff and the community involved in the district's budget development process.

SPOKANE PUBLIC SCHOOLS
STATEMENT OF NET POSITION
AUGUST 31, 2020

			Primary Government
	Note #		Governmental Activities
ASSETS			
Cash and Cash Equivalents	1F, 3	\$	221,276,797
Cash with Fiscal Agent	1F		50,000
Property Tax Receivable	1F		42,549,792
Receivables, Net			1,335,914
Due from Other Governments			6,076,067
Inventories	1F		1,860,241
Prepaid Items			2,613,368
Capital Assets, Net of Accumulated Depreciation, where applicable:			
Land	4		26,271,196
Land Improvements	4		21,772,173
Buildings & Improvements	4		521,280,415
Other Equipment & Machinery	4		2,369,410
Construction-in-progress	4		58,517,162
TOTAL ASSETS			905,972,535
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan Experience Differences	6		34,706,414
Pension Plan Assumption Changes	6		5,731,235
Pension Plan Changes in Proportions	6		278,636
Pension Plan Contributions	6		6,107,011
OPEB Contributions	7		5,651,187
OPEB Assumptions Changes	7		31,475,093
Refunding Bonds	8		5,551,602
TOTAL DEFERRED OUTFLOWS			89,501,178
LIABILITIES			
Accounts Payable			37,785,014
Accrued Wages & Benefits Payable			3,151,252
Due to Other Governments			348,710
Unearned Grant Revenue			3,151,108
Long-Term Liabilities	8, 9		
Due within one year			39,201,000
Due in more than one year			827,430,426
TOTAL LIABILITIES			911,067,510
DEFERRED INFLOWS OF RESOURCES			
Pension Plan Experience Differences	6		156,520
Pension Plan Assumption Changes	6		5,883,351
Pension Plan Changes in Proportions	6		2,735,609
Pension Plan Investment Earnings	6		1,067,685
OPEB Assumptions Changes	7		19,591,427
TOTAL DEFERRED INFLOWS			29,434,592
NET POSITION			
Net Investment in Capital Assets			192,820,951
Restricted for:	1K		
Debt Service			57,545,573
Legal Obligations			44,688,146
Unrestricted			(240,083,059)
TOTAL NET POSITION		\$	54,971,611

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

SPOKANE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

Functions/Programs	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	PRIMARY GOVERNMENT
					Governmental Activities
Primary Government:					
Governmental Activities:					
Regular Instruction	\$ 252,616,563	630,777	10,228,916	-	(241,756,870)
Special Instruction	62,518,757	4,736	62,584,614	-	70,593
Vocational Instruction	11,131,051	33,603	13,523,818	15,531	2,441,901
Skills Center	4,110,069	41,797	4,589,066	-	520,794
Compensatory Education	38,348,614	-	37,013,183	-	(1,335,431)
Other Instructional Programs	2,598,935	2,085	1,388,223	48,703	(1,159,924)
Community Services	10,751,136	6,601,546	4,420,937	-	271,347
Support Services	70,253,014	2,857,070	23,446,754	2,658,942	(41,290,248)
Extracurricular Activities (ASB)	1,189,681	1,089,794	330,849	-	230,962
Unallocated Interest Expense	18,625,537	-	704,891	-	(17,920,646)
Total Governmental Activities	\$ 472,143,357	11,261,408	158,231,251	2,723,176	(299,927,522)

General Revenues:

Taxes:

Property Taxes, levies for maintenance and operations	35,094,988
Property Taxes, levies for debt service	56,697,902
Unallocated State Apportionment & Others	252,260,630
Gain on Sale of Equipment & Property	45,507
Interest and Investment Earnings	4,263,498

Total General Revenues**348,362,525****Changes in Net Position****48,435,003****Net Position - Beginning****6,536,608****Net Position - Ending****54,971,611**

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

SPOKANE PUBLIC SCHOOLS
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
August 31, 2020

Exhibit 3

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND
ASSETS:			
Cash and Cash Equivalents	\$ 72,039,846	\$ 1,658,745	\$ 24,555,245
Cash with Fiscal Agent	50,000	-	-
Property Tax Receivable	16,516,133	-	26,288,384
Accounts Receivable, Net	1,333,905	1,336	-
Due from Other Funds	-	178,807	-
Due from Other Government Units	4,132,384	-	360,077
Inventories at Cost	1,860,241	-	-
Prepaid items	2,613,368	-	-
TOTAL ASSETS	\$ 98,545,877	\$ 1,838,888	\$ 51,203,706
LIABILITIES:			
Accounts Payable	\$ 15,035,722	\$ 107,963	\$ -
Accrued Wages & Benefits Payable	6,511,564	-	-
Due to Other Funds	191,306	-	-
Due to Other Governmental Units	348,710	-	-
Unearned Grant Revenue	3,151,108	-	-
TOTAL LIABILITIES	25,238,410	107,963	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	15,659,855	-	24,927,566
TOTAL DEFERRED INFLOWS	15,659,855	-	24,927,566
FUND BALANCES			
Non-spendable Inventory and Prepaids	4,473,609	-	-
Restricted for Debt Service	6,286,000	-	26,276,140
Restricted for Self Insurance	2,720,000	-	-
Restricted for State Match	-	-	-
Restricted for Bond Proceeds	-	-	-
Restricted for Other	1,303,107	-	-
Restricted Special Revenue Funds	-	1,730,925	-
Assigned to Other Items (See Note 14)	13,625,572	-	-
Assigned to Fund Purpose (See Note 14)	-	-	-
Unassigned Fund Balance	29,239,324	-	-
TOTAL FUND BALANCES	57,647,612	1,730,925	26,276,140
TOTAL LIABILITIES AND FUND BALANCES	\$ 98,545,877	\$ 1,838,888	\$ 51,203,706

SPOKANE PUBLIC SCHOOLS
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
August 31, 2020

Exhibit 3

	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS:		
Cash and Cash Equivalents	\$ 123,022,961	\$ 221,276,797
Cash with Fiscal Agent	-	50,000
Property Tax Receivable	-	42,804,517
Accounts Receivable, Net	673	1,335,914
Due from Other Funds	12,499	191,306
Due from Other Government Units	1,415,450	5,907,911
Inventories at Cost	-	1,860,241
Prepaid items	-	2,613,368
TOTAL ASSETS	\$ 124,451,583	\$ 276,040,054
LIABILITIES:		
Accounts Payable	\$ 16,989,958	\$ 32,133,643
Accrued Wages & Benefits Payable	14,260	6,525,824
Due to Other Funds	-	191,306
Due to Other Governmental Units	-	348,710
Unearned Grant Revenue	-	3,151,108
TOTAL LIABILITIES	17,004,218	42,350,591
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Property Taxes	-	40,587,421
TOTAL DEFERRED INFLOWS	-	40,587,421
FUND BALANCES		
Non-spendable Inventory and Prepays	-	4,473,609
Restricted for Debt Service	166,000	32,728,140
Restricted for Self Insurance	-	2,720,000
Restricted for State Match	34,460,505	34,460,505
Restricted for Bond Proceeds	56,525,716	56,525,716
Restricted for Other	-	1,303,107
Restricted Special Revenue Funds	-	1,730,925
Assigned to Other Items (See Note 14)	-	13,625,572
Assigned to Fund Purpose (See Note 14)	16,295,144	16,295,144
Unassigned Fund Balance	-	29,239,324
TOTAL FUND BALANCES	107,447,365	193,102,042
TOTAL LIABILITIES AND FUND BALANCES	\$ 124,451,583	\$ 276,040,054

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

	Total Governmental Funds	Long-Term Assets, Liabilities *	Reclassifications and Eliminations*	Statement of Net Position Totals
ASSETS				
Cash and Cash Equivalents	\$ 221,276,797	\$ -	\$ -	\$ 221,276,797
Cash with Fiscal Agent	50,000	-	-	50,000
Property Tax Receivable	42,804,517	(254,725)	-	42,549,792
Receivables, Net	1,335,914	-	-	1,335,914
Due from Other Funds	191,306	-	(191,306)	-
Due from Other Governments	5,907,911	-	168,156	6,076,067
Inventories	1,860,241	-	-	1,860,241
Prepaid Items	2,613,368	-	-	2,613,368
Capital Assets, Net	-	630,210,356	-	630,210,356
TOTAL ASSETS	276,040,054	629,955,631	(23,150)	905,972,535
DEFERRED OUTFLOWS OF RESOURCES				
Pension Experience Differences	-	34,706,414	-	34,706,414
Pension Assumption Changes	-	5,731,235	-	5,731,235
Pension Changes in Proportions	-	278,636	-	278,636
Pension Contributions	-	6,107,011	-	6,107,011
OPEB Contributions	-	5,651,187	-	5,651,187
OPEB Assumptions Changes	-	31,475,093	-	31,475,093
Refunding Bonds	-	5,551,602	-	5,551,602
TOTAL DEFERRED OUTFLOWS	-	89,501,178	-	89,501,178
TOTAL ASSETS & DEF OUTFLOWS	\$ 276,040,054	\$ 719,456,809	\$ (23,150)	\$ 995,473,713
LIABILITIES				
Accounts Payable	\$ 32,133,643	\$ 5,651,371	\$ -	\$ 37,785,014
Wages, Benefits & Other Payables	6,525,824	-	(3,374,572)	3,151,252
Due to Other Funds	191,306	-	(191,306)	-
Due to Other Governments	348,710	-	-	348,710
Unearned Grant Revenue	3,151,108	-	-	3,151,108
Long-Term Liabilities	-	863,256,854	3,374,572	866,631,426
TOTAL LIABILITIES	42,350,591	868,908,225	(191,306)	911,067,510
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue-Property Taxes	40,587,421	(40,587,421)	-	-
Pension Experience Differences	-	156,520	-	156,520
Pension Assumption Changes	-	5,883,351	-	5,883,351
Pension Changes in Proportions	-	2,735,609	-	2,735,609
Pension Investment Earnings	-	1,067,685	-	1,067,685
OPEB Assumption Changes	-	19,591,427	-	19,591,427
TOTAL DEFERRED INFLOWS	40,587,421	(11,152,829)	-	29,434,592
FUND BALANCES/NET POSITION				
Total Fund Balances/Net Position	193,102,042	(138,298,587)	168,156	54,971,611
TOTAL LIABILITIES AND FUND BALANCES/NET POSITION	\$ 276,040,054	\$ 719,456,809	\$ (23,150)	\$ 995,473,713

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

* See Note 2

Exhibit 4

SPOKANE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(CONTINUED)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND
REVENUES			
Local	\$ 44,050,911	\$ 1,457,697	\$ 54,967,095
State	374,452,277	-	-
Federal	33,417,775	-	714,087
Miscellaneous	1,446,615	-	-
TOTAL REVENUES	453,367,578	1,457,697	55,681,182
EXPENDITURES			
Current Operating:			
Regular Instruction	234,509,096	-	-
Special Instruction	64,560,846	-	-
Vocational Instruction	11,484,811	-	-
Skills Center	3,495,304	-	-
Compensatory Instruction	38,348,614	-	-
Other Instructional Programs	2,598,935	-	-
Community Services	10,751,136	-	-
Support Services	66,266,986	-	-
Student Activities	-	1,189,681	-
Debt Service:			
Principal	-	-	32,580,000
Interest and Other Charges	-	-	23,430,942
Capital Outlay:			
Other	269,726	-	-
TOTAL EXPENDITURES	432,285,454	1,189,681	56,010,942
Excess (Deficiency) of Revenues Over Expenditures	21,082,124	268,016	(329,760)
OTHER FINANCING SOURCES (USES)			
Sale of Equipment & Property	56,004	-	-
TOTAL OTHER FINANCING SOURCES AND USES	56,004	-	-
NET CHANGE IN FUND BALANCE	21,138,128	268,016	(329,760)
Fund Balance - Beginning	36,509,484	1,462,909	26,605,900
Fund Balance - Ending	\$ 57,647,612	\$ 1,730,925	\$ 26,276,140

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

Exhibit 4

SPOKANE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(CONTINUED)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES		
Local	\$ 3,143,252	\$ 103,618,955
State	2,119,640	376,571,917
Federal	398,040	34,529,902
Miscellaneous	-	1,446,615
TOTAL REVENUES	5,660,932	516,167,389
EXPENDITURES		
Current Operating:		
Regular Instruction	-	234,509,096
Special Instruction	-	64,560,846
Vocational Instruction	-	11,484,811
Skills Center	-	3,495,304
Compensatory Instruction	-	38,348,614
Other Instructional Programs	-	2,598,935
Community Services	-	10,751,136
Support Services	-	66,266,986
Student Activities	-	1,189,681
Debt Service:		
Principal	-	32,580,000
Interest and Other Charges	-	23,430,942
Capital Outlay:		
Other	73,606,421	73,876,147
TOTAL EXPENDITURES	73,606,421	563,092,498
Excess (Deficiency) of Revenues Over Expenditures	(67,945,489)	(46,925,109)
OTHER FINANCING SOURCES (USES)		
Sale of Equipment & Property	-	56,004
TOTAL OTHER FINANCING SOURCES AND USES	-	56,004
NET CHANGE IN FUND BALANCE	(67,945,489)	(46,869,105)
Fund Balance - Beginning	175,392,854	239,971,147
Fund Balance - Ending	\$ 107,447,365	\$ 193,102,042

SPOKANE PUBLIC SCHOOLS

Exhibit 4A

RECONCILIATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF
ACTIVITIES
AUGUST 31, 2020

	Total Governmental Funds	Long-Term Revenue, Expenses *	Capital Related Items *
REVENUES			
Property Taxes	\$ 87,418,232	\$ 4,374,658	\$ -
Local Non-Taxes	16,200,723	-	-
State	376,571,917	-	-
Federal	34,529,902	-	-
Miscellaneous	1,446,615	-	-
TOTAL REVENUES	516,167,389	4,374,658	-
EXPENDITURES/EXPENSES			
Current:			
Regular Instruction	234,509,096	(6,896,133)	25,003,600
Special Instruction	64,560,846	(2,044,136)	2,047
Vocational Instruction	11,484,811	(353,845)	85
Skills Center	3,495,304	(89,120)	703,885
Compensatory Education	38,348,614	-	-
Other Instructional Programs	2,598,935	-	-
Community Services	10,751,136	-	-
Support Services	66,266,986	(2,805,117)	2,934,365
Student Activities	1,189,681	-	-
Debt Service:			
Principal	32,580,000	-	-
Interest and Other Charges	23,430,942	-	-
Capital Outlay	73,876,147	(35,383)	(69,983,984)
TOTAL EXPENDITURES/EXPENSES	563,092,498	(12,223,734)	(41,340,002)
EXCESS OF REVENUES OVER/UNDER EXPENDITURES	(46,925,109)	16,598,392	41,340,002
OTHER FINANCING SOURCES (USES)			
Sale of Equipment & Property	56,004	(10,497)	-
TOTAL OTHER FINANCING SOURCES (USES)	56,004	(10,497)	-
NET CHANGE FOR THE YEAR	\$ (46,869,105)	\$ 16,587,895	\$ 41,340,002

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

*See Note 2

**SPOKANE PUBLIC SCHOOLS
RECONCILIATION**

Exhibit 4A

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF
ACTIVITIES
AUGUST 31, 2020**

	Long-Term Debt Transactions *	Statement of Activities Totals
REVENUES		
Property Taxes	\$ -	\$ 91,792,890
Local Non-Taxes	-	16,200,723
State	-	376,571,917
Federal	(9,196)	34,520,706
Miscellaneous	-	1,446,615
TOTAL REVENUES	(9,196)	520,532,851
EXPENDITURES/EXPENSES		
Current:		
Regular Instruction	-	252,616,563
Special Instruction	-	62,518,757
Vocational Instruction	-	11,131,051
Skills Center	-	4,110,069
Compensatory Education	-	38,348,614
Other Instructional Programs	-	2,598,935
Community Services	-	10,751,136
Support Services	-	66,396,234
Student Activities	-	1,189,681
Debt Service:		
Principal	(32,580,000)	-
Interest and Other Charges	(4,805,405)	18,625,537
Capital Outlay	-	3,856,780
TOTAL EXPENDITURES/EXPENSES	(37,385,405)	472,143,357
EXCESS OF REVENUES OVER/UNDER EXPENDITURES	37,376,209	48,389,494
OTHER FINANCING SOURCES (USES)		
Sale of Equipment & Property	-	45,507
TOTAL OTHER FINANCING SOURCES (USES)	-	45,507
NET CHANGE FOR THE YEAR	\$ 37,376,209	\$ 48,435,001

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

*See Note 2

SPOKANE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
PRIVATE PURPOSE TRUST FUNDS
AUGUST 31, 2020

	Private-Purpose Trusts
ASSETS	
Cash and Cash Equivalents	\$ 340,991
TOTAL ASSETS	<u><u>\$ 340,991</u></u>
LIABILITIES	
Accounts Payable	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>
NET POSITION	
Held in Trusts for Scholarships	340,991
TOTAL NET POSITION	<u><u>\$ 340,991</u></u>

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

SPOKANE PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

	Private-Purpose Trusts
ADDITIONS	
Donations	\$ 145,897
Investment Earnings	1,619
Total Additions	<u>147,516</u>
DEDUCTIONS	
Scholarships	119,413
Total Deductions	<u>119,413</u>
Change in Net Position	28,103
Net Position, Beginning of the Year	312,888
Net Position, End of the Year	<u><u>\$ 340,991</u></u>

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

SPOKANE SCHOOL DISTRICT NO. 81
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Spokane Public Schools (SPS) 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 school district's operations is vested with the independently elected board of directors. Management of the school 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.

For financial reporting purposes, Spokane Public Schools includes all funds and organizations that are controlled by or dependent on the district's board of directors or administrative staff. Because the district has organizations that appear to be related to district operations, an evaluation of these related organizations for determination of component units was performed using the criteria established in GASB 39. Control by or dependence on the district 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, or receipt of significant subsidies from the district. The total net position of and annual contribution from each related organization was evaluated for materiality to the district as a whole. The following related organizations were reviewed and determined not to be component units:

Related Organizations

Spokane Public Schools Foundation (SPS Foundation) was organized on June 21, 2006 in the state of Washington for the purpose of supporting Spokane Public Schools. The SPS Foundation is a legally separate entity managed by a board of eleven directors who are nominated by the foundation board. Spokane Public Schools is not responsible for management or finances of the SPS Foundation. Financial information for the SPS Foundation is not presented in the financial statements.

The Greater Spokane League, a legally separate entity, was organized for the exclusive purpose of supporting the high school activities programs for athletics and debate. It is managed by a board of ten members - the principal from each of the participating high schools, five of which are employees of Spokane Public Schools. Spokane Public Schools is not financially responsible for the Greater Spokane League. Financial information for the Greater Spokane League is not presented in the financial statements.

Various parent/teacher associations, organizations and/or groups (PTAs), all of which are legally separate entities, were organized for the purpose of increasing the opportunities for parents to be involved in the educational activities of their children. The boards of directors and/or officers of the PTAs are not appointed by the board of directors of Spokane Public Schools. Spokane Public Schools is not financially responsible for these parent/teacher associations, organizations and/or groups. Financial information for the PTAs is not presented in the financial statements.

B. Basis of Presentation

Spokane Public Schools' financial reports, as reflected by the accompanying financial statements, conform to Generally Accepted Accounting Principles. The accounts of the school district are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds in this report are grouped, in the financial statements in this report, into basic financial statements as follows:

Government-Wide Financial Statements

Overall governmental activities are reported here without displaying individual funds or fund types and display information about the district as a whole.

The government-wide financial statements 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:

Statement of Net Position – The Statement of Net Position reports all financial and capital resources. Capital assets (land, land improvements, building, building improvements, vehicles, and equipment) are reported at historical cost, net of accumulated depreciation, where applicable. In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. The deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows of resources related to pension plans, other post-employment benefits and refunding bonds. In addition to liabilities, the statement of financial positional also presents a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) that will not be recognized as an inflow of resources (revenue) until that time. The district has deferred inflows related to pension plans and other post-employment benefits.

Statement of Activities – The Statement of Activities demonstrates the degree to which the direct expenses of a given function/program are offset by program revenues. The expenses and revenues are reported as follows:

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

Revenues – The revenues are divided into program revenues and general revenues. Program revenues consist of two major categories: charges for services and grants and contributions. Charges for services consist of customers, parents or students who purchase, use, or directly benefit from goods or services. Examples of charges for services are payments for before and after school care and breakfast and lunch payments. The grants and contributions are restricted to meeting the operational or capital requirements of a particular function. All revenues not associated with a program are defined as general revenues. General revenues include general apportionment from the state of Washington, local property taxes, investment earnings and special items. Revenues are recognized when they are earned and measurable on a full accrual basis.

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

Fund Financial Statements

The governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Governmental Fund reporting includes General, Special Revenue (Associated Student Body Fund), Capital Projects and Debt Service Funds. These funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and the district considers all revenues available if they are collected within 60 days after year-end to pay liabilities of the current period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures are recorded when the related fund liability is incurred, except for the unmatured principal and interest, which are recorded when due. Financial resources usually are appropriated in other funds for transfer to a debt service fund in the period in which maturing debt principal and interest must be paid. Such amounts are not current liabilities of the debt services fund. Long-term liabilities are not recognized as governmental fund liabilities.

GOVERNMENTAL FUNDS

General Fund

This fund is the general operating fund of the district. It is used to account for all expendable financial resources, except those required to be accounted for in another fund. The revenues of the General Fund are derived primarily from the state of Washington, local property taxes and federal grants. In keeping with the principle of as few funds as

necessary, food services, maintenance, data processing, printing, and transportation activities are included in this fund. These activities are statutorily assigned to the General Fund and also principally serve and receive their support from the General Fund.

Special Revenue Fund (Associated Student Body Fund)

This fund is used to account for the extracurricular fees collected from a variety of fund-raising events for students. Disbursements require the joint approval of the appropriate student body organization and the district's board of directors. This fund is accounted for as a special revenue fund since the financial resources legally belong to the school.

Debt Service Fund

This fund is used to account for the accumulation of resources for, and 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 resources set aside for the acquisition and construction of capital assets. It includes net rental income and net proceeds from the sale of real property. This fund must be used when projects are financed wholly or in part by bond issues, intergovernmental resources, major private donations, or insurance recoveries. Expenditures in this fund may also be for energy capital improvements to existing buildings and the purchase of certain initial equipment for existing buildings.

FIDUCIARY FUNDS

The financial statements for fiduciary funds use the economic resources measurement focus and the accrual basis of accounting. Fiduciary fund reporting focuses on net positions and changes in net position. Trust funds are used by the district in its fiduciary capacity as trustee or agent for assets held for individuals, private organizations, and other governments. These funds include private-purpose trust funds. The entire income and principal of a private-purpose trust may be disbursed in the course of its operation.

The fiduciary funds consist of trust funds receiving donations from private individuals and foundations for student needs and scholarships.

MAJOR AND NONMAJOR FUNDS

The district considers all governmental funds presented as major funds.

C. Budgetary Data

General Budgetary Policies

School district accounting systems provide the basis for the budgetary control. RCW 28A.505 and Washington Administrative Code (WAC) Chapter 392-123 mandate school district budget policies and procedures. The budget is adopted by the board after a public hearing. The board adopted budget is a prerequisite to expenditures in the General, Special Revenue, Debt Service and Capital Projects Funds. Management is authorized to modify specific accounts within the overall fund budgeted expenditures. The board may adopt a revised or supplemental budget for expenditures after a public hearing anytime during the fiscal year. There were no budget revisions at the fund level during the fiscal year 2019-2020. If the local school district budget does not comply with the budget procedures established by RCW 28A.505, the superintendent of public instruction shall give written notice to the board of directors for the local school district that shall, within thirty days from the date the notice is issued, submit a revised budget which meets the requirements of RCW 28A.505.

Adopted budgeted expenditures lapse at the end of the fiscal period. In addition, pursuant to law, actual expenditures cannot exceed the adopted budget at the fund level.

Budgetary Basis of Accounting

For budget and accounting purposes, revenues and expenditures are recognized on the modified accrual basis of accounting as prescribed by law for all governmental and fiduciary funds. Fund balance is budgeted as an available resource and pursuant to law, the budgeted ending fund balance cannot be negative. The basis of budgeting is the same as GAAP, therefore no reconciliation is included.

Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation. Encumbrances are closed at the end of the fiscal year and reopened the following year. Encumbrances were closed on August 31, 2020 and were re-encumbered on September 1, 2020. See Note 11 for details.

D. Measurement Focus and Basis of Accounting

Measurement Focus

The government-wide financial statements measure and report all assets (both financial and capital), deferred outflow of resources, liabilities, deferred inflows of resources, revenues, expenses, gains, and losses using the economic resources measurement. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position.

The governmental fund financial statements (General Fund, Special Revenue Fund, Debt Service Fund and Capital Projects Fund) utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The private-purpose trust funds (Fiduciary Fund) are used to account for resources legally held in trust for the benefit of specifically named organizations (not to support district operations) or expenditures that are to assist the poor or infirm. They are reported on the accrual basis of accounting and utilize an economic resources measurement focus.

The district does not have any proprietary funds.

Basis of Accounting

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Property taxes receivable are measurable; however, only that portion collected within 30 days of the end of the year is available. Categorical program claims and inter-district billings are measurable and available and are therefore accrued. The district accrues property taxes collections for 30 days after the fiscal year end and revenues related to grants that have been and/or will be claimed.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred. The fund liability is incurred when the goods or services have been received. The one exception to this rule is the recognition of principal and interest on general long-term debt, which is recognized when due.

E. Eliminations and Reclassifications

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

F. Assets, Liabilities and Net Position

Deposits and Investments

The county treasurer is the ex-officio treasurer for the school district. In this capacity, the county treasurer receives deposits and makes investment transactions in the district's behalf.

In the absence of district policy, the district follows applicable investment statutes which authorize the district to deposit or invest in (1) securities, certificates, notes, bonds, short-term securities, or other obligations of the United States, (2) any state bank or trust company, national banking association, stock savings bank, mutual savings bank, savings and loan association, and (3) any branch bank engaged in banking in this state in accordance with RCW 30.04.300 if the institution has been approved by the Washington Public Deposit Protection Commission to hold public deposits and has segregated eligible collateral having a value of not less than its maximum liability.

The district's deposits are held by qualified public depositories and are protected from loss by the Washington Public Deposit Protection Commission and the Federal Deposit Insurance Corporation.

The district uses the US Bank as its fiscal agent for bond principal and coupon redemption.

Property Taxes

Property tax revenues are collected as the result of special levies passed by the voters in the school district. In accordance with the 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 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 delinquent after that date. Typically, a little more than half of taxes due are collected on the April 30 date. In governmental fund financial statements, property tax revenue which is measurable but not available (taxes that are not expected to be collected within 30 days after the current period) is recorded as a receivable and deferred inflow of resources. In government-wide financial statements, property tax revenue, net of estimated uncollectible, is accrued at year-end.

Due From/To Other Funds

Interfund receivables and payables and the associated revenues and expenditures/expenses are recorded in the respective funds on governmental fund financial statements. Interfund receivables and payables are eliminated in government-wide financial statements, except those with fiduciary funds, which are reclassified as a third-party receivable. The interfund balances are temporary and are regularly cleared by issuance of a warrant.

Due from/to Other Governments

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

Inventories

Consumable inventories are valued at cost using the first-in, first-out (FIFO) method. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are offset by a nonspendable fund balance which is equal to the reported inventory level to indicate that a portion of the fund balance is not available for future expenditures. United States Department of Agriculture (USDA) commodity inventory, included in the inventory total, consists of food donated by the USDA. It is valued at the prices paid by the USDA for the commodities. A comparison to market value is not considered necessary.

Prepays

Prepaid assets are accounted under the consumption method. Assets are recorded as prepaid if the life of the asset extends past the fiscal year. The prepaid assets are amortized over the life of the asset. Reported prepaids are offset by a nonspendable fund balance which is equal to the reported prepaid balance to indicate that a portion of the fund balance is not available for future expenditures.

G. Bond Discount and Bond Premiums

In governmental funds, bond discounts and premium are recognized in the period of issuance. In government-wide financial statements, they are amortized using the straight-line method over the life of the bonds.

H. Capital Assets

Capital assets, which include property, buildings and improvements, and equipment, are reported in the applicable governmental activities in the government-wide financial statements. Assets acquired after 1980 are presented at historical cost. Assets acquired before 1980 are presented at estimated historical cost if actual was not available. The district defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life

in excess of one year. 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 functions/programs in government-wide financial statements in compliance with GASB Statement #34. See Note 4 for details.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the -line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Site Improvements	15 years
Buildings	50 years
Building Improvements	20 years
Equipment and Vehicles	3-12 years

Land and construction in progress are not depreciated.

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

I. Deferred Outflows and Inflows of Resources

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

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

In governmental fund financial statements, deferred inflows of resources consist of amounts collected before revenue recognition criteria are met, and receivables which, under the modified accrual basis of accounting, are measurable but not yet available, e.g., 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 less estimated uncollectibles are fully accrued; therefore, there are no unavailable property tax revenues in these statements. However, in government-wide financial statements, deferred inflows and/or outflows of resources are recorded for the differences between projected and actual pension experience, the differences between projected and actual investment earnings, changes in proportions of the total pension liability, changes in assumptions used to calculate the pension liability, contributions made after the valuation date of the pension liability, changes in assumptions used to calculate the liability for other post-employment benefits and the difference between the reacquisition price and the net carrying amount for advanced refunding of bonds. Please refer to Notes 6, 7 and 8 for more details.

J. Compensated Absences

Under the provisions of RCW 28A.400, up to 180 days of sick leave accumulated by district employees is reimbursed at retirement at the rate of one day for each four days of accrued leave. Employees earn sick leave at a rate of twelve days per year and may accumulate such leave to a maximum of 180 days. This statute also provides for an annual buyout of an amount up to the maximum annual accumulation of twelve days, cashed out at the same rate of one day for each four days of accrued sick leave earned and not used in the prior calendar year. For buyout purposes at retirement, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

The accumulation of the maximum allowable vested sick leave at a ratio of one for four days and the unpaid vacation leave are reported under long-term liabilities in the Statement of Net Position. The current portion of compensated absences is reported as an expenditure in the fund financial statements. The current portion is an estimate based on

historical usage. In the government-wide financial statements both the long term and the current portion of the compensated absences are reflected.

There are no unrecorded liabilities for employee benefits or other post-employment benefits.

K. Net Position (Government-wide Financial Statements)

The “Net Investment in Capital Assets” component consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds (net of bond proceeds not expended), mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The “Restricted Net Position” component reports the assets where constraints are placed by external laws, regulations, or legislation. Therefore, they are available for disbursements only for specific purposes (i.e., debt service, capital projects and others). The “Unrestricted Net Position” are assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

L. Fund Balances (Governmental Fund Financial Statements)

The fund balance designations for the governmental fund financial statements are as follows:

Nonspendable accounts represent those portions of fund balance that cannot be spent either because they are not in a spendable form (inventories and prepaids) or are legally required to be maintained intact.

Restricted fund balances are those amounts that are restricted for specific purposes. These restrictions may be either externally imposed by creditors, grantors, contributors, laws, or regulations or imposed by law through constitutional provisions or enabling legislation. Included in this fund balance category are uninsured risk, unexpended state capital match proceeds, special revenue fund (Associated Student Body Funds) balance, compensated absence balance, Skill Center, and debt service fund balance.

Committed fund balance are those amounts that can be used for specific purposes pursuant to constraints imposed by resolution of the board of directors. These committed fund balances cannot be used for any other purposes unless the board takes action to change or remove the original limitations. The district has no commitments as of August 31, 2020.

Assigned fund balance comprises amounts the district intends to use for a specific purpose. Authority for making these assignments rests with the superintendent, pursuant to Policy #1500 – Board Relations with Superintendent. The assignment in the Capital Projects fund reflects the fact that all funds, which are not otherwise restricted, are assigned to be used for projects which are deemed allowable as Capital. A detailed list of assignments is available in note 10.

The District adopted a minimum fund balance policy to provide a buffer against unforeseen risk and financial uncertainty. Annually, as part of the budget development process, the School Board will review the total of the committed, assigned, and unassigned minimum fund balances (CAU). The total shall be in the range of 5-6% of the actual expenditures of the most recently completed fiscal year (e.g., one fiscal year prior to the current year of operations). In the event the CAU total fund balance “reserve” falls below the benchmark range of 5-6%, a plan to replenish the fund will be developed and implemented. In the event the set aside fund balance exceeds the benchmark range, a plan for one-time use of the additional amount may be proposed by the Board of Directors.

Unassigned fund balance includes all resources not reported in the other four classifications and is only reported in the General Fund. These are the only resources on the balance sheet that are truly available for any purpose.

When resources meeting more than one of the classifications (excluding nonspendable) are comingled in an account, assuming that an expenditure meets the constraints of the classification, the assumed order of spending is restricted first, committed second and, finally assigned.

2. RECONCILIATION BETWEEN GOVERNMENTAL FUND FINANCIAL STATEMENTS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS

Balance Sheet/Statement of Net Position (Exhibit 3A)

- a. Property tax levies that will not be collected for several months after year-end are not considered “available” under the modified accrual basis of accounting. Therefore, taxes receivable is presented with corresponding deferred inflow of resources in the fund financial statements. Since revenue for the taxes receivable is not recognized in the fund financial statements, an allowance for uncollectible accounts is also not recorded. Under full accrual accounting, taxes are considered “available” when levied. In the Statement of Activities, the unavailable revenue for taxes receivable of **\$40,587,421** is recognized as revenue and a corresponding allowance for uncollectible accounts of **\$254,725** is recorded.
- b. When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds.

However, the Statement of Net Position includes those capital assets among the assets for the district as a whole.

Cost of Capital Assets	\$980,611,183
Accumulated Depreciation	(350,400,827)
Capital Assets Net of Depreciation	<u>\$630,210,356</u>

- c. Accrued interest payable on long-term debt is not reflected in fund financial statements. **\$5,651,371** of accrued interest on long-term debt is recorded in the Statement of Net Position.
- d. Long-term liabilities of **\$866,631,426** (of which \$39,201,000 is due within one year) applicable to the district’s governmental activities are not included in the fund financial statements. All liabilities, current and non-current, are included in the government-wide statements.
- e. In the fund financial statements, interfund payables and receivables are recorded as a result of general operations. In the conversion of fund financial statements to government-wide financial statements, all of the governmental funds are consolidated and presented as a total. Since they are consolidated into one fund for presentation, the interfund payables and receivables between governmental funds are eliminated. The interfund payables and receivables between governmental funds and fiduciary funds are reclassified to accounts payable and accounts receivable. **\$191,306** of interfund balances between governmental funds are eliminated.
- f. A receivable of **\$168,156** for accrued subsidy on the 2010C unlimited general obligation Build America Bonds is recorded. Due to the impact of federal sequestration adjustments, the current year accrual is less than the prior year accrual by **\$9,196** resulting in a decrease to revenue of \$9,196.
- g. Effective September 1, 2014, the District implemented GASB statement number 68, *Accounting and Financial Reporting for Pensions*. The statement requires the District to report a portion of the liabilities of the pension plans with which our employees participate. This resulted in total deferred outflows of **\$46,823,296** and total deferred inflows of **\$9,843,165** being recorded.
- h. Effective September 1, 2017, the District implemented GASB statement number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement requires the District to report a portion of the liabilities of the pension plans with which our employees participate. This resulted in total deferred outflows of **\$37,126,280** and total deferred inflows of **\$19,591,427** being recorded.
- i. Deferred outflows of **\$5,551,602** were recorded due to the issuance of the 2015B Unlimited General Obligation Refunding Bonds and the 2017B Unlimited General Obligation Refunding Bonds.

Statement of Revenues, Expenditures, and Changes in Fund Balances/Statements of Activities (Exhibit 4A)

- j. Property tax levies that do not provide current financial resources are reported as deferred inflows of resources in the fund financial statements, but as revenue in the government-wide financial statement increase of **\$4,374,658** of tax revenue is recorded in the conversion from fund financial statements to the statement of activities.

- k. The net amount of **(\$12,223,734)** represents the current year compensated absences, workers compensation, OPEB and Net Pension liability adjustments. The long-term portion of compensated absences and the full amount of workers compensation liability were not reported as expenditures in governmental funds. However, it is reported in the statement of activities as an expense, allocated to various applicable programs. The current portion of compensated absences and workers compensation recorded in the fund statements of **\$3,374,572** is reclassified as current portion of long-term debt.
- l. When capital assets (land, buildings, and equipment) are purchased or constructed to be used in governmental activities, the cost of those assets is reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the district as a whole.

In addition, capital assets sold for **\$56,004**. In the statement of activities, only the gain/(loss) on the sale of capital assets is reported, while in fund financial statements, the proceeds of the sale of capitalized assets increase financial resources and are reported as other financing sources therefore proceeds from the sale of capital assets of **\$10,497** was eliminated.

Capital Outlay	(\$69,983,984)
Depreciation Expense	<u>28,643,982</u>
Difference	<u>(\$41,340,002)</u>

- m. Repayment of principal on debt of **\$32,580,000** was reported as an expenditure in the fund financial statements. In the statement of activities, the repayment of debt is not reflected, as it is a reduction of the debt presented in the Statement of Net Position.
- n. Premiums related to bond issues in 2019, 2017, 2015, 2014, 2013, 2012, 2011 and 2010 are being amortized over the life of the bonds. The current year amortization of premium is **\$5,066,118**. Bond discounts related to bond issues in 2019, 2013, 2012 and 2005 are also amortized over the life of the bonds. The current year amortization of discount is **\$23,463**. Deferred outflows related to bonds issued in 2015 and 2017 are amortized over the life of the bonds. The current year amortization of deferred outflows is **\$640,825**. Accrued interest payable is not recognized in the fund financial statements. The decrease in accrued interest payable as of August 31, 2020 of **\$403,575** is presented as a decrease to expenses.

3. DEPOSITS AND INVESTMENTS

Deposits

The district's cash and cash equivalents are considered to be cash on hand, demand deposits and investments in the Spokane County Investment Pool (SCIP).

At fiscal year-end, the carrying amount of the district's deposits was \$221,667,788. Of this amount \$221,641,811 was insured by federal depository insurance (FDIC and FSLIC) or by collateral held in a multiple financial institution collateral pool administered by the Public Deposit Protection Commission. These deposits are invested as part of the SCIP by the Spokane County treasurer for the benefit of the district. The SCIP has historically maintained a \$1 per share net asset value. The carrying amount of investments in the pool approximates fair value. The remaining \$25,977 of cash is retained at sites throughout the district for starting cash and petty cash transactions.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity to changes in market interest rates. The SCIP has a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The average maturity of an investment in the SCIP was 1.01 years as of August 2020. In addition, the investment portfolio is structured to meet the cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments that can be held by government agencies to safe high-quality securities. The investments authorized under the investment policy are limited to federal government-backed securities, certificates of deposit, bankers' acceptance, repurchase agreements (under certain conditions), local and state government bonds (limited to one of the highest three credit ratings), registered warrants, corporate notes, commercial paper, direct district notes and the Washington State and Local Government Investment Pool. The SCIP limits the maximum percentage of the portfolio that may be invested in an individual class of investment requiring diversification to minimize credit risk.

The Washington State Auditor's Office and the Finance Committee of Spokane County provide regulatory guidance. The Pool is not registered with the SEC and has not obtained or provided any legally binding guarantees. A credit rating for the SCIP is not available. Additional information on the investment policies of the pool is available on the Spokane County website at <https://www.spokanecounty.org/DocumentCenter/View/25779>. Information about the SCIP is available in the Spokane County Comprehensive Annual Financial Report available on the Spokane County website at <http://www.spokanecounty.org/3016/Annual-Financial-Reports>.

4. CHANGES IN CAPITAL ASSETS

Purchases of equipment with a unit cost in excess of \$5,000 are capitalized and depreciated in government-wide financial statements. The district's property valuation of buildings and contents for insurance purposes was \$1,242,683,196 on August 31, 2020. In the opinion of the district's insurance consultant, this amount is sufficient to adequately fund replacement of the district's assets. There have been no significant reductions to the insurance coverage.

	Balance 8/31/2019	Additions	Deletions	Balance 8/31/2020
Governmental Activities:				
Capital Assets - Not Depreciated:				
Land	\$ 23,495,004	\$ 2,776,192	\$ -	\$ 26,271,196
Construction in Progress	9,717,754	66,823,236	(18,023,827)	58,517,163
Total Capital Assets - Not Depreciated	33,212,758	69,599,428	(18,023,827)	84,788,359
Capital Assets - Depreciated:				
Land Improvements	43,625,712	1,844,589	-	45,470,301
Buildings and Improvements	817,649,085	16,268,078	(1,098,777)	832,818,386
Other Equipment & Machinery	17,483,027	292,717	(241,607)	17,534,137
Total Capital Assets - Depreciated	878,757,824	18,405,384	(1,340,384)	895,822,824
Less Accumulated Depreciation:				
Land Improvements	(21,148,051)	(2,550,077)	-	(23,698,128)
Building and Improvements	(287,616,323)	(25,020,425)	1,098,777	(311,537,971)
Other Equipment & Machinery	(14,322,357)	(1,073,480)	231,110	(15,164,727)
Total Accumulated Depreciation	(323,086,731)	(28,643,982)	1,329,887	(350,400,826)
Total Capital Assets - Depreciated, Net	555,671,093	(10,238,598)	(10,497)	545,421,998
Governmental Activities Capital Assets, Net	\$ 588,883,851	\$ 59,360,830	\$ (18,034,324)	\$ 630,210,357

Depreciation Expense was charged to governmental activities as follows:

Regular Instruction	\$ 25,003,600
Special Instruction	2,047
Vocational Instruction	85
Skill Center	703,885
Support Services	2,934,365
Total Capital Assets - Depreciated, Net	\$ 28,643,982

5. INTERFUND AND OTHER GOVERNMENT TRANSACTIONS

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

	Due from Other Funds	Due to Other Funds
General Fund	\$ -	\$ 191,306
Special Revenue Fund	178,807	-
Capital Projects Fund	12,499	-
Total	\$ 191,306	\$ 191,306

Interfund balances are a result of transactions that have occurred in one fund that have been reclassified to the appropriate fund.

As of August 31, 2020, receivables from other governments consist of the following receivables related to grants and apportionment:

	General	Capital Projects	Debt Service
State of Washington	\$ 3,672,741	\$ 1,415,450	\$ -
Central Valley School District	406,700	-	-
Colville School District	3,325	-	-
Deer Park School District	1,575	-	-
Tacoma Public Schools	4,400	-	-
Mead School District	16,050	-	-
Mid Columbia College	15,000	-	-
US Department of Education	879	-	-
US Treasury	-	-	360,077
NEWESD	410	-	-
US Department of Justice	4,025	-	-
Spokane Regional Health District	7,279	-	-
	\$ 4,132,384	\$ 1,415,450	\$ 360,077

As of August 31, 2020, payables to other governments consist of the following payables related to grants and use taxes:

	General
Federal Communications Commission	\$ 127,311
State of Washington	221,399
	<u>\$ 348,710</u>

6. PENSIONS

A. General Information

The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature.

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/administration/annual-report/default.htm>.

Membership Participation

Substantially all the district's full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by the Washington State Department of Retirement Systems (DRS): Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS). Participation in the programs was as follows:

Membership by retirement system program as of June 30, 2019:

Program	Active Members	Inactive Vested Members	Retired Members
TRS	77,870	11,574	52,264
PERS	161,048	35,921	106,662
SERS	64,240	15,158	20,079

Membership by retirement system program as of June 30, 2020:

Program	Active Members	Inactive Vested Members	Retired Members
TRS	79,836	11,179	53,294
PERS	164,010	35,679	110,250
SERS	65,715	15,338	22,312

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

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

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

TRS Plan 1 provides retirement, disability, and death benefits. TRS 1 members were vested after the completion of five years of eligible service who joined the system on or before September 30, 1977. Monthly retirement benefits are determined as two percent of the average final compensation (AFC), for each year of service credit, up to a maximum of

60 percent, divided by twelve. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two. Members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

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

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

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

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

PERS Plan 1 provides retirement, disability, and death benefits. PERS 1 members were vested after the completion of five years of eligible service who joined the system on or before September 30, 1977. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

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

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

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

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

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

65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. SERS members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

The benefit is reduced by a factor that varies according to age, for each year before age 65. SERS members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 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.

B. 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 employee contribution rate for Plan 1 in PERS and TRS is set by statute at 6 percent and does not vary from year to year. The employer rate is the same for all plans in a system. The methods used to determine the contribution requirements are established under chapters 41.40, 41.32, and 41.35 RCW for PERS, TRS and SERS, respectively.

Employee contribution rates, expressed as a percentage of covered payroll for 2020 were as follows:

Plan	7/1/20 Rate	7/1/19 Rate
PERS 1	6.00%	6.00%
	9/1/20 Rate	9/1/19 Rate
TRS 1	6.00%	6.00%
TRS 2	7.78%	7.78%
TRS 3	varies *	varies *
SERS 2	8.25%	8.25%
SERS 3	varies *	varies *

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

Employer contribution rates:

Plan	7/1/20 Rate	7/1/19 Rate
PERS 1	12.97%	12.86%
	9/1/20 Rate	9/1/19 Rate
TRS 1	15.74%	15.51%
TRS 2	15.74%	15.51%
TRS 3	15.74% **	15.51% **
SERS 2	13.30%	13.19%
SERS 3	13.30% **	13.19% **

Note: The DRS administrative rate of 0.0018 is included.

** - Defined benefit portion only.

Under current law the employer must contribute 100 percent of the employer-required contribution. Employer required contributions in dollars (Participant information for all plans is as of August 31):

Plan	FY 19-20	FY 18-19	FY 17-18
Plan 1 TRS	\$ 14,632,615	\$ 15,707,994	\$ 13,436,521
Plan 2 TRS	3,585,007	3,642,260	3,022,367
Plan 3 TRS	13,171,107	13,174,336	11,757,878
Plan 1 PERS	2,894,704	3,290,101	2,922,803
Plan 2 SERS	2,018,178	2,138,652	1,957,788
Plan 3 SERS	3,021,010	3,169,178	2,800,898

C. The Collective Net Pension Liability

The collective net pension liabilities for the pension plans the District participated in are reported in the following tables:

Net Pension Liability as of June 30, 2020:

Dollars in Thousands	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total Pension Liability	\$ 3,530,540	\$ 531,964	\$ 2,408,786	\$ 1,535,981
Plan fiduciary net position	(3,516,122)	(519,722)	(2,340,697)	(1,492,581)
Participating employers' net pension liability	14,418	12,242	68,089	43,400
Plan fiduciary net position as a percentage of the total pension liability	99.59%	97.70%	97.17%	97.17%

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

At June 30, 2020, the District reported a total liability of \$138,150,573 for its proportionate shares of the individual plans' collective net pension liability. The District's proportionate share of the collective net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2020, the District's proportionate share of each plan's net pension liability is reported below:

June 30, 2020	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	\$ 2,959,859	\$ 4,976,494	\$14,844,514	\$16,440,305
Proportionate Share of the Net Pension Liability	14,418,712	12,242,263	68,089,355	43,400,243

At June 30, 2020, the District's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior year is illustrated below:

Allocation Percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.408400%	2.301333%	2.826708%	2.825572%
Prior year proportionate share of the Net Pension Liability	0.451779%	2.562688%	3.091993%	3.086892%
Net difference percentage	(0.043379%)	(0.261355%)	(0.265284%)	(0.261320%)

E. 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, 2019, with the results rolled forward to June 30, 2020, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

F. Mortality Rates

Mortality rates were developed using the Society of Actuaries' Pub.H-2010 mortality rates, which vary by member status (eg, active, retiree, or survivor), as our base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year, throughout their lifetime.

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2020, are summarized in the following table:

TRS1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	Long-term Expected
		Real Rate of Return
Fixed Income	20.00%	2.20%
Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Public Equity	32.00%	6.30%
Private Equity	23.00%	9.30%

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

H. Discount Rate

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

I. Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Pension Plans reported collective Deferred Outflows of Resources and collective Deferred Inflows of Resources related to the individual plans. At August 31, 2020, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(80,278)
Changes in assumptions or other inputs	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	456,611	-
TOTAL	\$ 456,611	\$ (80,278)

SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 7,277,775	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(128,195)
Changes in assumptions or other inputs	133,412	(1,127,030)
Changes in proportion and differences between contributions and proportionate share of contributions	40,385	(800,271)
Contributions subsequent to the measurement date	778,849	-
TOTAL	\$ 8,230,421	\$ (2,055,496)

TRS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(437,883)
Changes in assumptions or other inputs	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	2,294,545	-
TOTAL	\$ 2,294,545	\$ (437,883)

TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 27,428,639	\$ (156,520)
Net difference between projected and actual earnings on pension plan investments	-	(421,329)
Changes in assumptions or other inputs	5,597,823	(4,756,322)
Changes in proportion and differences between contributions and proportionate share of contributions	238,252	(1,935,339)
Contributions subsequent to the measurement date	2,577,007	-
TOTAL	\$ 35,841,721	\$ (7,269,510)

\$6,107,011 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
2021	(364,303)	\$ (141,834)	(1,924,499)	(1,189,288)
2022	(11,458)	1,146,727	(56,308)	3,032,075
2023	111,159	1,450,528	586,025	4,545,940
2024	184,324	1,851,644	956,899	5,785,257
2025	-	754,279	-	3,183,118
Thereafter	-	334,733	-	10,638,101

J. Pension Expense (Benefit)

The District recognizes a pension expense for its proportionate share of the collective pension expense. This is determined by using the district's proportionate share of the collective net pension liability. For the year ending August 31, 2020, primarily due to investment performance, the District recognized a total negative pension expense as follows:

Pension Expense (benefit)	
PERS 1	\$ (1,074,095)
SERS 2/3	3,455,027
TRS 1	951,066
TRS 2/3	13,604,724
TOTAL	\$ 16,936,722

K. Sensitivity of the Net Pension Liability 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 7.4 %, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.40%) or one percentage point higher (8.40%) than the current rate. Amounts are calculated by plan using the District's allocation percentage.

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1 NPL	\$ 4,422,202,000	\$ 3,530,540,000	\$ 2,752,919,000
Allocation Percentage	0.40839962%	0.40839962%	0.40839962%
Proportionate Share of Collective NPL	\$ 18,060,256	\$ 14,418,712	\$ 11,242,911

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
SERS 2/3 NPL	\$ 1,517,879,000	\$ 531,964,000	\$ (283,583,000)
Allocation Percentage	2.30133307%	2.30133307%	2.30133307%
Proportionate Share of Collective NPL	\$ 34,931,451	\$ 12,242,263	\$ (6,526,189)

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
TRS 1 NPL	\$ 3,051,911,000	\$ 2,408,786,000	\$ 1,847,550,000
Allocation Percentage	2.82670835%	2.82670835%	2.82670835%
Proportionate Share of Collective NPL	\$ 86,268,623	\$ 68,089,355	\$ 52,224,850

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
TRS 2/3 NPL	\$ 4,526,645,000	\$ 1,535,981,000	\$ (903,643,000)
Allocation Percentage	2.82557158%	2.82557158%	2.82557158%
Proportionate Share of Collective NPL	\$ 127,903,595	\$ 43,400,243	\$ (25,533,080)

L. Aggregate Pension Amounts

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement 68 for the year 2020:

Aggregate Pension Amount - All Plans	
Pension liabilities	\$ 138,150,573
Deferred outflows of resources	46,823,296
Deferred inflows of resources	9,843,166
Pension expense (benefit)	16,936,722

Historical trend information showing TRS and PERS progress in accumulating sufficient assets to pay benefits when due is presented in the Department of Retirement System's June 30, 2020 comprehensive annual financial report (CAFR). Refer to this report for detailed trend information. It is available at <http://www.drs.wa.gov/administration/annual-report/> or from:

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

7. **OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The state, through the Health Care Authority (HCA), administers a multiple-employer other post-employment benefit plan. 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. 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 State of Washington collects a fee from all school district entities which are not current active members of the state Health Care Authority but participate in the state retirement system. As outlined in the state's operating budget, school districts are mandated to pay the state HCA \$71.08 per month per full-time equivalent employee in September 2019, \$69.56 per month per full-time employee in October and November 2019 to support the program. Starting in January 2020, the state Health Care Authority started the State Employees Benefits Board (SEBB). The SEBB Programs administers health insurance and other benefits to all employees. The not currently active members fee has now been rolled into the per month payment for active employees. This assessment to the District is subject to change annually. Participation in the PEBB is limited to the District's 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 PEBB plan include the state of Washington which includes general government agencies, higher education institutions, and component units. Additionally, there are 76 of the state's K-12 schools and educational service districts (ESDs), and 249 political subdivisions and tribal governments not included in the state's financial reporting that participate in the PEBB plan. The plan is also available to the retirees of the remaining 227 K-12 schools, charter schools, and ESDs. The District's retirees are eligible to participate in the PEBB plan under this arrangement. Membership in the PEBB plan for the District consisted of the following:

Summary of Plan Participants
As of July 1, 2020

Active Employees	3,872
Retirees Receiving Benefits	1,392 *

* as of 7/1/18 measurement date

The PEBB retiree OPEB plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: PERS, TRS and SERS. However, not all employers who participate in these plans offer PEBB to retirees.

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 subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2018, the average weighted implicit subsidy was valued at \$347 per adult unit per month, and in calendar year 2019, the average weighted implicit subsidy was valued at \$367 per adult unit per month. In calendar year 2020, the average weighted implicit subsidy is projected to be \$373 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2018 and 2019, the explicit subsidy was up to \$168 per member per month, increasing to \$183 in 2020. It is projected to remain at \$183 per member per month in calendar year 2021. For calendar year 2020, retirees also receive an explicit subsidy of \$7.75/month toward life insurance premiums.

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 2020:

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

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

Actuarial Assumptions. The total OPEB liability was determined using the following methodologies:

Actuarial valuation date	7/1/2018
Actuarial measurement date	8/31/2019
Actuarial cost method	Individual entry age
Amortization method	The recognition period for the assumption changes is 7.9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset valuation method	N/A - no assets

In order to calculate the beginning total OPEB liability balance under GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*, an actuarial valuation was performed with a valuation date of July 1, 2018 was performed. The forward projection reflects the plan's assumed service cost, assumed interest, and expected benefit payments.

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

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 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.

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

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the 20-year tax-exempt municipal bond yield, or 3.96 percent for the August 31, 2018, measurement date and 2.97 percent for the August 31, 2019, measurement date.

Changes in assumptions resulted from an increase in the 20-year tax-exempt municipal bond yield discount rate resulting in an overall decrease in total OPEB liability for the measurement date of August 31, 2019.

Health and Life Insurance trend rates used were as follows:

Year Ending August 31	Pre-65 Retiree Claims and Contributions (1)	Post-65 Retiree Contributions (2)	Post-65 Retiree Claims (3)
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 increase to Total Cost for Post-65 medical benefits.

(3) Used to project annual increase to explicit subsidy for Post-65 medical benefits.

Total OPEB Liability. As of August 31, 2020, the District reported a total OPEB liability of \$217.1 million.

Changes in Total OPEB Liability

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

Changes in total OPEB liability	
OPEB liability, August 31, 2019	\$ 170,518,607
Changes for the year	
Service cost	8,229,802
Interest on total OPEB liability	6,997,330
Effect of plan change	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	35,510,362
Expected benefit payments	(4,125,324)
Net changes in total OPEB liability	46,612,170
OPEB liability, August 31, 2020	217,130,777

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

	Current Discount Rate		
	1% Decrease (1.97%)	(2.97%)	1% Increase (3.97%)
Total OPEB liability	\$ 263,421,616	\$ 217,130,777	\$ 181,298,998

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following represents the total OPEB liability of the state as an employer, calculated using current health care trend rates, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 175,345,669	\$ 217,130,777	\$ 273,556,058

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB. For the year ending August 31, 2020, the District recognized OPEB expense of \$11,169,922.

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

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experiences	\$ -	\$ 1,045,756
Changes in assumptions or other inputs	(19,591,427)	31,475,093
Contributions subsequent to the measurement date	-	4,605,431
TOTAL	\$ (19,591,427)	\$ 37,126,280

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	
2021	548,221
2022	548,221
2023	548,221
2024	820,130
2025	820,130
Thereafter	9,096,278

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

OPEB Amounts	
OPEB liabilities	\$ 217,130,777
Deferred outflows of resources	37,126,280
Deferred inflows of resources	(19,591,427)
OPEB expense (benefit)	11,169,922

8. LONG-TERM DEBT

Bonds payable at August 31, 2020 consists of eleven issues: General Obligation Refunding Bonds of 2010, General Obligation Taxable Build America Bonds of 2010, General Obligation Refunding Bonds of 2012, General Obligation Bonds of 2012, General Obligation Bonds of 2013, General Obligation Bonds of 2014, General Obligation Refunding Bonds of 2015, Series B, General Obligation Bonds of 2015, Series C, General Obligation Refunding Bonds of 2017, General Obligation Bonds of 2017, Series C and General Obligation Bonds of 2019. Principal and interest is payable on June 1 and December 1.

In November 2010, the board issued \$39,500,000 of nineteen-year tax-supported general obligation taxable build America bonds (2010C). The funding will be used for construction of various district projects, including the replacement or renovation of four elementary schools, modernization of one high school, replacement of a middle school gymnasium, high school field improvements, technology, and infrastructure to support technology and various building improvements.

Interest rates on the general obligation taxable build America bonds are fixed at 5.350 to 5.500 percent depending on the year of maturity. The general obligation taxable build America bonds will be retired on December 1, 2029.

In November 2010, the board issued \$80,960,000 of general obligation refunding bonds. The proceeds from these bonds were to refund the majority of the outstanding 2003 bond issue. Interest rates on the general obligation bonds are fixed at 5.000 percent. The bonds will be retired on December 1, 2022. All 2003 bonds have been called and redeemed.

In November 2011, the board issued \$75,000,000 in nineteen-year property tax-supported general obligation bonds as the fifth installment of funding for the projects authorized by voters in March 2009. The funding will be used for construction of various district projects, including the replacement or renovation of four elementary schools, modernization of one high school, replacement of a middle school gymnasium, high school field improvements, technology, and infrastructure to support technology and various building improvements. Interest rates on the general obligation bonds are fixed at 2.000 to 5.000 percent, depending on the year of maturity. The bonds will be retired on December 1, 2030. These bonds were refunded in December 2017 as discussed under Refunding Bonds. The outstanding bonds will be retired on December 1, 2021.

In June 2012, the board issued \$38,310,000 of general obligation refunding bonds. The proceeds from these bonds were to refund the majority of the outstanding 2005 bond issue. Interest rates on the general obligation bonds are fixed at 2.000 percent to 5.250 percent depending on the year of maturity. The bonds will be retired on December 1, 2024. All 2005 bonds have been called and redeemed.

In November 2012, the board issued \$50,000,000 in twenty-year property tax-supported general obligation bonds as the sixth installment of funding for the projects authorized by voters in March 2009. The funding will be used for construction of various district projects, including the replacement or renovation of four elementary schools, modernization of one high school, replacement of a middle school gymnasium, high school field improvements, technology, and infrastructure to support technology and various building improvements. Interest rates on the general obligation bonds are fixed at 3.000 to 4.000 percent, depending on the year of maturity. The bonds will be retired on December 1, 2032.

In December 2013, the board issued \$30,000,000 in nineteen-year property tax-supported general obligation bonds as the seventh installment of funding for the projects authorized by voters in March 2009. The funding will be used for construction of various district projects, including the replacement or renovation of four elementary schools, modernization of one high school, replacement of a middle school gymnasium, high school field improvements, technology, and infrastructure to support technology and various building improvements. Interest rates on the general obligation bonds are fixed at 4.250 to 5.000 percent, depending on the year of maturity. The bonds will be retired on December 1, 2032.

In December 2014, the board issued \$25,525,000 in nineteen-year property tax-supported general obligation bonds as the eighth and final installment of funding for the projects authorized by voters in March 2009. The funding will be used for construction of various district projects, including the replacement or renovation of four elementary schools, modernization of one high school, replacement of a middle school gymnasium, high school field improvements, technology, and infrastructure to support technology and various building improvements. Interest rates on the general obligation bonds are fixed at 4.500 to 5.500 percent, depending on the year of maturity. The bonds will be retired on December 1, 2033.

In December 2015, the board issued \$36,055,000 of general obligation refunding bonds. The proceeds from these bonds were to refund the outstanding 2009 bond issue. Interest rates on the general obligation bonds are fixed at 2.250 percent to 5.000 percent depending on the year of maturity. The bonds will be retired on December 1, 2026.

In December 2015, the board issued \$29,000,000 in nineteen-year property tax-supported general obligation bonds as the second installment of funding for the projects authorized by voters in February 2015. The funding will be used for construction of various district projects, including the replacement or renovation of four elementary schools, replacement of a middle school, replacement of a middle school gymnasium, improvements at two high schools, technology, and infrastructure to support technology and various building improvements. Interest rates on the general obligation bonds are fixed at 4.000 percent. The bonds will be retired on December 1, 2034.

In November 2017, the board issued \$16,545,000 in two-year property tax-supported general obligation bonds as the third installment of funding for the projects authorized by voters in February 2015. The funding will be used for construction of various district projects, including the replacement or renovation of four elementary schools, replacement of a middle school, replacement of a middle school gymnasium, improvements at two high schools, technology, and infrastructure to support technology and various building improvements. Interest rates on the general obligation bonds are fixed at 5.000 percent. The bonds will be retired on December 1, 2019.

In November 2017, the board issued \$64,320,000 of general obligation refunding bonds. The proceeds from these bonds were to refund the outstanding 2011 bond issue. Interest rates on the general obligation bonds are fixed at 4.000 percent to 5.000 percent depending on the year of maturity. The bonds will be retired on December 1, 2030.

In November 2017, the board issued \$29,320,000 in eighteen-year property tax-supported general obligation bonds as the fourth installment of funding for the projects authorized by voters in February 2015. The funding will be used for construction of various district projects, including the replacement or renovation of four elementary schools, replacement of a middle school, replacement of a middle school gymnasium, improvements at two high schools, technology, and infrastructure to support technology and various building improvements. Interest rates on the general obligation bonds are fixed at 4.000 percent to 5.000 percent depending on the year of maturity. The bonds will be retired on December 1, 2035.

In February 2019, the board issued \$127,910,000 in eighteen-year property tax-supported general obligation bonds as the fifth installment of funding for the projects authorized by voter in February 2015 and first installment of funding for the projects authorized by voters in November 2018. The 2015 authorization funding will be used for construction of various district projects, including the replacement or renovation of four elementary schools, replacement of a middle school, replacement of a middle school gymnasium, improvements at two high schools, technology, and infrastructure to support technology and various building improvements. The 2018 authorization funding will be used for construction of three new middle schools, renovation, or replacement of three middle schools, On- Track Academy and Albi Stadium, construction of a commons for Lewis and Clark high school renovations at Libby Center, technology, and infrastructure to support technology and various building improvements. Interest rates on the general obligation bonds are fixed at 5.000 percent. The bonds will be retired on December 1, 2036.

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

	Balance 8/31/2019	Additions	Reductions	Balance 8/31/2020	Current Portion
Serial Bonds Payable	\$ 489,545,000	\$ -	\$ 32,580,000	\$456,965,000	\$34,075,000
Vacation Leave Payable	3,660,300	2,172,705	1,783,005	4,050,000	1,358,000
Sick Leave Payable	4,903,000	494,130	699,130	4,698,000	938,000
Workers Compensation	3,670,000	2,010,828	2,545,474	3,135,354	2,830,000
Net OPEB Obligation	170,518,606	46,612,171	-	217,130,777	-
Net Pension Liability	118,533,164	25,806,621	6,189,212	138,150,573	-
Subtotal	790,830,070	77,096,455	43,796,821	824,129,704	39,201,000
Unamortized Premium	47,812,973	-	5,066,118	42,746,855	
Unamortized Discount	(268,596)	-	(23,463)	(245,133)	
Net Long -Term Debt	\$ 838,374,447	\$ 77,096,455	\$ 48,839,476	\$866,631,426	

Debt service requirements for bonds are funded out of the Debt Service Fund with the revenue sources being property taxes and investment income. At August 31, 2020, the District had \$26,276,140 available in the Debt Service Fund to service the general obligation bonds. Vacation, sick leave, workers' compensation, Net OPEB Obligation and Net Pension Obligation debt service requirements are funded out of the General Fund.

Annual Requirements to Amortize Bond and Interest Debt as of August 31, 2020:

Year Ending August 31	Principal	Interest	Total
2021	34,075,000	20,075,488	54,150,488
2022	21,020,000	18,917,113	39,937,113
2023	12,260,000	18,271,987	30,531,987
2024	16,300,000	17,401,675	33,701,675
2025	9,040,000	16,593,800	25,633,800
2026-2030	111,120,000	69,365,100	180,485,100
2031-2035	169,560,000	38,742,325	208,302,325
2036-2037	83,590,000	4,035,275	87,625,275
Total	\$ 456,965,000	\$ 203,402,763	\$ 660,367,763

Bonds Authorized but Unissued

There are \$395,300,000 of bonds that are authorized but unissued bonds as of August 31, 2020.

Bond Premium and Discount

The premium on bonds is amortized over the life of the bonds using the straight-line method. The unamortized premium as of August 31, 2020 is as follows:

Bond Series	Premium	Unamortized Premium
2019 Unlimited General Obligation Bonds	\$ 18,572,975	\$ 16,767,269
2017A Unlimited General Obligation Bonds	1,006,396	-
2017B Unlimited General Obligation Refunding Bonds	12,445,475	9,812,778
2017C Unlimited General Obligation Bonds	3,324,442	2,816,541
2015B Unlimited General Obligation Refunding Bonds	6,807,095	3,867,667
2015C Unlimited General Obligation Bonds	1,847,322	1,385,491
2014 Unlimited General Obligation Bonds	2,251,989	1,570,466
2013 Unlimited General Obligation Bonds	520,257	335,429
2012 Unlimited General Obligation Bonds	831,670	509,398
2012 Unlimited General Obligation Refunding Bonds	7,690,009	2,614,603
2010B Unlimited General Obligation Refunding Bonds	14,526,954	2,723,804
2010C Unlimited General Obligation Bonds	705,380	343,409
Total	\$ 70,529,964	\$ 42,746,855

The discount on bonds is amortized over the life of the bonds using the straight-line method. The unamortized discount as of August 31, 2020 is as follows:

Bond Series	Discount	Unamortized Discount
2019 Unlimited General Obligation Bonds	\$ 117,374	\$ 105,962
2013 Unlimited General Obligation Bonds	123,195	79,969
2011 Unlimited General Obligation Bonds	46,080	25,061
2005 Unlimited General Obligation Bonds	157,315	34,141
Total	\$ 443,964	\$ 245,133

The deferred outflows on refunding bonds are amortized over the life of the bonds using the straight-line method. The unamortized deferred outflows as of August 31, 2020 are as follows:

Bond Series	Deferred Outflows	Unamortized Deferred Outflows
2017B Unlimited General Obligation Refunding Bonds	\$ 5,025,937	\$ 3,962,758
2015B Unlimited General Obligation Refunding Bonds	2,796,364	1,588,843
Total	<u>\$ 7,822,301</u>	<u>\$ 5,551,601</u>

Prior and Current-Year Defeasance of Debt

In prior and current years, the District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At August 31, 2020, \$69,200,000 of bonds outstanding were considered defeased.

Debt Covenants

The district is in compliance with all debt covenants.

Arbitrage Rebate

The district has provided for no arbitrage liability related to the outstanding bond issues. Arbitrage will be monitored at the calculation period prescribed by the Internal Revenue Service.

Operating Leases

The district leases copiers under noncancellable operating leases. Total cost for the leases was \$54,702 for the year ended August 31, 2020. The leases are through a purchasing cooperative agreement and have no future minimum lease payments. The lease fees are based on the usage with no minimum fee.

Short-Term Debt

The district has no short-term debt.

9. RISK MANAGEMENT

Unemployment Insurance

The district has elected to maintain a self-insurance program for unemployment benefits in accordance with RCW 51.14.020. Actual employee benefits are paid by the Washington State Department of Employment Security and then reimbursed by the district. The following is a summary of activity for the fiscal year:

	2020	2019	2018	2017
Beginning Balance	\$ 2,057,087	\$ 2,123,314	\$ 2,120,204	\$ 2,099,295
Amount Added to Reserve	83,818	94,013	91,742	164,854
	2,140,905	2,217,327	2,211,946	2,264,149
Amount Deducted from Reserve	(646,372)	(160,240)	(88,632)	(143,945)
Ending Balance	<u>\$ 1,494,533</u>	<u>\$ 2,057,087</u>	<u>\$ 2,123,314</u>	<u>\$ 2,120,204</u>

Industrial Insurance

The district has been self-insured since January 1, 1982. The district has historically purchased both per occurrence and aggregate stop-loss reinsurance protection. The district has a \$425,000 per occurrence self-insured retention.

The industrial insurance claims management has been assigned to Sedgwick CMS. The following is a summary of activity for the fiscal year:

	2020	2019	2018	2017
Beginning Balance	\$ 589,461	\$ 230,163	\$ (104,097)	\$ 229,809
Amount Added to Reserve	3,034,585	3,302,639	3,097,749	2,527,883
	3,624,046	3,532,802	2,993,652	2,757,692
Amount Deducted from Reserve	(2,545,474)	(2,943,341)	(2,763,489)	(2,861,789)
Ending Balance	\$ 1,078,572	\$ 589,461	\$ 230,163	\$ (104,097)

In addition to the above balances, a restriction of fund balance in the amount of \$2,720,000 has been established in the General Fund to cover any loss for which an estimated liability has not been established or insurance coverage has not been secured. In the government-wide financial statements, an estimated liability, including case reserves and incurred but not reported of \$3,135,354 and \$3,670,000 as of August 31, 2020 and 2019 respectively is reported as a long-term liability. The estimate of ultimate loss, including incurred but not reported, loss development estimates and assessments, is calculated in an actuarial study prepared by a public accounting firm based on data from the preceding fiscal years.

Risk Management Pool

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

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

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance from unrelated underwriters that are subject to a per-occurrence self-insured retention of \$1 million risk shared by the Pool. Members are responsible for varied deductibles for both liability and property claims. 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 fully funded by its member participants. The district paid \$1,059,026 to the pool for the fiscal year ended August 31, 2020. Settled claims resulting from this risk have not exceeded insurance coverage in any of the past three fiscal years.

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

10. FUND BALANCE (GOVERNMENTAL FUNDS)

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

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund
Non-spendable inventory and prepaids	\$ 4,473,609	\$ -	\$ -	\$ -
Restricted - debt service	6,286,000	-	26,276,140	166,000
Restricted - self insurance	2,720,000	-	-	-
Restricted - state match	-	-	-	34,460,505
Restricted - bond proceeds	-	-	-	56,525,716
Restricted - other (Skill Center)	1,303,107	-	-	-
Restricted - Associated Student Body	-	1,730,925	-	-
Restricted Fund Balance	10,309,107	1,730,925	26,276,140	91,152,221
Assigned - capital projects	-	-	-	16,295,144
Assigned - nutrition services	831,696	-	-	-
Assigned - child care	330,745	-	-	-
Assigned - transportation	1,463,130	-	-	-
Assigned - COVID19 expenditures in excess of federal revenue	6,000,000	-	-	-
Assigned - timing difference for start of school	5,000,000	-	-	-
Assigned Fund Balance	13,625,571	-	-	16,295,144
Unassigned Fund Balance	29,239,325	-	-	-
Total Fund Balance	\$ 57,647,612	\$ 1,730,925	\$ 26,276,140	\$ 107,447,365

11. ENCUMBRANCES

Encumbrances represent contracts (including construction contracts), purchase orders, and other commitments to purchase which were fully liquidated and re-established for the remaining commitment balances in the next year. As of August 31, 2020, encumbrances of \$11,931,582, \$154,745,959, and \$18,782 were outstanding for the General Fund, Capital Projects Fund and ASB Fund, respectively.

12. TAX ABATEMENTS

District property tax revenues were reduced by \$944,566 from multiple-family housing property tax exemption agreements entered into by the City of Spokane. This represents the only tax abatement applicable to the district, therefore the use of a quantitative threshold to determine which tax abatements to report is not required.

13. JOINT VENTURE

The District is the host district for the NEWTECH Skill Center, a regional program designed to provide career and technical education opportunities to students in participating districts. The purpose of a Skill Center is to enhance the career and technical education course offerings among districts by avoiding unnecessary duplication of courses.

The NEWTECH Skill Center was created through an agreement of the eleven member districts. The Skill Center is governed by an Administrative Council, comprised of the superintendents, or their appointed representatives, of each member district. The Skill Center administration is handled through a director, employed by the District.

As host district, the District has the following responsibilities:

1. Employ staff of the Skill Center.
2. Act as fiscal agent for the Skill Center and maintain separate accounts and fund balances for each fund.
3. Review and adopt the Skill Center budget as a part of the District's overall budget.
4. Provide such services as may be mutually agreed upon by the District and the Skill Center.

Sources of Funding

The Skill Center is primarily funded by state apportionment, based on the number of students who attend the Skill Center. Other sources of income include federal grants from the Carl D. Perkins program, tuition and fees, and payments from member districts.

Financial Operations

Financial operations are included in these financial statements in the amount of revenues totaling \$4,556,686 and expenditures totaling \$3,592,948. Comparable revenues and expenditures totaled \$3,743,305 and expenditures totaling \$3,796,011, respectively, during the preceding year.

Unspent Funds

Any funds remaining at the end of the year from NEWTECH operations are recorded as a restriction of the District's General Fund balance and are to be used for financing future operations of NEWTECH. Member districts do not have claim to any unspent funds of NEWTECH.

The following districts are member districts of the Skill Center: Spokane School District, Mead School District, Freeman School District, East Valley School District, Cheney School District, West Valley School District, Deer Park School District, Central Valley School District, Riverside School District, Nine Mile School District and Medical Lake School District.

The Newport School District, Davenport School District and Colville School District operate Satellite Campuses of the NEWTECH Skill Center. A Satellite Campus is not eligible to claim those students who attend for purposes of receiving direct funding from the state. The Newport School District, Davenport School District and Colville School District are required to provide the staffing for the Satellite Campus programs. As the fiscal agent for the Skill Center, Spokane Public School district reimburses the satellite district for their costs through the interlocal agreement.

14. CONTINGENT LIABILITIES

Spokane Public Schools participates in a number of federally assisted grant programs principally funded by the Department of Education, the Bureau of Indian Affairs, the Comprehensive Employment Training Act, and others. These programs are subject to program compliance audits by the grantors or their representatives. The audits of some of these programs for, or including, the year ended August 31, 2020, either have not yet been conducted or are still pending final action and acceptance by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. Spokane Public Schools expects such amounts, if any, to be immaterial.

The district is not aware of any material violations of contractual provisions or other finance related provisions.

15. SUBSEQUENT EVENT – COVID 19

In February 2020, Governor Inslee declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, canceling public events, limiting gathering sizes, and requiring people to stay home unless they were leaving for an essential function. On April 6, 2020, the Governor closed all public and private K–12 school buildings throughout the remainder of the 2019–20 school year. The school district, however, continued to operate, educating students using continuous learning models.

Many of the precautionary measures put in place during the 2019–20 school year remain in effect; and are affecting the district for the 2020–21 school year in new ways. The District has enacted a re-opening plan, which implements in-person learning for students K-4 and a hybrid model for grades 5-12, with in-person learners complying with all social distancing and face covering requirements with full implementation by March 1, 2021.

Much of the initial fiscal uncertainty related to the pandemic has been mitigated by federal funds. Three federal allocations for pandemic relief have been approved at the federal level. ESSER I funds were allocated in summer 2020 with most funds used in the 2020-2021 fiscal year. The ESSER II and ESSER III funds will be available beginning in fiscal year 2020-2021. The Office of the Superintendent of Instruction (OSPI) is developing the application and claiming process for ESSER II and ESSER III. The estimated amount of ESSER funding across all three ESSER packages is \$124 million.

16. SUBSEQUENT EVENT – BOND SALE

On March 18, 2021, the district held a competitive bond sale and accepted bids for \$172,775,000 of bonds authorized by voters in 2018 and \$58,010,000 of bonds to refund the outstanding 2010B and 2010C bonds. Bond delivery and funding is scheduled for April 8, 2021. The bonds have a true interest cost of 2.38% with the refunding producing a net present value savings of \$7,880,177. The district has \$195,300,000 authorized but unissued bonds.

REQUIRED SUPPLEMENTARY INFORMATION
SPOKANE PUBLIC SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2020

	BUDGETED AMOUNTS		ACTUAL AMOUNT	FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Local	\$ 45,765,103	\$ 46,311,253	\$ 44,050,911	\$ (2,260,342)
State	376,405,539	375,097,543	374,452,277	(645,266)
Federal	36,674,718	37,071,935	33,417,775	(3,654,160)
Other	1,035,211	1,399,840	1,446,615	46,775
TOTAL REVENUES	459,880,571	459,880,571	453,367,578	(6,512,993)
EXPENDITURES				
CURRENT				
Regular Instruction	250,147,731	249,115,735	234,509,096	14,606,639
Special Instruction	64,546,536	64,333,198	64,560,846	(227,648)
Vocational Instruction	12,007,342	12,074,780	11,484,811	589,969
Skills Center	3,806,778	3,656,257	3,495,304	160,953
Compensatory Education	41,140,557	42,273,413	38,348,614	3,924,799
Other Instructional Programs	5,228,782	3,835,374	2,598,935	1,236,439
Community Services	9,458,487	9,662,352	10,751,136	(1,088,784)
Support Services	74,678,711	76,066,755	66,266,986	9,799,769
CAPITAL OUTLAY				
Other	886,551	883,611	269,726	613,885
TOTAL EXPENDITURES	461,901,475	461,901,475	432,285,454	29,616,021
Excess of Revenues Over/ (Under) Expenditures	(2,020,904)	(2,020,904)	21,082,124	23,103,028
OTHER FINANCING SOURCES/(USES)				
Sale of Equipment	30,000	30,000	56,004	26,004
Total Other Financing Sources/(Uses)	30,000	30,000	56,004	26,004
Excess of Revenues & Other Financing Sources Over/(Under) Expenditures & Other Uses	(1,990,904)	(1,990,904)	21,138,128	23,129,032
FUND BALANCE - September 1	37,012,164	37,012,164	36,509,484	(502,680)
FUND BALANCE - August 31	\$ 35,021,260	\$ 35,021,260	\$ 57,647,612	\$ 22,626,352

The basis of budgeting is the same as GAAP.

REQUIRED SUPPLEMENTARY INFORMATION
SPOKANE PUBLIC SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND (ASSOCIATED STUDENT BODY FUND)
FOR THE YEAR ENDED AUGUST 31, 2020

	BUDGETED AMOUNTS		ACTUAL AMOUNT	FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
General	\$ 662,000	\$ 662,000	\$ 525,402	\$ (136,598)
Athletics	817,000	817,000	443,247	(373,753)
Classes	896,000	896,000	356,283	(539,717)
Clubs	312,000	312,000	132,765	(179,235)
Total Revenues	2,687,000	2,687,000	1,457,697	(1,229,303)
EXPENDITURES				
General	695,000	695,000	491,963	203,037
Athletics	757,000	757,000	308,342	448,658
Classes	887,000	887,000	264,809	622,191
Clubs	268,000	268,000	124,567	143,433
Total Expenditures	2,607,000	2,607,000	1,189,681	1,417,319
Excess of Revenues Over/ (Under) Expenditures	80,000	80,000	268,016	188,016
FUND BALANCE - September 1	1,288,000	1,288,000	1,462,909	174,909
FUND BALANCE - August 31	\$ 1,368,000	\$ 1,368,000	\$ 1,730,925	\$ 362,925

The basis of budgeting is the same as GAAP.

REQUIRED SUPPLEMENTARY INFORMATION
SPOKANE PUBLIC SCHOOLS
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019	2018	2017	2016	2015
PERS 1						
District's Proportion of the Net Pension Liability	0.408400%	0.451779%	0.428955%	0.431661%	0.414966%	0.406944%
District's Proportionate Share of the Net Pension Liability	\$ 14,418,712	\$ 17,372,492	\$ 19,157,278	\$ 20,482,642	\$ 22,285,631	\$ 21,286,953
District's covered Payroll	\$ 60,686,517	\$ 62,570,580	\$ 56,450,044	\$ 53,153,529	\$ 49,020,243	\$ 45,172,709
District's Proportional Share of the Net Pension Liability (Amount) as a Percentage of its Covered Payroll	23.76%	27.76%	33.94%	38.53%	45.46%	47.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%
SERS 2/3						
District's Proportion of the Net Pension Liability	2.301333%	2.562688%	2.548529%	2.553870%	2.584312%	2.548690%
District's Proportionate Share of the Net Pension Liability	\$ 12,242,263	\$ 6,009,452	\$ 7,621,683	\$ 12,602,710	\$ 16,972,910	\$ 10,351,531
District's covered Payroll	\$ 60,298,003	\$ 62,034,312	\$ 55,744,619	\$ 52,173,367	\$ 47,798,022	\$ 43,849,012
District's Proportional Share of the Net Pension Liability (Amount) as a Percentage of its Covered Payroll	20.30%	9.69%	13.67%	24.16%	35.51%	23.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.45%	96.31%	94.77%	90.79%	86.52%	90.92%
TRS 1						
District's Proportion of the Net Pension Liability	2.826708%	3.091993%	3.130566%	3.125426%	3.109003%	3.079276%
District's Proportionate Share of the Net Pension Liability	\$ 68,089,355	\$ 76,551,647	\$ 91,431,067	\$ 94,489,992	\$ 106,148,740	\$ 97,555,829
District's covered Payroll	\$ 204,322,930	\$ 207,240,362	\$ 183,893,961	\$ 173,810,804	\$ 156,727,763	\$ 148,851,192
District's Proportional Share of the Net Pension Liability (Amount) as a Percentage of its Covered Payroll	33.32%	36.94%	49.72%	54.36%	67.73%	65.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.55%	70.37%	66.52%	65.58%	62.07%	65.70%
TRS 2/3						
District's Proportion of the Net Pension Liability	2.825572%	3.086892%	3.143578%	3.139666%	3.107343%	3.126996%
District's Proportionate Share of the Net Pension Liability	\$ 43,400,243	\$ 18,599,574	\$ 14,149,685	\$ 28,977,331	\$ 42,673,051	\$ 26,385,651
District's covered Payroll	\$ 203,149,643	\$ 206,084,725	\$ 182,725,358	\$ 172,174,438	\$ 154,671,074	\$ 146,231,733
District's Proportional Share of the Net Pension Liability (Amount) as a Percentage of its Covered Payroll	21.36%	9.03%	7.74%	16.83%	27.59%	18.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.72%	96.36%	96.88%	93.14%	88.72%	92.48%

GASBS 68 was implemented for the fiscal year ended August 31, 2015. No information prior to August 31, 2015 is available.

Source: Spokane School District No. 81

**REQUIRED SUPPLEMENTARY INFORMATION
SPOKANE PUBLIC SCHOOLS
SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED AUGUST 31, 2020**

	2020	2019	2018	2017	2016	2015
PERS 1						
Contractually Required Plan Member Contribution	\$ 2,894,704	\$ 3,290,101	\$ 2,922,803	\$ 2,623,767	\$ 2,441,677	\$ 1,885,446
Contributions in Relation to the Contractually Required Plan Member Contributions	\$ 2,894,704	\$ 3,290,101	\$ 2,922,803	\$ 2,623,767	\$ 2,441,677	\$ 1,885,446
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered Payroll	\$ 60,130,984	\$ 63,360,078	\$ 57,143,312	\$ 53,711,895	\$ 49,722,544	\$ 45,477,041
Contribution as a Percentage of covered Payroll	4.81%	5.19%	5.11%	4.88%	4.91%	4.15%
SERS 2/3						
Contractually Required Plan Member Contribution	\$ 5,039,188	\$ 5,307,830	\$ 4,758,685	\$ 3,594,208	\$ 3,298,601	\$ 2,495,908
Contributions in Relation to the Contractually Required Plan Member Contributions	\$ 5,039,188	\$ 5,307,830	\$ 4,758,685	\$ 3,594,208	\$ 3,298,601	\$ 2,495,908
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered Payroll	\$ 59,775,745	\$ 62,823,450	\$ 56,477,297	\$ 52,773,146	\$ 48,543,495	\$ 44,182,858
Contribution as a Percentage of covered Payroll	8.43%	8.45%	8.43%	6.81%	6.80%	5.65%
TRS 1						
Contractually Required Plan Member Contribution	\$ 14,632,615	\$ 15,707,994	\$ 13,436,521	\$ 10,911,733	\$ 10,169,734	\$ 6,916,266
Contributions in Relation to the Contractually Required Plan Member Contributions	\$ 14,632,615	\$ 15,707,994	\$ 13,436,521	\$ 10,911,733	\$ 10,169,734	\$ 6,916,266
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered Payroll	\$ 202,399,132	\$ 211,116,666	\$ 185,986,718	\$ 173,487,560	\$ 161,738,988	\$ 150,050,481
Contribution as a Percentage of covered Payroll	7.23%	7.44%	7.22%	6.29%	6.29%	4.61%
TRS 2/3						
Contractually Required Plan Member Contribution	\$ 16,756,114	\$ 16,816,596	\$ 14,780,245	\$ 11,864,297	\$ 10,992,261	\$ 8,407,193
Contributions in Relation to the Contractually Required Plan Member Contributions	\$ 16,756,114	\$ 16,816,596	\$ 14,780,245	\$ 11,864,297	\$ 10,992,261	\$ 8,407,193
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered Payroll	\$ 201,266,840	\$ 209,951,599	\$ 184,867,357	\$ 171,970,598	\$ 159,705,481	\$ 147,552,979
Contribution as a Percentage of covered Payroll	8.33%	8.01%	8.00%	6.90%	6.88%	5.70%

GASBS 68 was implemented for the fiscal year ended August 31, 2015. No information prior to August 31, 2015 is available.

Source: Spokane School District No. 81

REQUIRED SUPPLEMENTARY INFORMATION**SPOKANE PUBLIC SCHOOLS****SCHEDULE OF CHANGES IN TOTAL OPEB (OTHER POST-EMPLOYMENT BENEFITS) LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED AUGUST 31, 2020**

	2020	2019	2018
TOTAL OPEB LIABILITY			
Service Cost	\$ 8,229,802	\$ 7,894,426	\$ 9,303,248
Interest on Total OPEB Liability	6,997,330	6,076,259	5,255,474
Changes of benefit terms	-	-	-
Effect of Economic/Demographic Gains (Losses)	-	1,353,332	-
Effect of Assumption Changes or Inputs	35,510,361	(8,111,453)	(21,480,724)
Expected Benefit Payments	(4,125,324)	(3,791,970)	(3,433,307)
Net Change in Total OPEB Liability	46,612,170	3,420,594	(10,355,309)
Total OPEB Liability, Beginning	170,518,606	167,098,012	177,453,321
Total OPEB Liability, Ending	<u>\$ 217,130,777</u>	<u>\$ 170,518,606</u>	<u>\$ 167,098,012</u>
Covered Employee Payroll	\$ 274,489,541	\$ 243,094,707	\$ 227,199,455
Total OPEB Liability as a Percent of Covered Employee Payroll	79.10%	70.14%	73.55%

GASBS 75 was implemented for the fiscal year ended August 31, 2018. No information prior to August 31, 2018 is available.

Data is reported utilizing the most recent information available (measurement date of August 31, 2017)

Assets have not been accumulated in a trust to pay related benefits.

Source: Spokane School District No. 81

Spokane School District No. 81
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	School Breakfast Program	10.553	1197_619804	1,888,210	-	1,888,210	-	
	National School Lunch Program	10.555	1197_6198,177 7	6,571,049	-	6,571,049	-	5
	COVID 19 - Summer Food Service Program for Children	10.559	1197_6189	2,303,693	-	2,303,693	-	
		Total Child Nutrition Cluster:		10,762,952	-	10,762,952	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Community Colleges of Spokane)	Child and Adult Care Food Program	10.558	WINS159230	58,621	-	58,621	-	
	Child Nutrition Discretionary Grants Limited Availability	10.579	710256	124,576	-	124,576	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Fresh Fruit and Vegetable Program	10.582	1197_619801	329,643	-	329,643	-	2
	ROTC Language and Culture Training Grants	12.357	12.WA20001	64,754	-	64,754	-	7
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Department of Justice)	Youth Gang Prevention	16.544	2019-CV-FX- K003	34,580	-	34,580	-	

The accompanying notes are an integral part of this schedule.

Spokane School District No. 81
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020

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	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Spokane Regional Health District)	Highway Planning and Construction	20.205	300-421-1002	16,232	-	16,232	-
Total Highway Planning and Construction Cluster:							-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	0203387,02701 38,0270136,027 0137,0270134,0 270828,027082 9,0270827,0270 826	10,860,594	-	10,860,594	2, 6
Special Education Cluster (IDEA)							-
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	Special Education Grants to States	84.027	0306833,03382 80	6,119,861	-	6,119,861	2
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	Special Education Preschool Grants	84.173	0366326	167,528	-	167,528	2
Total Special Education Cluster (IDEA):							-
Student Financial Assistance Cluster							-
OFFICE OF FEDERAL STUDENT AID, EDUCATION, DEPARTMENT OF (via Interlocal Agreements)	Federal Work-Study Program	84.033	CCS,EWU,GU, WU	16,736	-	16,736	-
Total Student Financial Assistance Cluster:							-
Total Special Education Cluster (IDEA):							-
Total Student Financial Assistance Cluster:							-

The accompanying notes are an integral part of this schedule.

Spokane School District No. 81
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via OSPI)	Career and Technical Education -- Basic Grants to States	84.048	0174551,01739 49	323,348	-	323,348	-	2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via Department of Education)	Indian Education Grants to Local Educational Agencies	84.060	S060A171037, S060A181037	187,238	-	187,238	-	2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Education for Homeless Children and Youth	84.196	0456977	55,000	-	55,000	-	2
OFFICE OF POSTSECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WSAC)	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	21-IA-021,21-IA -020,21-IA-022	354,627	-	354,627	-	2.7
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	English Language Acquisition State Grants	84.365	T365D16005,04 02824	249,233	-	249,233	-	2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	0524777	941,135	-	941,135	-	2
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	Student Support and Academic Enrichment Program	84.424	0430632	575,931	-	575,931	-	2

The accompanying notes are an integral part of this schedule.

Spokane School District No. 81
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020

	Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
					From Pass- Through Awards	From Direct Awards	Total		
	EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425D	0120232	1,230,838	-	1,230,838	-	
	ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via School's Out Washington)	Refugee and Entrant Assistance Discretionary Grants	93.576	Interagency Contract	48,601	-	48,601	-	2
	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Spokane County)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	Interagency Contract	30,458	-	30,458	-	
	FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via FEMA)	COVID 19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	063-UT2RQ-00	321,239	-	321,239	-	
Total Federal Awards Expended:					32,873,725	-	32,873,725	-	

The accompanying notes are an integral part of this schedule.

Spokane Public Schools, District #81
Spokane County
EIN: 91-6001582

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020

Note 1 – Basis of Accounting

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

Note 2 – Federal Indirect Cost Rate

The amount expended includes an indirect cost recovery using an approved indirect cost rate ranging from 2.51%-15.00% depending on the maximum allowable rate for each respective grant. Overall, the district collected \$621,513 in indirect costs. The district has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Program Costs

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

Note 4 – Transferability

Not applicable.

Note 5 – Noncash Awards

The amount of commodities reported on the Schedule is the market value food distributed by the Spokane Public Schools during current year and priced as prescribed by United States Department of Agriculture.

Note 6 – Schoolwide Programs

The district operates a "schoolwide program" in twenty-five elementary schools, six middle schools and one high school. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the district in its schoolwide program: Title I (84.010) \$10,860,594.

Note 7 – CFDA# Not Available

The district has been unsuccessful in obtaining a CFDA# for this funding source.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

Stay connected at sao.wa.gov

- [Find your audit team](#)
- [Request public records](#)
- Search BARS manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

Other ways to stay in touch

- Main telephone:
(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov