Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Clover Park School District No. 400

For the period September 1, 2017 through August 31, 2018

Published May 6, 2019

Report No. 1023656

Office of the Washington State Auditor
Pat McCarthy

May 6, 2019

Superintendent and Board of Directors
Clover Park School District No. 400
Lakewood, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Clover Park School District No. 400'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

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Clover Park School District No. 400
September 1, 2017 through August 31, 2018

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of Clover Park School District No. 400 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 District's financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than 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 deficiencies that we consider to be material weaknesses.

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

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

Identification of Major Federal Programs:

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

CFDA No.	Program or Cluster Title
10.553	Child Nutrition Cluster – School Breakfast Program
10.555	Child Nutrition Cluster – National School Lunch Program
10.559	Child Nutrition Cluster – Summer Food Service Program for Children
12.558	Department of Defense Impact Aid (Supplement, CWSD, BRAC)
84.010	Title I Grants to Local Educational Agencies
84.041	Impact Aid

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $1,045,854.

The District did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See finding 2018-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Clover Park School District No. 400
September 1, 2017 through August 31, 2018

2018-001 The District did not have adequate internal controls in place to ensure compliance with requirements regarding suspension and debarment and graduation rate reporting for the Title I grant program.

CFDA Number and Title:	84.010 – Title I Grants to Local Educational Agencies
Federal Grantor Name:	U.S Department of Education
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Office of Superintendent of Public Instruction
Pass-through Award/Contract Number:	N/A
Questioned Cost Amount:	$

Description of Condition

During fiscal year 2018, the District spent $4,119,134 in Title I grant funds. The objective of this program is to improve the teaching and learning of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentrations of children from low-income families.

High School graduation rate reporting

Districts must report graduation-rate data for all public high schools to the Office of Superintendent of Public Instruction (OSPI) annually. The District reports this information in a Graduation Rate Report that indicates the student's enrollment status: graduated, transferred out, dropped out, migrated to another country, or deceased. The District must keep adequate support for each student's reported status and for changes to a student's status. Students identified on the report as transferred are excluded from that District's graduation rate. To confirm that a student transferred out, the District must have official written documentation that the student enrolled in another school or in an education program that culminates in the award of a regular high school diploma.

The District had procedures in place but they were not effective in ensuring it complied with graduation rate reporting requirements.

Suspension and debarment

Federal regulations prohibit recipients from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. The District must verify that contractors receiving $25,000 or more and all subrecipients have not been suspended or debarred. This verification may be accomplished by reviewing the federal Excluded Parties List maintained by the U.S. General Services Administration, collecting a written certification from the party, or by adding a clause or condition into the contract. The District must meet one of these requirements before entering into contracts with contractors or subrecipients.

The District had procedures in place but they were not effective in ensuring it complied with federal suspension and debarment requirements for all covered transactions.

We consider these internal control deficiencies to be material weaknesses.

These issues were not reported as findings in the prior audit.

Cause of Condition

Graduation rate reporting

District staff misunderstood the requirement to obtain and retain written documentation for students transferring to another District or educational program.

Suspension and debarment

District staff incorrectly identified a federally funded transaction as a state-funded transaction, causing the verification to be missed.

Effect of Condition and Questioned Costs

Graduation rate reporting

The District did not keep appropriate, official written documentation to support the transfer status for four of 25 students tested. As a result, the District risks incorrectly calculating graduation rates.

Suspension and debarment

Of the three contractors paid more than $25,000 with Title I grant funds during fiscal year 2018, the District did not ensure that one contractor, paid $76,859, was not suspended or debarred before entering into a purchase agreement. Without proper controls, the District increases the risk of awarding grant funds to contractors or subrecipients that are excluded from participating in federal programs. Any payments made to an ineligible party are unallowable and would be subject to recovery by the funding agency.

We confirmed the contractor was not suspended or debarred, so we are not questioning these costs.

Recommendation

We recommend the District strengthen internal controls to ensure:

- Staff responsible for ensuring compliance with federal requirements receive appropriate training
- All contractors it expects to pay $25,000 or more of federal funds and all subrecipients are not suspended or debarred from participating in federal programs before entering into a contract or purchase agreement
- Graduation rate data reported to OSPI is accurate and supporting records are kept to support the information reported

District's Response

The district has recognized the issue of federal procurement process requirements as annotated in this finding. The district has enacted updated procedures to ensure that processes are met. Updated trainings have been held and new procedures are now in practice. This includes updates to expenditure pre-planning and approvals, change order management, and the use of federal purchase checklist document retention. We have the training agenda and sign-in sheets on file.

By May 31, 2019, the district's Business and Operations procedure manual will be updated to add the Federal Procurement manual and the new 2017 regulations.

Firwood: District officials made school staff aware that when 18-year-old to 21-year-old students are placed at Western State Hospital that the school will determine whether the patient requires further educational services to complete their high school diploma. This will be done by a weekly check of the patient intake at Western State of 18-21 year-old students. Firwood office staff will check the state student information system to confirm where student last attended school and *if they have not completed a high school diploma. If a student has not completed a high school diploma, and is a:*

1) General Ed student – they will be enrolled in the district's Open Door Youth Reengagement program or Firwood's Alternative Learning Education program. The level of educational services will be assessed and placed appropriately; and

2) Special Ed student – they will be enrolled at Firwood to receive special designed instruction. They may be enrolled in the Firwood Alternative Learning Education program. The level of educational services will be assessed through the IEP, and the student will be placed appropriately.

Once a student who is 18-21 years of age leaves or ages out of secondary education, Firwood and the Open Doors program will ensure the student has earned a diploma, or is confirmed to transfer to another school district. If a Western State patient has not transferred to another school district, they will remain an unconfirmed transfer in EDS. Confirmed transfers will be an electronic request for school records from the receiving school.

Open Doors: District officials made school staff aware that confirmed transfers occur only when electronic documentation of the transfer is received from the new school district where the student attends. They understand phone confirmation is not official.

Also, district officials made Open Doors school staff aware that when a student is re-enrolling in the program, that they are an unconfirmed transfer if it occurs between two different school years, unless the student attends school elsewhere during the time they were unenrolled at Open Doors.

Auditor's Remarks

We appreciate the District's response and recognize that the District is committed to ongoing quality improvement and working to improve its internal controls and ensure compliance.

Applicable Laws and Regulations

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

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

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

Title 2 CFR Part 200, Uniform Guidance, section 213 – Suspension and debarment, establishes suspension and debarment requirements.

Title 2 CFR Part 180, OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement) establishes non-procurement debarment and suspension regulations, implementing Executive Orders 12549 and 12689.

Title 34, U.S. Code of Federal Regulations (CFR) Part 200, Title I – Improving the Academic Achievement of the Disadvantaged, section 19, Other academic indicators, establishes requirements for calculating and reporting graduation rates to the State levels.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Clover Park School District No. 400
September 1, 2017 through August 31, 2018

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

Audit Period: September 1, 2016 through August 31, 2017	**Report Ref. No.:** 1021263	**Finding Ref. No.:** 2017-001	**CFDA Number(s):** 84.010
Federal Program Name and Granting Agency: Title I Grants to Local Educational Agencies, U.S Department of Education		**Pass-Through Agency Name:** Office of Superintendent of Public Instruction	
Finding Caption: The District did not have adequate internal controls in place to ensure compliance with the federal Title I grant requirements for highly qualified paraprofessionals			
Background: The District did not verify and maintain documentation demonstrating that paraprofessionals it charged to the program had received a high school diploma or its recognized equivalent The District relied on employees certifying they acquired the high school diploma or equivalent on their employment application to determine whether the federal requirement was met.			
Status of Corrective Action: (check one)			
☒ Fully Corrected	☐ Partially Corrected	☐ Not Corrected	☐ Finding is considered no longer valid
Corrective Action Taken: *We have improved our internal controls to ensure compliance with the federal Title I grant requirements for highly qualified paraprofessionals. Improvements include clearly emphasizing on the job posting the requirements of providing a high school transcript or diploma, along with a college transcript documenting 72 college credits or documentation of passing the ParaPro exam. In addition, improved internal controls require the above documentation be provided to human resources prior to the first day of employment. Further, we have improved our internal audit process by increasing the frequency of our internal audits throughout the year to ensure compliance in accordance with Title I. We have fully corrected our process.*			

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*

Clover Park School District No. 400
September 1, 2017 through August 31, 2018

Superintendent and Board of Directors
Clover Park School District No. 400
Lakewood, 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 Clover Park School District No. 400, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated April 15, 2019.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because, as described in Note 1, the *Accounting Manual for Public School Districts in the State of Washington* does not require the District to prepare the government-wide statements presenting the financial position and changes in financial position of its governmental activities as required by GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

April 15, 2019

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

Clover Park School District No. 400
September 1, 2017 through August 31, 2018

Superintendent and Board of Directors
Clover Park School District No. 400
Lakewood, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Clover Park School District No. 400, 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, 2018. 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, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

District's Response to Findings

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform

Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2018-001 to be material weaknesses.

District's Response to Findings

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

Purpose of this Report

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

Pat McCarthy

State Auditor

Olympia, WA

April 15, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Clover Park School District No. 400
September 1, 2017 through August 31, 2018

Superintendent and Board of Directors
Clover Park School District No. 400
Lakewood, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Clover Park School District No. 400, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 23.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual) described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for 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 account 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.

Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)

As described in Note 1, the District has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the Accounting Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The difference in these accounting practices is also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clover Park School District No. 400, as of August 31, 2018, and the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. GAAP requires presentation of government-wide financial statements to display the financial position and changes in financial position of its governmental activities.

As described in Note 1, the Accounting Manual does not require the District to prepare the government-wide financial statements, and consequently such amounts have not been determined or presented. We are therefore required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Clover Park School District No. 400, as of August 31, 2018, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The 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). The Schedule of Long-Term Liabilities is presented for purposes of additional analysis, as required by the prescribed Accounting Manual. These schedules are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2019 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

April 15, 2019

FINANCIAL SECTION

Clover Park School District No. 400
September 1, 2017 through August 31, 2018

FINANCIAL STATEMENTS

SUPPLEMENTARY AND OTHER INFORMATION

Clover Park School District No. 400

Balance Sheet

Governmental Funds

August 31, 2018

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	17,380,926.37	57,156.74	155,291.93	10,063,764.04	234,474.99	0.00	27,891,614.07
Minus Warrants Outstanding	-2,267,146.28	-1,114.76	0.00	-2,206.60	0.00	0.00	-2,270,467.64
Taxes Receivable	11,185,002.24		2,857,037.77	0.00	0.00		14,042,040.01
Due From Other Funds	4,387.66	6.00	0.00	28,142.78	0.00	0.00	32,536.44
Due From Other Governmental Units	1,932,251.76	0.00	0.00	0.00	0.00	0.00	1,932,251.76
Accounts Receivable	60,896.60	0.00	0.00	0.00	0.00	0.00	60,896.60
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	191,962.47	0.00		0.00			191,962.47
Prepaid Items	82,966.34	3,033.00			0.00	0.00	85,999.34
Investments	8,900,000.00	572,000.00	11,800,000.00	76,300,000.00	4,000,000.00	0.00	101,572,000.00
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	**37,471,247.16**	**631,080.98**	**14,812,329.70**	**86,389,700.22**	**4,234,474.99**	**0.00**	**143,538,833.05**
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred Outflows of Resources - Other	0.00		0.00	0.00	0.00		0.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	**37,471,247.16**	**631,080.98**	**14,812,329.70**	**86,389,700.22**	**4,234,474.99**	**0.00**	**143,538,833.05**
LIABILITIES:							
Accounts Payable	2,086,694.62	8,180.33	0.00	2,770,755.90	130,032.69	0.00	4,995,663.54
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	252,118.08	0.00		0.00			252,118.08
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00

The accompanying notes are an integral part of this financial statement.

Clover Park School District No. 400

Balance Sheet

Governmental Funds

August 31, 2018

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Payroll Deductions and Taxes Payable	4,403,388.37	0.00		0.00			4,403,388.37
Due To Other Governmental Units	0.00	0.00		0.00	0.00	0.00	0.00
Deferred Compensation Payable	37,744.12			0.00			37,744.12
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	28,148.78	4,387.66	0.00	0.00	0.00	0.00	32,536.44
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Unearned Revenue	0.00	0.00	0.00	0.00	0.00		0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
TOTAL LIABILITIES	**6,808,093.97**	**12,567.99**	**0.00**	**2,770,755.90**	**130,032.69**	**0.00**	**9,721,450.55**
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue	75,619.58	0.00	0.00	0.00	0.00	0.00	75,619.58
Unavailable Revenue - Taxes Receivable	11,185,002.24		2,857,037.77	0.00	0.00		14,042,040.01
TOTAL DEFERRED INFLOWS OF RESOURCES	**11,260,621.82**	**0.00**	**2,857,037.77**	**0.00**	**0.00**	**0.00**	**14,117,659.59**
FUND BALANCE:							
Nonspendable Fund Balance	274,928.81	3,033.00	0.00	0.00	0.00	0.00	277,961.81
Restricted Fund Balance	1,203,288.00	615,479.99	11,955,291.93	22,547,528.33	4,104,442.30	0.00	40,426,030.55
Committed Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assigned Fund Balance	5,809,302.00	0.00	0.00	61,071,415.99	0.00	0.00	66,880,717.99
Unassigned Fund Balance	12,115,012.56	0.00	0.00	0.00	0.00	0.00	12,115,012.56
TOTAL FUND BALANCE	**19,402,531.37**	**618,512.99**	**11,955,291.93**	**83,618,944.32**	**4,104,442.30**	**0.00**	**119,699,722.91**
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	**37,471,247.16**	**631,080.98**	**14,812,329.70**	**86,389,700.22**	**4,234,474.99**	**0.00**	**143,538,833.05**

The accompanying notes are an integral part of this financial statement.

Clover Park School District No. 400

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2018

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	25,281,412.88	669,922.35	7,100,042.05	1,001,513.56	42,614.95		34,095,505.79
State	135,143,339.37		0.00	17,072.00	1,061,529.83		136,221,941.20
Federal	17,695,692.08		1,129,243.36	17,152,320.81	0.00		35,977,256.25
Federal Stimulus	0.00						0.00
Other	176,467.90			0.00	0.00	0.00	176,467.90
TOTAL REVENUES	**178,296,912.23**	**669,922.35**	**8,229,285.41**	**18,170,906.37**	**1,104,144.78**	**0.00**	**206,471,171.14**
EXPENDITURES: **CURRENT:**							
Regular Instruction	89,253,017.67						89,253,017.67
Federal Stimulus	0.00						0.00
Special Education	26,412,562.21						26,412,562.21
Vocational Education	4,932,366.80						4,932,366.80
Skill Center	0.00						0.00
Compensatory Programs	15,793,862.25						15,793,862.25
Other Instructional Programs	3,356,974.77						3,356,974.77
Community Services	379,881.28						379,881.28
Support Services	38,689,835.71						38,689,835.71
Student Activities/Other		655,779.70				0.00	655,779.70
CAPITAL OUTLAY:							
Sites				1,592,313.54			1,592,313.54
Building				6,655,059.22			6,655,059.22
Equipment				228,508.21			228,508.21
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					416,396.77		416,396.77
Sales and Lease				0.00			0.00
Other	396,948.87						396,948.87
DEBT SERVICE:							
Principal	0.00		3,790,000.00	0.00	0.00		3,790,000.00
Interest and Other Charges	0.00		5,634,365.00	0.00	0.00		5,634,365.00
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	**179,215,449.56**	**655,779.70**	**9,424,365.00**	**8,475,880.97**	**416,396.77**	**0.00**	**198,187,872.00**

The accompanying notes are an integral part of this financial statement.

Clover Park School District No. 400

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2018

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	-918,537.33	14,142.65	-1,195,079.59	9,695,025.40	687,748.01	0.00	8,283,299.14
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		0.00	0.00	0.00		0.00
Transfers Out (GL 536)	0.00		0.00	0.00	0.00	0.00	0.00
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	94,732.45		0.00	0.00	21,293.33		116,025.78
TOTAL OTHER FINANCING SOURCES (USES)	**94,732.45**		**0.00**	**0.00**	**21,293.33**	**0.00**	**116,025.78**
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-823,804.88	14,142.65	-1,195,079.59	9,695,025.40	709,041.34	0.00	8,399,324.92
BEGINNING TOTAL FUND BALANCE	**20,226,336.25**	**604,370.34**	**13,150,371.52**	**73,923,918.92**	**3,395,400.96**	**0.00**	**111,300,397.99**
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	**19,402,531.37**	**618,512.99**	**11,955,291.93**	**83,618,944.32**	**4,104,442.30**	**0.00**	**119,699,722.91**

The accompanying notes are an integral part of this financial statement.

Clover Park School District No. 400

Statement Of Fiduciary Net Position

Fiduciary Funds

August 31, 2018

	Private Purpose Trust	Other Trust
ASSETS:		
Imprest Cash	0.00	0.00
Cash On Hand	2,155.19	0.00
Cash On Deposit with Cty Treas	51,250.23	0.00
Minus Warrants Outstanding	0.00	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	260,000.00	0.00
Investments/Cash With Trustee	5,218,455.85	0.00
Other Assets	0.00	
Capital Assets, Land	0.00	
Capital Assets, Buildings	0.00	
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	
Accum Depreciation, Equipment	0.00	0.00
TOTAL ASSETS	**5,531,861.27**	**0.00**
LIABILITIES:		
Accounts Payable	100.00	0.00
Due To Other Funds	0.00	0.00
TOTAL LIABILITIES	**100.00**	**0.00**
NET POSITION:		
Held in trust for:		
Held In Trust For Intact Trust Principal	5,433,404.96	0.00
Held In Trust For Private Purposes	0.00	
Held In Trust For Pension Or Other Post-Employment Benefits		0.00
Held In Trust For Other Purposes	98,356.31	0.00
TOTAL NET POSITION	**5,531,761.27**	**0.00**

The accompanying notes are an integral part of this financial statement.

Clover Park School District No. 400

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended August 31, 2018

	Private Purpose Trust	**Other Trust**
ADDITIONS:		
Contributions:		
Private Donations	35,576.22	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
TOTAL CONTRIBUTIONS	**35,576.22**	**0.00**
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	261,100.94	0.00
Interest and Dividends	183,481.75	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	444,582.69	0.00
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	**480,158.91**	**0.00**
DEDUCTIONS:		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	45,906.00	0.00
Scholarships	122,033.02	
Other	0.00	0.00
TOTAL DEDUCTIONS	**167,939.02**	**0.00**
Net Increase (Decrease)	312,219.89	0.00
Net Position--Prior Year August Beginning	5,219,541.38	0.00
Prior Year F-196 Manual Revision	0.00	0.00
Net Position - Total	5,219,541.38	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
NET POSITION--ENDING	**5,531,761.27**	**0.00**

The accompanying notes are an integral part of this financial statement.

Clover Park School District

Notes to the Financial Statements

September 1, 2017 Through August 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The District presents governmental fund financial statements and related notes on the modified accrual basis of accounting in accordance with the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor's Office and the Superintendent of Public Instruction by the authority of RCW 43.09.200, RCW 28A.505.140, RCW 28A.505.010(1) and RCW 28A.505.020. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

(1) Districtwide statements, as defined in GAAP, are not presented.
(2) A Schedule of Long-Term Liabilities is presented as supplementary information.
(3) Supplementary information required by GAAP is not presented.
(4) Property Taxes collected after the end of the fiscal period are not considered available for revenue accrual as described below.

Fund Accounting

Financial transactions of the District are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. All funds are considered major funds. The various funds in the report are grouped into governmental (and fiduciary) funds as follows:

Governmental Funds

General Fund

This fund is used to account for all expendable financial resources, except for those that are required to be accounted for in another fund. In keeping with the principle of having as few funds as are necessary, activities such as food services, maintenance, data processing, printing, and student transportation are included in the General Fund.

Capital Projects Funds

These funds account for financial resources that are to be used for the construction or acquisition of major capital assets. There are two funds that are considered to be of the capital projects fund type: the Capital Projects Fund and the Transportation Vehicle Fund.

> Capital Projects Fund. This fund is used to account for resources set aside for the acquisition and construction of major capital assets such as land and buildings.
>
> Transportation Vehicle Fund. This fund is used to account for the purchase, major repair, rebuilding, and debt service expenditures that relate to pupil transportation equipment.

Debt Service Fund

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

Special Revenue Fund

In Washington state, the only allowable special revenue fund for school districts is the Associated Student Body (ASB) Fund. This fund is accounted for in the District's financial statements as the financial resources legally belong to the District. As a special revenue fund, amounts within the ASB Fund may only be used for those purposes that relate to the operation of the Associated Student Body of the District.

Fiduciary Funds

Fiduciary funds include pension and other employee benefit trust funds, private-purpose trust funds, and agency funds, and are used to account for assets that are held in trust by the District in a trustee and agency capacity.

Private-Purpose Trust Fund

This fund is used to account for resources that are legally held in trust by the District. The trust agreement details whether principal and interest may both be spent, or whether only interest may be spent. Money from a Private-Purpose Trust Fund may not be used to support the District's programs, and may be used to benefit individuals, private organizations, or other governments.

Measurement focus, basis of accounting, and fund financial statement presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the amount of the transaction can be readily determined. Revenues are considered "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 90 days after year-end. Categorical program claims and interdistrict billings are measurable and available and are accrued. Property taxes not collected by the fiscal year end are measurable and recorded as a receivable, however the receivable is not considered available of revenue accrual, but is recorded as a deferred inflow of resources.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which are recorded when due. Purchases of capital assets are expensed during the year of acquisition. For federal grants, the recognition of expenditures is dependent on the obligation date. (Obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.)

Budgets

Chapter 28A.505 RCW and Chapter 392-123 Washington Administrative Code (WAC) mandate school district budget policies and procedures. The board adopts annual appropriated budgets for all governmental funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Appropriations lapse at the end of the fiscal period.

Budgets are adopted on the same modified accrual basis as used for financial reporting. Fund balance is budgeted as available resources and, under statute, may not be negative, unless the District enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

The government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

Additionally, the District has other restrictions placed on its financial resources. When expenditures are recorded for purposes for which a restriction or commitment of fund balance is available, those funds that are restricted or committed to that purpose are considered first before any unrestricted or unassigned amounts are expended.

The government's fund balance classifications policies and procedures.

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

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

Restricted Fund Balance. Amounts that are reported as Restricted are those resources of the District that have had a legal restriction placed on their use either from statute, WAC, or other legal requirements that are beyond the control of the board of directors. Restricted fund balance includes anticipated recovery of revenues that have been received but are restricted as to their usage.

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

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

In other governmental funds, Assigned fund balance represents a positive ending spendable fund balance once all restrictions and commitments are considered. These resources are only available for expenditure in that fund and may not be used in any other fund without formal action by the District's board of directors and as allowed by statute.

The superintendent or designees is/are the only person (persons) who have the authority to create Assignments of fund balance.

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

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

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

Cash and Cash Equivalents

All of the District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Inventory

Inventories recorded as assets for the district consist of food and fuel. This includes the market value of food commodities received from the federal government. Expenditures for food and fuel are recorded when consumed rather than when purchased. All other supplies are accounted for as expenditures when purchased. Inventories are valued at cost. Fuel is tracked using a perpetual inventory system, using the first-in, first-out (FIFO) method. A periodic method is applied to food inventories, and FIFO is approximated by using last purchase price to value the periodic inventory count.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. The district uses the consumption method to record prepaid items.

NOTE 2: DEPOSITS AND INVESTMENTS

The Pierce County Treasurer is the *ex officio* treasurer for the District and holds all accounts of the District. The District directs the County Treasurer to invest those financial resources of the District that the District has determined are not needed to meet the current financial obligations of the District.

The district's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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

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

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

The District's investments as of August 31, 2018, are as follows:

Type of Investment	(District's) own investments	Investments held by (district) as an agent for other organizations	Fiduciary Fund investments managed by trustee	Total
State Treasurer's Investment Pool	101,577,526	260,014		101,837,540
Other:			7,631,386	7,631,386
Total	101,577,526	260,014	7,631,386	109,468,926

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

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

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

Investments held with the LGIP are reported at fair value as of August 31, 2018. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. This hierarchy has three levels:

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

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

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

The district's investments held with the Pierce County Treasurer are Level 1.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The district manages its exposure to declines in fair value or interest rate risk by limiting the type of investments it makes from its general operating capital.

The district has no formal policy regarding investment-related risk. However, most of the district's available operating funds were invested at year-end by the Pierce County Treasurer with the State of Washington Treasurer's Local Government Investment Pool (LGIP). The State of Washington LGIP mitigates interest rate risk by managing the portfolio in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940, i.e., money market funds. Much of the Rule 2a-7 investment guidelines are directed towards limiting interest rate risk, in order to maintain a stable net asset value. For example, the LGIP's policy places a 90-day maximum on the weighted average maturity. Further, the maximum maturity of any security will not exceed 397 days, except for securities utilized in repurchase agreements and U.S. Agency floating or variable rate notes may have a maximum maturity of 762 days, provided that they have reset dates within one year and which on any reset date can reasonably be expected to have a fair value that approximates its amortized cost.

The private-purpose trust fund includes assets of the Dimmer Scholarship Trust, which are held primarily in stocks of private corporations. Interest rate risk and other risks associated with such investments are diffused by disbursing the assets among many different corporations in the portfolio.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

State law limits investments that can be held by government agencies. State law is designed to minimize the risk to a municipal corporation. The investments authorized under state law, with the exception of private purpose trust funds, are limited to:

- Savings or time accounts in qualified public depositaries
- Certificates, notes, or bonds of the U.S.
- Other obligations of the U.S. or its agencies, or any corporation owned by the U.S. government
- Bankers' acceptances purchased on the secondary market
- Federal home loan bank notes and bonds
- Federal land bank bonds and federal national mortgage association notes, debentures, and guaranteed certificates of participation
- Obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as
- Bonds of the state or any local government in the state that have one of the three highest credit ratings of a nationally recognized rating agency
- General obligation bonds of another state, or local government in another state, that has one of the three highest credit ratings of a nationally recognized rating agency
- Any registered warrants of any government located in the same county as the government making the investment
- Any investment authorized by law for the treasurer of the state of Washington or any local government in the state, other than metropolitan municipal corporations

The county treasurer is the ex-officio treasurer for the district. In this capacity, the county treasurer receives deposits and transacts investments on the district's behalf. Most of the district's operating funds are invested by the Pierce County Treasurer in the Local Government Investment Pool (LGIP) managed by the State of Washington Treasurer. The policy of the LGIP is to invest funds according to the types of instruments allowable by law as noted above. In addition, the LGIP investment policy indicates that banker's acceptances and commercial paper must be rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. The LGIP, as a whole, is not rated with any external organization that we are aware of.

The private-purpose trust fund includes assets of the Dimmer Scholarship Trust, which are not subject to the same restrictions as the general district government. These assets are managed by Key Bank Trust and Investment Management services of Key Bank National Association as agent for the district. Key Bank follows certain procedures which are designed to minimize the credit risk associated with these types of investments:

- No individual holding can be more than 5% of the total of all stock holdings.
- Industry sector weightings cannot be less than 50% of the weights of the Standard and Poors 500, nor can they be more than double the weights of the Standard and Poors 500.
- The stocks purchased must be included on an approved company list that is analyzed and reviewed by various parties within Key Bank.
- Management of the trust is within the scope of the Uniform Prudent Investor Act, which provides for certain standards that must be followed with respect to investing and risk management.

Custodial Credit Risk – Deposits

For deposits, this is the risk that in the event of a bank failure, the government's deposits might not be returned. The district does not have a deposit policy which addresses this concern. Up to $250,000 of the funds deposited in commercial institutions were insured by the Federal Deposit Insurance Commission (FDIC) for each bank used by the district. The remaining funds would not be insured by the FDIC. As of August 31, 2018, district deposits in commercial institutions of $4,154,855 were uninsured by the FDIC. However, the entire value of these uninsured deposits with public banks would be secured by the state Public Deposit Protection Commission as indicated below.

The district also minimizes custodial credit risk by restrictions set forth in state law. Statutes restrict the deposit of funds to financial institutions that are physically located in Washington unless otherwise expressly permitted and authorized by the Washington Public Deposit Protection Commission (PDPC). The PDPC, established under chapter 39.58 of the Revised Code of Washington (RCW), makes and enforces regulations and administers a collateral pool program to ensure public funds are protected if a financial institution becomes insolvent. Securities pledged are held by a trustee agent for the benefit of the collateral pool.

Custodial Credit Risk -- Investments

For investments, this is the risk that in the event of a failure of the counterparty, the district would not be able to recover the value of its investments that are in the possession of the outside party.

The district's available operating funds were primarily invested at year-end with the State of Washington Local Government Investment Pool (LGIP) that is managed by the Office of the State Treasurer (OST). It is the policy of the LGIP to mitigate custodial credit risk with a policy of requiring that securities purchased by the office are to be held by the master custodian, acting as an independent third party, in its safekeeping or trust department. Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the OST's exposure to risk and insure the safety of the investment. All securities utilized in repurchase agreements were rated AAA by Moody's and AA+ by Standard & Poor's. The fair value of securities utilized in repurchase agreements must be at least 102% of the value of the repurchase agreement.

Types of instruments in the investments for the LGIP primarily include United States treasury securities, other federal agency securities, and repurchase agreements.

It is noted that any interest bearing bank deposits, negotiable order of withdrawal accounts, or certificate of deposits purchased by the LGIP would be insured by federal depository insurance (FDIC or FSLIC) or by collateral held in a multiple financial institution collateral pool administered by the state Public Deposit Protection Commission. The Public Deposit Commission Act (RCW 39.58) protects government depositors by requiring all banks who accept deposits from governmental agencies in the state of Washington to collectively assure that no loss of funds will be suffered by any public treasurer or custodian of public funds due to a bank failure or other similar event. The act also protects interest accrued on Certificates of Deposits.

The district does not have a policy in place with respect to custodial credit risk.

The private-purpose trust fund includes assets of the Dimmer Scholarship Trust, which are managed by the trust services of Key Bank National Association as agent for the district.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The district did not have investments with a single issuer. The district's available operating funds were invested at year-end with the State of Washington Treasurer's Local Government Investment Pool (LGIP), which is not considered a single issuer, or with certificate of deposits.

Investments in the Dimmer Scholarship Trust are uninsured and unregistered investments with securities held by the counterparty or its trust department or agent, but not in the district's name. These assets are primarily invested in the stock of private corporations. The value of investments managed by trustee is expressed at their current fair value as stated on the August 31, 2018 trustee's report.

The value of private-purpose trust fund assets managed by Trustee at August 31, 2018, is:

	Book Value	**Fair Value**
Dimmer Trust cash equivalents (money market)	$ 69,139	69,139
Dimmer Trust investments in common stocks	5,149,317	7,562,246
Total Cash/Investments managed by Trustee	$5,218,456	$7,631,385

Since the assets of the Dimmer Scholarship Trust are held in trust, the assets are not commingled with the business assets of Key Bank National Association, and for this reason, are not subject to a business failure of the Key Bank National Association.

NOTE 3: PENSION PLANS

General Information

The Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, prepares a stand-alone comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each pension plan. The pension plan's basic financial statement is accounted for using the accrual basis of accounting. The measurement date of the pension plans is June 30. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The school district is reporting the net pension liability in the notes and on the Schedule of Long-term Liabilities calculated as the district's proportionate allocation percentage multiplied by the total plan collective net pension liability.

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

Membership Participation

Substantially all school district full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by DRS: Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS).

Membership participation by retirement plan as of June 30, 2018, was as follows:

Plan	Retirees and Beneficiaries Receiving Benefits	Inactive Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members
PERS 1	47,037	539	1,986
SERS 2	9,171	6,050	27,786
SERS 3	8,866	8,678	34,930
TRS 1	33,460	147	497
TRS 2	5,453	2,617	20,518
TRS 3	11,960	8,735	55,117

Membership & Plan Benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Plan Contributions

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The methods used to determine the contribution requirements are established under chapters 41.34 and 41.40 RCW for PERS, 41.34 and 41.35 RCW for SERS, and 41.32 and 41.34 RCW for TRS. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The employer and employee contribution rates for the various plans are effective as of the dates shown in the table. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2017 and 2018 are listed below:

Pension Rates			
	9/1/18 Rate	7/1/17 Rate	
PERS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	12.83%	12.70%	
Pension Rates			
	9/1/18 Rate	9/1/17 Rate	
TRS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	15.41%	15.20%	
TRS 2			
Member Contribution Rate	7.06%	7.06%	
Employer Contribution Rate	15.41%	15.20%	
TRS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	15.41%	15.20%	**
SERS 2			
Member Contribution Rate	7.27%	7.27%	
Employer Contribution Rate	13.58%	13.48%	
SERS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.58%	13.48%	**
Note: The DRS administrative rate of .0018 is included in the employer rate.			
* = Variable from 5% to 15% based on rate selected by the member.			
** = Defined benefit portion only.			

The Collective Net Pension Liability

The collective net pension liabilities for the pension plans districts participated in are reported in the following tables.

The Net Pension Liability as of June 30, 2018:				
Dollars in Thousands	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total Pension Liability	$12,143,412	$5,719,600	$8,722,439	$14,422,685
Plan fiduciary net position	($7,677,378)	($5,420,538)	($5,801,847)	($13,972,571)
Participating employers' net pension liability	$4,466,034	$299,062	$2,920,592	$450,104
Plan fiduciary net position as a percentage of the total pension liability	63.22%	94.77%	66.52%	96.88%

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

At June 30, 2018, the school district reported a total liability of $59,116,671 for its proportionate shares of the individual plans' collective net pension liability. Proportion of net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2018, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2018	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	1,617,639	2,487,025	5,429,692	5,854,276
Proportionate Share of the Net Pension Liability	10,808,164	4,251,586	38,129,779	5,927,141

At **June 30,** 2018, the school district's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below.

Allocation percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.242008%	1.421640%	1.305550%	1.316809%
Prior year proportionate share of the Net Pension Liability	0.200956%	1.201366%	1.099099%	1.114472%
Net difference percentage	**0.041052%**	**0.220274%**	**0.206450%**	**0.202337%**

Actuarial Assumptions

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

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

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

Mortality Rates

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

Long-term Expected Rate of Return

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

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

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018, are summarized in the following table:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20.00%	1.70%
Tangible Assets	7.00%	4.90%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%

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

Discount Rate

The discount rate used to measure the total pension liability was 7.40 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.50 percent long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.

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

The following table presents the Clover Park School District's proportionate share of the collective net pension liability (NPL) calculated using the discount rate of 7.40 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.40 percent) or one percentage-point higher (8.40 percent) than the current rate. Amounts are calculated using the school district's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability.

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1 NPL	$5,488,477,000	$4,466,034,000	$3,580,392,000
Allocation Percentage	0.242008%	0.242008%	0.242008%
Proportionate Share of Collective NPL	13,282,559	10,808,164	8,664,839
SERS 2/3 NPL	$1,127,549,000	$299,062,000	($383,817,000)
Allocation Percentage	1.421640%	1.421640%	1.421640%
Proportionate Share of Collective NPL	16,029,692	4,251,586	(5,456,497)
TRS 1 NPL	$3,650,431,000	$2,920,592,000	$2,288,760,000
Allocation Percentage	1.305550%	1.305550%	1.305550%
Proportionate Share of Collective NPL	47,658,190	38,129,779	29,880,899
TRS 2/3 NPL	$2,805,439,000	$450,114,000	($1,463,229,000)
Allocation Percentage	1.316809%	1.316809%	1.316809%
Proportionate Share of Collective NPL	36,942,271	5,927,141	(19,267,930)

NOTE 4: ANNUAL OTHER POST-EMPLOYMENT BENEFIT COST AND NET OPEB OBLIGATIONS

The state, through the Health Care Authority (HCA), administers a defined benefit other post-employment benefit (OPEB) plan that is not administered through a qualifying trust. The Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Benefits purchased by PEBB include medical, dental, life insurance and long-term disability insurance. [5].

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one, which the employers and plan members understand the plan terms. This understanding is based on communications between the HCA, employers and plan members, and historical pattern of practice with regard to sharing of benefit costs.

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), 74 of the state's K–12 school districts and educational service districts (ESDs), and 236 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 238 K–12 school districts and ESDs. The District's retirees (approximately 420) are eligible to participate in the PEBB plan under this arrangement.

Eligibility

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

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

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

Medical Benefits

Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 medical coverage for 2018.

Members not eligible for Medicare (or enrolled in Part A only)

Descriptions	Type of Coverage		
	Employee	Employee & Spouse	Full Family
Kaiser Permanente NW Classic	$692.66	$1,380.30	$1,896.03
Kaiser Permanente NW CDHP	$590.87	$1,170.25	$1,561.04
Kaiser Permanente WA Classic	$718.39	$1,431.76	$1,966.79
Kaiser Permanente WA CDHP	$589.18	$1,167.37	$1,557.27
Kaiser Permanente WA Sound Choice	$607.11	$1,209.20	$1,660.77
Kaiser Permanente WA Value	$633.52	$1,262.02	$1,733.40
UMP Classic	$657.86	$1,310.70	$1,800.33
UMP CDHP	$588.91	$1,166.83	$1,556.50
UMP Plus-Puget Sound High Value Network	$600.56	$1,196.10	$1,642.76
UMP Plus-UW Medicine Accountable Care Network	$600.56	$1,196.10	$1,642.76

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

Members enrolled in Part A and B of Medicare

Descriptions	Type of Coverage		
	Employee	Employee & Spouse[1]	Full Family[1]
Kaiser Permanente NW Senior Advantage	$173.07	$860.71	$865.85
Kaiser Permanente WA Medicare Plan	$175.40	$345.78	$516.16
Kaiser Permanente WA Classic	N/A	N/A	$880.81
Kaiser Permanente WA Sound Choice	N/A	N/A	$797.35
Kaiser Permanente WA Value	N/A	N/A	$1,275.28
UMP Classic	$333.64	$662.26	$1,151.89

Note 1-Employee, Spouse and Full Family with two Medicare eligible subscribers.

Funding Policy

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

According to state law, the Washington State Treasurer collects a fee from all school district entities, which have employees who are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees who elect to purchase their health care benefits through the state Health Care Authority. For the fiscal year 20XX–XY, the District was required to pay the HCA $64.07 per month per full-time equivalent employee to support the program, for a total payment of $1,231,423. This assessment to the District is set forth in the state's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

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

For further information on the results of the actuarial valuation of the employer provided subsidies associated with the state's PEBB plan, refer to: http://leg.wa.gov/osa/additionalservices/Documents/Final.2017.PEBB.OPEB.AVR.pdf

The plan does not issue a separate report; however, additional information is included in the State of Washington Comprehensive Annual Financial Report, which is available on this site https://www.ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report

NOTE 5: COMMITMENTS UNDER LEASES

The district does not have any significant conditional sales contract obligations. The district does have certain operating leases for copy machines and other equipment. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the district's financial statements. Total paid out of the general fund on operating leases in fiscal year ended August 31, 2018, was $567,106, which includes taxes, maintenance, and supply charges.

The following is a schedule of future minimum payments required under financing agreements or operating leases as of August 31, 2018:

	Final Installment Year	FY 19	FY 20	FY 21	FY22	FY23
Operating Leases*:						
Konica-Minolta	2023	$238,369	$207,877	$197,483	$167,668	$23,789

**including taxes, interest and/or finance charges; excluding maintenance and supply charges*

NOTE 6: OTHER SIGNIFICANT COMMITMENTS

The District has active construction projects as of August 31, 2018:

Project	Project Authorization Amount	Expended as of 8/31/18	Additional Local Funds Committed	Additional State Funds Committed
New Middle School	6,300,000	2,946,358	3,353,642	
Safety and Security	2,300,000	742,858	1,557,142	
SSC Bathroom and Safety	350,000	36,071	313,929	
DW Roof Replace/Repair	2,852,705	2,657,241	195,464	
DW Parking Lot Replace/Repair	1,710,000	1,407,399	302,601	
Tillicum Boiler	345,000	3,786	341,214	
Total	13,857,705	7,793,713	6,063,992	

Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. The following encumbrance amounts were re-encumbered by fund on September 1, 2018:

Fund	Amount
General	$588,706
ASB Fund	$1,267
Capital Projects Fund	$4,967,881
Transportation Vehicle Fund	$5,557,854

NOTE 7: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of $421,709,884 for fiscal year 2018. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

NOTE 8: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

Bonds payable at August 31, 2018, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments*	Final Maturity	Interest Rate(s)	Amount Outstanding
General Obligation Bonds					
Voted Debt – issued 01/23/13	$52,155,000	5,266,650	6/1/26	2 – 5%	44,810,000
Voted Debt – issued 12/04/12	$44,695,000	2,305,050	12/1/32	2 – 4%	43,175,000
Voted QSCB issued 08/24/10	$17,500,000	913,000	6/1/27	5.21-5.22%	17,500,000
Voted Debt – issued 07/29/11	$19,000,000	891,250	12/1/31	4.625%-4.75%	19,000,000
Voted QSCB issued 07/29/11	$6,000,000	296,040	12/1/26	4.934%	6,000,000
Total General Obligation Bonds					$130,485,000

*Principal and interest payments both included in installment amount.

The following is a summary of general obligation long-term debt transactions of the District for the fiscal year(s) ended August 31, 2018:

Long-Term Debt Payable at 9/1/2017	$134,275,000
New Issues	
Debt Retired	3,790,000
Long-Term Debt Payable at 8/31/2018	$130,485,000

The following is a schedule of annual requirements to amortize debt at August 31, 2018:

Years Ending August 31	Principal	Interest	Total
2019	4,190,000	5,481,990	9,671,990
2020	4,505,000	5,359,290	9,864,290
2021	4,765,000	5,222,040	9,987,040
2022	5,210,000	5,025,640	10,235,640
2023	5,660,000	4,783,965	10,443,965
2024-2028	49,690,000	18,186,000	67,876,000
2029-2033	56,465,000	6,238,625	62,703,625
Total	130,485,000	50,297,550	180,782,550

At August 31, 2018, the District had $11,955,292 available in the Debt Service Fund to service the general obligation bonds.

NOTE 9: ENTITY RISK MANAGEMENT ACTIVITIES

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The district is one of over 90 school districts, educational service districts, and inter-local cooperative members of the Washington Schools Risk Management Pool (WSRMP), which was formed on August 30, 1986 pursuant to Chapter 48.62 of the Revised Code of Washington. The purpose of WSRMP is to provide for the joint purchase of liability insurance and establish resources and maintain a plan for self-insurance coverage. The district pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the Washington Schools Risk Management Pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $1,000,000 for each insured event up to $20 million. The WSRMP Executive Board sets rates annually, after consultation with an independent actuarial firm, based on actual loss experience. An independent actuarial firm also performs an annual solvency report. Should the assets of the pool to be exhausted, members would be responsible for the pool's liabilities, based on an allocation in proportion to each member's contribution.

In September 1991, the district joined together with other school districts in the state to form Puget Sound Workers' Compensation Trust (PSWCT), a public entity risk pool currently operating as a common risk management and insurance program for worker's compensation benefits. Employees of the district claim compensation for injuries sustained while at work from PSWCT. The district makes monthly payments to PSWCT that are based on rates established from a combination of claims experience and equal assessments passed on from the State of Washington Department of Labor and Industries for self-insured agencies. The state

Department of Labor and Industries regulates worker's compensation. The agreement for formation of the Puget Sound Workers' Compensation Trust provides that the pool will be self-sustaining through member premiums.

The district self-insures unemployment compensation for all of its employees. Actual employee claims are paid by the Washington State Department of Employment Security and then the district reimburses the state through the district's general fund. This self-insurance program costs the district less than full participation in the state unemployment compensation program. The district has not recorded a liability for unemployment claims, but has elected to pay claims as they come due or are presented by the Washington State Department of Employment Security.

In addition, as shown in the fund statements, the district has $12,115,013 of general fund unassigned fund balance for debt and fiscal management. Part of the intent of these funds, per board policy, is to mitigate uninsured risks.

NOTE 10: PROPERTY TAXES

Property tax revenues are collected as the result of special levies passed by the voters in the District. Taxes are levied on January 1. The taxpayer has the obligation of paying all taxes on April 30 or one-half then and one-half on October 31. Typically, slightly more than half of the collections are made on the April 30 date. The tax collections occurring after the end of the fiscal period are unavailable for revenue accrual. Therefore, the fall portion of property taxes is not accrued as revenue. Instead, the property taxes due after the end of the fiscal period are recorded as a deferred inflow of resources.

Tax Abatements

The city of Lakewood independently has entered into agreements that affect the levy rate assessed by the District:

Tax Abatement Program	Total Amount of Taxes Abated
Multi-Family Housing	$461,775

Tax Incentive for Multi-Family Housing: This incentive is an eight or 12-year program that provides tax relief for new construction or rehabilitation of multifamily housing located within designated areas of the cities, with a population of 15,000 or more. Tax relief applies only to the value of the residential housing units. The land and non-residential improvements continue to be taxed at the regular rate.

NOTE 11: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The district is a member of the King County Directors' Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power and is considered a joint venture. The district has been a member since April 11, 1962. This membership was reaffirmed by the board of directors of the district on January 10, 1977 by resolution #77-106. The district's current equity of $61,582 (at December 31, 2017) is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the district compared to all other districts applied against paid administrative fees. If the district were to withdraw from the joint venture, it would receive its equity in 10 annual allocations of merchandise or 15 annual payments.

NOTE 12: FUND BALANCE CLASSIFICATION DETAILS

The District's financial statements include the following amounts presented in the aggregate.

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items	$274,929	$3,033			
Restricted Fund Balance					
For Fund Purpose		$615,480			$4,104,442
For Carryover of Restricted Revenues	$1,203,288				
For Debt Service				$11,955,292	
Restricted from State Proceeds			$22,547,528		
Assigned Fund Balance					
Other Purposes	$5,809,302				
Fund Purposes			$61,071,416		
Unassigned Fund Balance	$12,115,013				

The board of directors has established a minimum fund balance policy for the general fund to provide for financial stability and contingencies within the District. The policy is that the District shall maintain at least five percent of the current year's general fund revenues towards minimum fund balance. Portions of fund balance that are set aside for the purpose of meeting this policy are recorded on the financial statements as a part of Unassigned fund balance.

NOTE 13: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS

457 Plan – Deferred Compensation Plan

District employees have the option of participating in a deferred compensation plan as defined in §457 of the Internal Revenue Code that is administered by the state deferred compensation plan, or the District.

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

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

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

NOTE 14: TERMINATION BENEFITS

Compensated Absences

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

Under the provisions of RCW 28A.400.210, sick leave accumulated by District employees is reimbursed at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buyout of an amount up to the maximum annual accumulation of 12 days. For buyout purposes, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

These expenditures are recorded when paid, except termination sick leave that is accrued upon death, retirement, or upon termination provided the employee is at least 55 years of age and has sufficient years of service. Vested sick leave was computed using the vesting method.

Vacation pay, including benefits, that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it.

No unrecorded liability exists for other employee benefits.

NOTE 15: OTHER DISCLOSURES

Dimmer Scholarship Trust

On September 25, 1980, the Clover Park School District board of directors approved Board Resolution #81-21, providing for the acceptance and establishment of the John C. and Marilyn J. Dimmer Scholarship Trust. According to the terms of the charitable gift, 28170 shares of common stock in Western Plastics, Inc., were assigned and transferred, to be held or disposed of, and the proceeds invested and reinvested in common stocks as the board of directors of Clover Park School District deemed appropriate. The stipulation allowing investment in common stock creates an exception to the restrictions imposed by Washington State statue on investments by a school district. The donors recommended that the Trust Department of Puget Sound National Bank (now Key-Bank National Association) be the custodial agent and investment advisor for said gift.
The Dimmer Scholarship Trust is entirely managed and administered by the Key-Bank National Association Trust Services, Daryl Hembry, account administrator. The gift must be separately accounted for and administered as follows, according to the original stipulations of the donors:

> Scholarships are to be provided for scholastically talented undergraduate students who have graduated or will be graduating from the Clover Park School District, and who are attending or will be attending a college or university in the United States.
>
> The recipient must be a citizen of the United States; no discrimination as to race, religion, national origin, or economic circumstances shall be shown.
>
> The student may be awarded the scholarship by application or qualification. Qualifications shall be based only on scholastic ability, talent, and scholastic potential. Preference shall be given to those students choosing to pursue studies in the fields of economics, business, mathematics, physics, or natural sciences.
>
> Scholarships shall be for one year, but the same student may be a recipient for up to four consecutive years, provided the student, who is a recipient of such a scholarship after the first year, earns from his or her own employment, a sum equal to 25% of the scholarship award to be applied toward his or her educational expenses, and the student continues to maintain achievement consistent with the qualifications for the award.
>
> Only new income is to be used for scholarships. The principal is to be preserved for creation of income to provide future scholarships. No less than 50% of the income is to be used each year for scholarships.

Noting that the original donation was made by means of common stock in a corporation, and license was provided to the district to sell the stock and purchase other stock as deemed appropriate, the district considers the current book value of any stock plus any cash investments that currently is a part of the investment portfolio for the Dimmer Scholarship Trust to be the principal to be preserved for purposes of this trust donation.

Clover Park School District No. 400

Schedule of Long-Term Liabilities

For the Year Ended August 31, 2018

Description	Beginning Outstanding Debt September 1, 2017	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2018	Amount Due Within One Year
Voted Debt					
Voted Bonds	134,275,000.00	0.00	3,790,000.00	130,485,000.00	4,190,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt and Liabilities					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Non-Cancellable Operating Leases	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	7,654,277.76	3,016,065.24	3,416,486.90	7,253,856.10	727,818.24
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
Other Liabilities					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities:					
Net Pension Liabilities TRS 1	33,228,720.00	4,901,059.00	0.00	38,129,779.00	
Net Pension Liabilities TRS 2/3	10,285,941.00	0.00	4,358,800.00	5,927,141.00	
Net Pension Liabilities SERS 2/3	5,928,441.00	0.00	1,676,855.00	4,251,586.00	
Net Pension Liabilities PERS 1	9,535,505.00	1,272,660.00	0.00	10,808,165.00	
Total Long-Term Liabilities	200,907,884.76	9,189,784.24	13,242,141.90	196,855,527.10	4,917,818.24

Clover Park School District No. 400
Pierce County
Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2018

1	2	3	4	5	6	7	8		9
					Expenditures				
Federal Agency Name	Pass-Through Agency	Federal Program Title	Federal CFDA Number	Other Identification Number	From Direct Awards	From Pass-Through Awards	Total	Passed through to Subrecipients	Foot-note Ref.
U.S. Department of Agriculture									
	WA OSPI	School Breakfast Program	10.553	N/A		1,390,457	1,390,457		
	WA OSPI	National School Lunch Program	10.555	N/A					
	WA OSPI	Cash Assistance	10.555	N/A		3,721,266	3,721,266		
	WA OSPI	Non-Cash Assistance (Commodities)	10.555	N/A		547,451	547,451		
	WA OSPI	Summer Food Service Program for Children	10.559	N/A		21,444	21,444		
		Subtotal: Child Nutrition Cluster				**5,680,618**	**5,680,618**		
	WA OSPI	Child and Adult Care Food Program	10.558	N/A		158,711	158,711		
	State Treasurer	School and Roads - Grants to States	10.665	N/A		9,517	9,517		
U.S. DEPT OF AGRICULTURE SUBTOTAL					-	**5,848,846**	**5,848,846**	-	
Department of Defense									
		Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	N/A	289,786		289,786		
		Invitational Grants for Military-Connected Schools	12.557	N/A	147,501		147,501		
		Department of Defense Impact Aid (Supplement, CWSD, BRAC)	12.558	N/A	1,155,171		1,155,171		
		MISC: JROTC	12.U02	N/A	135,189		135,189		
		Army Youth Prograrm (AYPYN)	12.U01	NAFBA1-13-C-0011	242,105		242,105		
U.S. DEPT OF DEFENSE SUBTOTAL					**1,969,752**	**-**	**1,969,752**	-	
U.S. Department of Education									
	WA OSPI	Title I Grants to Local Educational Agencies	84.010	N/A		4,119,134	4,119,134		2
	WA OSPI	Title 1 State Agency Program for Neglected and Delinquent Children and Youth	84.013	N/A		10,441	10,441		
	WA OSPI	Special Education-Grants to States	84.027	N/A		2,780,910	2,780,910		
	WA OSPI	Special Ed Preschool Grants	84.173	N/A		101,364	101,364		
		Subtotal: Special Education Cluster (IDEA)				**2,882,274**	**2,882,274**		
		Impact Aid	84.041	N/A	17,979,858		17,979,858		
	WA OSPI	Career and Technical Education-Basic Grants to States	84.048	N/A		159,057	159,057		
		Indian Education Grants to Local Education Agencies	84.060	N/A	10,834		10,834		
	WA OSPI	English Language Acquisition State Grants	84.365	N/A		251,422	251,422		
	WA OSPI	Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	N/A		555,192	555,192		2
	WA OSPI	Student Support and Academic Enrichment Program	84.424	N/A		50,119	50,119		
U.S. DEPT OF EDUCATION SUBTOTAL					**17,990,692**	**8,027,639**	**26,018,331**	-	
U.S. Department of Health & Human Services									
	Puget Sound ESD	Head Start	93.600	N/A		994,540	994,540		
	Puget Sound ESD	MISC: ECEAP USDA	10.558	N/A		25,835	25,835		
U.S. DEPT OF HEALTH AND HUMAN SERVICES SUBTOTAL					-	**1,020,375**	**1,020,375**	-	
U.S. Department of Labor									
	Puget Sound ESD	WIOA Youth Activities	17.259	N/A		4,500	4,500		
U.S. DEPT OF LABOR SUBTOTAL					-	**4,500**	**4,500**	-	
TOTAL FEDERAL AWARDS EXPENDED					**19,960,444**	**14,901,360**	**34,861,804**	-	

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF ACCOUNTING - The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine the amounts expected or matched from non-federal sources.

NOTE 2 - SCHOOLWIDE PROGRAMS - The district operated a "schoolwide program" in twelve (12) buildings. Schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than target services to certain selected students. A portion of the federal program expenditures shown were expended by the district in its schoolwide programs. Program 52 is not considered by the district to be part of school wide, so the totals are not included. These expenditures are as follows:

Title I	$	2,412,529
Title II - V		-
TOTAL	$	2,412,529

NOTE 3 - FEDERAL INDIRECT RATE - Clover Park School District used the federal restricted rate of 5.78%. The district has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform guidance.

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Clover Park School District No. 400
September 1, 2017 through August 31, 2018

This schedule presents the corrective action planned by the District for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding ref number:	**Finding caption:**
2018-001	The District did not have adequate internal controls in place to ensure compliance with requirements regarding suspension and debarment and graduation rate reporting for the Title I grant program.

Name, address, and telephone of District contact person:

Brian Laubach,
Assistant Superintendent Secondary Schools,
blaubach@cloverpark.k12.wa.us, 253-583-5165
Richard Ring,
Administrator for Business Services and Capital Projects,
rring@cloverpark.k12.wa.us, 253-583-5010

Corrective action the auditee plans to take in response to the finding:

The district has recognized the issue of federal procurement process requirements as annotated in this finding. The district has enacted updated procedures to ensure that processes are met. Updated trainings have been held and new procedures are now in practice. This includes updates to expenditure pre-planning and approvals, change order management, and the use of federal purchase checklist document retention. We have the training agenda and sign-in sheets on file.

By May 31, 2019, the district's Business and Operations procedure manual will be updated to *add the Federal Procurement manual and the new 2017 regulations.*

Firwood: District officials made school staff aware that when 18-year-old to 21-year-old students are placed at Western State Hospital that the school will determine whether the patient requires further educational services to complete their high school diploma. This will be done by a weekly check of the patient intake at Western State of 18-21 year-old students. Firwood office staff will check the state student information system to confirm where student last attended school and if they have not completed a high school diploma. If a student has not completed a high school diploma, and is a: *1) General Ed student – they will be enrolled in the district's Open Door Youth Reengagement program or Firwood's Alternative Learning Education program. The level of educational services will be assessed and placed appropriately; and* *2) Special Ed student – they will be enrolled at Firwood to receive special designed instruction. They may be enrolled in the Firwood Alternative Learning Education program. The level of educational services will be assessed through the IEP, and the student will be placed appropriately.* *Once a student who is 18-21 years of age leaves or ages out of secondary education, Firwood and the Open Doors program will ensure the student has earned a diploma, or is confirmed to transfer to another school district. If a Western State patient has not transferred to another school district, they will remain an unconfirmed transfer in EDS. Confirmed transfers will be an electronic request for school records from the receiving school.* *Open Doors: District officials made school staff aware that confirmed transfers occur only when electronic documentation of the transfer is received from the new school district where the student attends. They understand phone confirmation is not official.* *Also, district officials made Open Doors school staff aware that when a student is re-enrolling in the program, that they are an unconfirmed transfer if it occurs between two different school years, unless the student attends school elsewhere during the time they were unenrolled at Open Doors.*
Anticipated date to complete the corrective action: Corrective Action is immediate and ongoing for the procurement item; and is complete and confirmed by the school officials at both Firwood School and Open Doors regarding the graduation rate reporting.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
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Toll-free Citizen Hotline	(866) 902-3900
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