



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

**Financial Statements and Federal Single Audit  
Report**

**Pasco School District No. 1**

**For the period September 1, 2018 through August 31, 2019**

**Published April 23, 2020**

**Report No. 1025966**





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

April 23, 2020

Superintendent and Board of Directors  
Pasco School District No. 1  
Pasco, Washington

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

Please find attached our report on Pasco School District No. 1'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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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### **Pasco School District No. 1** **September 1, 2018 through August 31, 2019**

#### **SECTION I – SUMMARY OF AUDITOR’S RESULTS**

The results of our audit of Pasco School District No. 1 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 no deficiencies that we consider to be material weaknesses.

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

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

## **Identification of Major Federal Programs**

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
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
84.011	Migrant Education State Grant Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

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

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Pasco School District No. 1  
September 1, 2018 through August 31, 2019**

Superintendent and Board of Directors  
Pasco School District No. 1  
Pasco, 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 Pasco School District No. 1, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated April 14, 2020.

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.

As discussed in Note 4 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the District. Management's plans in response to this matter are also described in Note 4.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that

are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

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

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Pat McCarthy

State Auditor

Olympia, WA

April 14, 2020



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

**Pasco School District No. 1  
September 1, 2018 through August 31, 2019**

Superintendent and Board of Directors  
Pasco School District No. 1  
Pasco, Washington

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

We have audited the compliance of Pasco School District No. 1, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2019. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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

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

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

### **Other Matters**

We noted certain matters that we have reported to the management of the District in a separate letter dated April 14, 2020.

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

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

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

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

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

We noted certain matters that we have reported to the management of the District in a separate letter dated April 14, 2020.

### **Purpose of this Report**

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

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

Pat McCarthy  
State Auditor  
Olympia, WA

April 14, 2020

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Pasco School District No. 1** **September 1, 2018 through August 31, 2019**

Superintendent and Board of Directors  
Pasco School District No. 1  
Pasco, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Pasco School District No. 1, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 16.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law 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 state law 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 Pasco School District No. 1, as of August 31, 2019, 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 Pasco School District No. 1, as of August 31, 2019, or the changes in financial position or cash flows thereof 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.

## **Matters of Emphasis**

As discussed in Note 4 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the District. Management’s plans in response to this matter are also described in Note 4. Our opinion is not modified with respect to this matter.

## **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 14, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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Pat McCarthy  
State Auditor  
Olympia, WA

April 14, 2020

## **FINANCIAL SECTION**

### **Pasco School District No. 1 September 1, 2018 through August 31, 2019**

#### **FINANCIAL STATEMENTS**

Balance Sheet – Governmental Funds – 2019  
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2019  
Statement of Net Position – Fiduciary Funds – 2019  
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2019  
Notes to Financial Statements – 2019

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Long-Term Liabilities – 2019  
Schedule of Expenditures of Federal Awards – 2019  
Notes to the Schedule of Expenditures of Federal Awards – 2019



Pasco School District No. 001

Balance Sheet

Governmental Funds

August 31, 2019

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>ASSETS:</b>							
Cash and Cash Equivalents	6,679,630.75	253,598.24	97,551.57	159,659.95	1.45	0.00	7,190,441.96
Minus Warrants Outstanding	-6,451,292.26	-27,676.08	0.00	-159,651.63	0.00	0.00	-6,638,619.97
Taxes Receivable	4,840,351.79		7,371,454.21	0.00	0.00	0.00	12,211,806.00
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	1,072,787.20	0.00	0.00	0.00	0.00	0.00	1,072,787.20
Accounts Receivable	824,227.21	500.00	0.00	423,000.00	0.00	0.00	1,247,727.21
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	317,649.43	0.00		0.00			317,649.43
Prepaid Items	0.00	0.00			0.00	0.00	0.00
Investments	27,606,459.41	1,012,990.67	5,803,730.68	85,696,923.95	1,870,795.52	0.00	121,990,900.23
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
<b>TOTAL ASSETS</b>	<b>34,889,813.53</b>	<b>1,239,412.83</b>	<b>13,272,736.46</b>	<b>86,119,932.27</b>	<b>1,870,796.97</b>	<b>0.00</b>	<b>137,392,692.06</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>							
Deferred Outflows of Resources - Other	0.00		0.00	0.00	0.00		0.00
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>34,889,813.53</b>	<b>1,239,412.83</b>	<b>13,272,736.46</b>	<b>86,119,932.27</b>	<b>1,870,796.97</b>	<b>0.00</b>	<b>137,392,692.06</b>
<b>LIABILITIES:</b>							
Accounts Payable	1,578,629.95	27,507.53	0.00	1,260,202.05	0.00	0.00	2,866,339.53
Contracts Payable Current	0.00	0.00		0.00	0.00		0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	723,984.42	0.00		0.00			723,984.42
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00

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

Pasco School District No. 001

Balance Sheet

Governmental Funds

August 31, 2019

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>LIABILITIES:</b>							
Payroll Deductions and Taxes Payable	152,854.51	0.00		0.00			152,854.51
Due To Other Governmental Units	0.00	0.00		0.00	0.00		0.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	0.00	0.00	0.00	0.00	0.00		0.00
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			8,245.00				8,245.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
<b>TOTAL LIABILITIES</b>	<b>2,455,468.88</b>	<b>27,507.53</b>	<b>8,245.00</b>	<b>1,260,202.05</b>	<b>0.00</b>	<b>0.00</b>	<b>3,751,423.46</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Unavailable Revenue	155,292.85	500.00	0.00	423,000.00	0.00	0.00	578,792.85
Unavailable Revenue - Taxes Receivable	4,840,351.79		7,371,454.21	0.00	0.00		12,211,806.00
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>4,995,644.64</b>	<b>500.00</b>	<b>7,371,454.21</b>	<b>423,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>12,790,598.85</b>
<b>FUND BALANCE:</b>							
Nonspendable Fund Balance	317,649.00	0.00	0.00	0.00	0.00	0.00	317,649.00
Restricted Fund Balance	2,007,122.00	1,211,405.30	5,893,037.25	82,623,068.94	1,870,796.97	0.00	93,605,430.46
Committed Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assigned Fund Balance	9,182,723.00	0.00	0.00	1,813,661.28	0.00	0.00	10,996,384.28
Unassigned Fund Balance	15,931,206.01	0.00	0.00	0.00	0.00	0.00	15,931,206.01
<b>TOTAL FUND BALANCE</b>	<b>27,438,700.01</b>	<b>1,211,405.30</b>	<b>5,893,037.25</b>	<b>84,436,730.22</b>	<b>1,870,796.97</b>	<b>0.00</b>	<b>120,850,669.75</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE</b>	<b>34,889,813.53</b>	<b>1,239,412.83</b>	<b>13,272,736.46</b>	<b>86,119,932.27</b>	<b>1,870,796.97</b>	<b>0.00</b>	<b>137,392,692.06</b>

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

Pasco School District No. 001

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2019

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>REVENUES:</b>							
Local	19,162,046.07	1,921,293.95	15,088,657.34	7,264,660.56	626,159.30		44,062,817.22
State	214,342,698.62		0.00	4,775,837.76	853,376.80		219,971,913.18
Federal	18,995,235.91		0.00	0.00	0.00		18,995,235.91
Other	1,509,195.79			999,100.00	0.00	0.00	2,508,295.79
<b>TOTAL REVENUES</b>	<b>254,009,176.39</b>	<b>1,921,293.95</b>	<b>15,088,657.34</b>	<b>13,039,598.32</b>	<b>1,479,536.10</b>	<b>0.00</b>	<b>285,538,262.10</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	142,548,158.05						142,548,158.05
Special Education	28,969,089.64						28,969,089.64
Vocational Education	6,429,508.60						6,429,508.60
Skill Center	0.00						0.00
Compensatory Programs	27,711,578.26						27,711,578.26
Other Instructional Programs	944,895.28						944,895.28
Community Services	331,829.48						331,829.48
Support Services	43,614,829.10						43,614,829.10
Student Activities/Other		1,650,606.58				0.00	1,650,606.58
<b>CAPITAL OUTLAY:</b>							
Sites				1,390,991.41			1,390,991.41
Building				33,555,792.19			33,555,792.19
Equipment				1,185,589.63			1,185,589.63
Instructional Technology				39,555.00			39,555.00
Energy				0.00			0.00
Transportation Equipment					2,232,680.24		2,232,680.24
Sales and Lease						0.00	0.00
Other	363,893.99						363,893.99
<b>DEBT SERVICE:</b>							
Principal	0.00		6,835,000.00	0.00	0.00		6,835,000.00
Interest and Other Charges	0.00		10,635,142.37	0.00	0.00		10,635,142.37
Bond/Levy Issuance				0.00	0.00		0.00
<b>TOTAL EXPENDITURES</b>	<b>250,913,782.40</b>	<b>1,650,606.58</b>	<b>17,470,142.37</b>	<b>36,171,928.23</b>	<b>2,232,680.24</b>	<b>0.00</b>	<b>308,439,139.82</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,095,393.99</b>	<b>270,687.37</b>	<b>-2,381,485.03</b>	<b>-23,132,329.91</b>	<b>-753,144.14</b>	<b>0.00</b>	<b>-22,900,877.72</b>
<b>OTHER FINANCING SOURCES (USES):</b>							

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

Pasco School District No. 001

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2019

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>OTHER FINANCING SOURCES (USES):</b>							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	1,563,000.00		1,563,000.00
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	0.00		0.00	0.00	500.00		500.00
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>0.00</b>		<b>0.00</b>	<b>0.00</b>	<b>1,563,500.00</b>	<b>0.00</b>	<b>1,563,500.00</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>3,095,393.99</b>	<b>270,687.37</b>	<b>-2,381,485.03</b>	<b>-23,132,329.91</b>	<b>810,355.86</b>	<b>0.00</b>	<b>-21,337,377.72</b>
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>24,343,306.02</b>	<b>940,717.93</b>	<b>8,274,522.28</b>	<b>107,569,060.13</b>	<b>1,060,441.11</b>	<b>0.00</b>	<b>142,188,047.47</b>
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>ENDING TOTAL FUND BALANCE</b>	<b>27,438,700.01</b>	<b>1,211,405.30</b>	<b>5,893,037.25</b>	<b>84,436,730.22</b>	<b>1,870,796.97</b>	<b>0.00</b>	<b>120,850,669.75</b>

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

Statement Of Fiduciary Net Position

Fiduciary Funds  
August 31, 2019

	Private Purpose Trust	Other Trust
<b>ASSETS:</b>		
Imprest Cash	0.00	0.00
Cash On Hand	0.00	1,780,637.85
Cash On Deposit with Cty Treas	0.00	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	11,919.67	0.00
Investments/Cash With Trustee	0.00	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
<b>TOTAL ASSETS</b>	<b>11,919.67</b>	<b>1,780,637.85</b>
<b>LIABILITIES:</b>		
Accounts Payable	0.00	0.00
Due To Other Funds	0.00	0.00
<b>TOTAL LIABILITIES</b>	<b>0.00</b>	<b>0.00</b>
<b>NET POSITION:</b>		
<b>Held in trust for:</b>		
Held In Trust For Intact Trust Principal	10,590.00	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	1,329.67	1,780,637.85
<b>TOTAL NET POSITION</b>	<b>11,919.67</b>	<b>1,780,637.85</b>

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

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

For the Year Ended August 31, 2019

<b>ADDITIONS:</b>			
<b>Contributions:</b>			
Private Donations	Private Purpose Trust	Other Trust	
Employer	0.00	0.00	
Members		3,575,367.86	
Other	0.00	0.00	
<b>TOTAL CONTRIBUTIONS</b>	<b>0.00</b>	<b>3,575,367.86</b>	
<b>Investment Income:</b>			
Net Appreciation (Depreciation) in Fair Value	0.00	0.00	
Interest and Dividends	286.68	361.35	
Less Investment Expenses	0.00	0.00	
Net Investment Income	286.68	361.35	
<b>Other Additions:</b>			
Rent or Lease Revenue	0.00	0.00	
Total Other Additions	0.00	0.00	
<b>TOTAL ADDITIONS</b>	<b>286.68</b>	<b>3,575,729.21</b>	
<b>DEDUCTIONS:</b>			
Benefits		3,347,366.82	
Refund of Contributions	0.00	0.00	
Administrative Expenses	0.00	0.00	
Scholarships	2,000.00		
Other	0.00	0.00	
<b>TOTAL DEDUCTIONS</b>	<b>2,000.00</b>	<b>3,347,366.82</b>	
Net Increase (Decrease)	-1,713.32	228,362.39	
Net Position--Prior Year August Beginning	13,632.99	1,552,275.46	
Prior Year F-196 Manual Revision	0.00	0.00	
Net Position - Total	13,632.99	1,552,275.46	
Prior Year(s) Corrections or Restatements	0.00	0.00	
<b>NET POSITION--ENDING</b>	<b>11,919.67</b>	<b>1,780,637.85</b>	

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

# **PASCO SCHOOL DISTRICT NO. 1**

## **Notes to the Financial Statements**

**September 1, 2018 Through August 31, 2019**

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Pasco School 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 allows for a practice that differs from generally accepted accounting principles 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 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 principle 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.

#### Permanent Funds

These funds are used to report resources that are legally restricted such that only earnings, and not principal, may be expended. Amounts in the Permanent Fund may only be spent in support of the District's programs and may not be used to the benefit of any individual.

#### ***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 60 days after year-end. Property taxes receivable are measurable but not available and are, therefore, not accrued. Categorical program claims and interdistrict billings are measurable and available and are accrued.

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.

Non-spendable 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 an established policy of the board. 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 of Pasco School District No. 1 or her designee are the only people 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 surplus 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 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.

## **Receivables and Payables**

There are no receivables or payables not expected to be collected within one year.

## **Inventory**

Inventory is valued at cost using the first-in, first-out (FIFO) method *(or weighted average)*. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. A portion of fund balance, representing inventory, is considered Nonspendable. *(Such reserves for inventory indicate that a portion of net current assets is set aside to replace or increase the inventory.)* USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

## **NOTE 2: DEPOSITS AND INVESTMENTS**

The Franklin 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 entirely 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 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, 2019, are as follows:

Type of Investment	Pasco School District's own investments	Investments held by Pasco School District as an agent for other organizations	Total
State Treasurer's Investment Pool	\$122,002,820	\$0	\$122,002,820
County Treasurer's Investment Pool			
Other:			
Total	\$122,002,820		\$122,002,820

As of 8/31/2019, Franklin County was a non-pooling county which means all the district's investment dollars were in the Washington State Local Government Investment Pool.

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 GASB's 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 weighted average maturity for the State Treasurer's Investment Pool, as of 8/31/2019, was 52 days. 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>.

### **NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES**

#### **Litigation**

The District has no known legal obligations that would materially impact the financial position of the District.

### **NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

#### **COVID-19 Pandemic**

In February 2020, Governor Inslee declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus

were ordered. These measures include closing schools, canceling public events, limiting gathering sizes, and requiring people to stay home unless they are leaving for an essential function. On April 6, 2020, the Governor closed all public and private K–12 school buildings throughout the remainder of the 2019–20 school year. The school district, however, continues to operate; educating students using continuous learning models.

The District remains flexible and fluid in its efforts to meet at minimum the four major requests from the Governor, which are:

- Continue to provide nutrition services
- Assist with childcare for healthcare workers and other essential community workers
- Continue to pay salaries and benefits for employees the expectation that they continue to work when possible while understanding the work will look differently
- Provide a path to graduation for 11th and 12th grade students

The District does not expect to exceed the budget expenditure authority approved by the School Board for the 2019-20 school year. The District may see some savings in areas while experiencing increases in others. The District has maintained reserves and assignments while being thoughtful and intentional in their accumulation and use over the years and will continue to do so. Currently the District does not anticipate utilizing its reserves and/or assignments during fiscal year 2019-20.

The duration of the COVID-19 outbreak is unknown. The District will take a conservative approach in building the 2020-21 fiscal year operating budget as the future levels of state funding for schools is uncertain. The District will continue to monitor the situation while actively seeking additional funding sources to help supplement any loss in state funding. The District will continue to work closely with OSPI in understanding and implementing any directives and best practices during this pandemic event.

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

## **NOTE 5: 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, 2019, was as follows:

Plan	Retirees and Beneficiaries Receiving Benefits	Inactive Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members
PERS 1	45,792	401	1,535
SERS 2	10,072	6,175	28,494
SERS 3	10,007	8,983	35,746
TRS 1	32,645	120	349
TRS 2	5,874	2,779	21,788
TRS 3	13,745	8,675	55,733

## 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 2018 and 2019 are listed below:

Pension Rates			
	7/1/19 Rate	9/1/18 Rate	
<b>PERS 1</b>			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	12.86%	12.83%	
Pension Rates			
	9/1/19 Rate	9/1/18 Rate	
<b>TRS 1</b>			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	15.51%	15.41%	
<b>TRS 2</b>			
Member Contribution Rate	7.77%	7.06%	
Employer Contribution Rate	15.51%	15.41%	
<b>TRS 3</b>			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	15.51%	15.41%	**
<b>SERS 2</b>			
Member Contribution Rate	8.25%	7.27%	
Employer Contribution Rate	13.19%	13.58%	
<b>SERS 3</b>			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.19%	13.58%	**
<i>Note: The DRS administrative rate of .0018 is included in the employer rate.</i>			
* = 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, 2019:				
Dollars in Thousands	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total Pension Liability	\$11,696,634	\$6,352,843	\$8,355,496	\$16,545,194
Plan fiduciary net position	(\$7,851,279)	(\$6,118,345)	(\$5,879,693)	(\$15,942,660)
Participating employers' net pension liability	\$3,845,355	\$234,498	\$2,475,803	\$602,534
Plan fiduciary net position as a percentage of the total pension liability	67.12%	96.31%	70.37%	96.36%



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

At June 30, 2019, the school district reported a total liability of \$60,689,531 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, 2019, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2019	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	1,693,104	2,701,494	7,802,614	8,281,778
Proportionate Share of the Net Pension Liability	9,079,795	3,164,847	38,897,934	9,546,955

At **June 30, 2019**, 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	0.236124%	1.349626%	1.571124%	1.584467%
Prior year proportionate share of the Net Pension Liability	0.225826%	1.332803%	1.531971%	1.544928%
Net difference percentage	0.010298%	0.016823%	0.039153%	0.039539%

## 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, 2018, with the results rolled forward to June 30, 2019, 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, 2018, valuation were based on the results of the *2007–2012 Experience Study Report and the 2017 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report.

## Long-term Expected Rate of Return

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

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

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

The long-term expected rate of return of 7.40% percent approximately equals the median of the simulated investment returns over a 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, 2019, are summarized in the following table:

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

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 Pasco 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%)
<b>PERS 1 NPL</b>	\$4,815,609,000	\$3,845,355,000	\$3,003,532,000
Allocation Percentage	0.236124%	0.236124%	0.236124%
Proportionate Share of Collective NPL	\$11,370,795	\$9,079,795	\$7,092,051
<b>SERS 2/3 NPL</b>	\$1,141,883,000	\$234,498,000	(\$513,722,000)
Allocation Percentage	1.349626%	1.349626%	1.349626%
Proportionate Share of Collective NPL	\$15,411,154	\$3,164,847	\$(6,933,328)
<b>TRS 1 NPL</b>	\$3,164,358,000	\$2,475,803,000	\$1,878,531,000
Allocation Percentage	1.571124%	1.571124%	1.571124%
Proportionate Share of Collective NPL	\$49,715,987	\$38,897,934	\$29,514,051
<b>TRS 2/3 NPL</b>	\$3,283,747,000	\$602,534,000	(\$1,577,475,000)
Allocation Percentage	1.584467%	1.584467%	1.584467%
Proportionate Share of Collective NPL	\$52,029,900	\$9,546,955	\$(24,994,577)

## **NOTE 6: 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.

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), 76 of the state's K–12 school districts and educational service districts (ESDs), and 249 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 227 K–12 school districts and ESDs. The District's retirees (276) 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)**

<u>Descriptions</u>	<u>Type of Coverage</u>		
	<u>Employee</u>	<u>&amp; Spouse</u>	<u>Full Family</u>
Kaiser Permanente NW Classic	\$710.65	\$1,415.33	\$1,945.84
Kaiser Permanente NW CDHP	\$604.16	\$1,196.38	\$1,596.81
Kaiser Permanente WA Classic	\$733.39	\$1,460.80	\$2,006.37
Kaiser Permanente WA CDHP	\$600.44	\$1,189.46	\$1,587.47
Kaiser Permanente WA Sound Choice	\$603.21	\$1,200.44	\$1,648.37
Kaiser Permanente WA Value	\$656.25	\$1,306.54	\$1,974.25
UMP Classic	\$674.85	\$1,343.72	\$1,845.38
UMP CDHP	\$600.54	\$1,189.65	\$1,587.74
UMP Plus-Puget Sound High Value Network	\$618.07	\$1,230.18	\$1,689.25
UMP Plus-UW Medicine Accountable Care Network	\$618.07	\$1,230.18	\$1,689.25

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**

<b>Descriptions</b>	<b><u>Type of Coverage</u></b>		
	<b><u>Employee</u></b>	<b><u>Employee &amp; Spouse<sup>1</sup></u></b>	<b><u>Full Family<sup>1</sup></u></b>
Kaiser Permanente NW Senior Advantage	\$169.80	\$333.63	\$862.14
Kaiser Permanente WA Medicare Plan	\$167.91	\$329.85	N/A
Kaiser Permanente WA Classic	N/A	N/A	\$875.41
Kaiser Permanente WA Sound Choice	N/A	N/A	\$777.78
Kaiser Permanente WA Value	N/A	N/A	\$817.56
UMP Classic	\$313.09	\$620.20	\$1,121.86

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 2018–19, the District was required to pay the HCA \$71.08 per month per full-time equivalent employee to support the program, for a total payment of \$1,857,728.18. 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 7: COMMITMENTS UNDER LEASES**

For the fiscal year ended August 31, 2019, the District had operating leases as follows:

Lessor	9/1/18 Amount	Annual Installment	Final Installment Date	Interest Rate	8/31/19 Balance
<b>Lease-Purchase Commitments</b>					
Xerox (Print Shop)	14,269.39	14,269.39	8/2019	None	-0-
Xerox (Print Shop)	14,269.39	14,269.39	8/2019	None	-0-
Xerox (Print Shop)	16,542.72	16,542.72	8/2019	None	-0-
Xerox (Print Shop)	16,389.96	16,389.96	8/2019	None	-0-
NEOPOST (Print Shop)	3,414.24	3,414.24	9/2019	None	-0-
Canon (Print Shop) 9/16	38,741.76	38,741.76	8/2022	None	-0-
Canon (Print Shop) 9/16	38,741.76	38,741.76	8/2022	None	-0-
Canon (Print Shop) 1/19	283,500.00	16,875.00	12/2025	None	266,625.00
Canon (Print Shop) 1/19	283,500.00	16,875.00	12/2025	None	266,625.00
<b>Total Lease-Purchase Commitments</b>					<b>533,250.00</b>

## **NOTE 8: OTHER SIGNIFICANT COMMITMENTS:**

The District has active construction projects as of August 31, 2019:

In a Special Election on November 7, 2017, Franklin County voters approved the issuance, by the Pasco School District, of unlimited tax general obligation bonds in the amount of \$99,500,000 for the purpose of constructing two new elementary schools (including one located on Road 84), constructing two new middle schools (including one to replace Stevens Middle School on its existing site), improving safety at 15 schools, replacing roofs, improving transportation and maintenance facilities, and acquiring land.

Project	Authorization Amount	Expended As of 8/31/2019	Local Funds Committed	State Funds Committed
Three Rivers Elementary (open fall 2019)	\$12,100,000	\$24,791,072	-0-	\$15,129,000
Columbia River Elementary (open fall 2020)	\$20,400,000	\$3,685,579	-0-	\$0
Steven Middle School Replacement (open Jan 2021)	\$21,600,000	\$1,999,844	-0-	\$20,000,000
Ray Reynolds Middle School (open fall 2020)	\$38,700,000	\$7,223,341	-0-	\$15,900,000
Land Purchases	\$2,000,000	\$1,303,067	-0-	-0-
Safety Improvements	\$900,000	\$901,431	-0-	-0-
Roofing Projects	\$800,000	\$0	-0-	
Add Two New Maintenance Bays	\$1,600,000	\$97	-0-	
New Transportation Facility	\$1,400,000	\$0	-0-	
<b>Total</b>	<b>\$99,500,000</b>	<b>\$39,904,431</b>	<b>--</b>	<b>\$51,029,000</b>

## 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, 2019:

Fund	Amount
General	\$797,687
ASB Fund	\$0
Capital Projects Fund	\$0
Transportation Vehicle Fund	\$0

## **NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS**

The District's capital assets are insured in the amount of \$566,254,080 for fiscal year 2018-19. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

## **NOTE 10: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES**

### Voted Long-Term Debt

Voted bonds payable at August 31, 2019, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
General Obligation Bonds					
08-10-10	15,910,000	1,585,000-6,515,000	12-1-20	2.38-4.0%	7,165,000
03-06-12	22,065,000	150,000-8,255,000	12-1-22	2.0-5.0%	21,325,000
05-16-13	40,140,000	50,000-17,050,000	12-1-29	3.0-5.0%	40,090,000
02-10-15	55,550,000	585,000-13,615,000	12-1-26	1.5-5.0%	54,155,000
04-03-18	88,650,000	210,000-23,710,000	12-1-33	4.0-5.0%	88,650,000
Total General Obligation Bonds	222,315,000	50,000-23,710,000	12-01-33	1.5-5.0%	211,385,000

The following is a summary of general obligation voted long-term debt transactions of the district for the fiscal year ended August 31, 2019.

Long-Term Debt Payable at 9/1/2018	\$218,220,000
New Issues	-0-
Debt Retired	(\$6,835,000 )
Long-Term Debt Payable at 8/31/2019	\$211,385,000

The following is a schedule of annual requirements to amortize voted long-term debt as of August 31, 2019:

Years Ending August 31	Principal	Interest	Total
2020	7,540,000	9,664,113	17,204,113
2021	8,195,000	9,360,181	17,555,181
2022	9,000,000	9,022,800	18,022,800
2023	9,940,000	8,639,800	18,579,800
2024	10,925,000	8,186,550	19,111,550
2025-2029	72,435,000	31,438,350	103,873,350
2030-2033	93,350,000	10,446,750	103,796,750
Total	211,385,000	86,758,544	298,143,544

At August 31, 2019, the district had \$5,901,282 available in the Debt Service Fund to service the general obligation bonds.

### **Non-Voted Long-Term Debt**

In addition to the above voted long-term debt, the district entered into an agreement on 6/30/2019 with the State of WA Treasurer's Office to purchase fifteen school buses in the amount of \$1,422,921.81 to be paid back within a five-year period.

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
LP 2019B					
06-30-19	1,422,922	327,795	06-01-24	1.60456%	1,422,922
Total General Obligation Bonds	1,422,922	327,795	06-01-24	1.60456%	1,422,922

Years Ending August 31	Principal	Interest	Total
2020	260,578	67,217	327,795
2021	269,678	58,117	327,795
2022	283,161	44,633	327,794
2023	297,320	30,475	327,795
2024	312,185	15,609	327,794
Total	1,422,922	216,051	1,638,973

At August 31, 2019, the district had \$1,870,797 available in the Transportation Vehicle Fund (TVF) to service the non-voted debt.

The school district will service this debt via transfer from the TVF fund to the Debt Service fund in compliance with the Accounting Manual for Public School Districts in the State of Washington.

### **NOTE 11: INTERFUND BALANCES AND TRANSFERS**

There were no interfund transfers completed during the 2018-19 school year.



## **NOTE 12: 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.

### **WORKERS' COMPENSATION**

In fiscal year 1985, school districts within Educational Service District (ESD) #123 joined together to form the Southeast Washington Workers Compensation Cooperative Trust, a public entity risk pool currently operating as a common risk management and insurance program for industrial insurance. For fiscal year 2018-2019, there are nineteen school districts, including ESD #123, in the pool. The pool allows members to pool their self-insured losses and jointly purchases insurance and administrative services, such as risk management, claims administration, etc. Coverage is on an "occurrence" basis. The district pays an annual contribution to the fund based on their total payroll hours and claims history for the past three years. The pool is fully funded by its member participants. The pool acquires insurance from unrelated underwriters. The pool's per-occurrence retention limit is \$450,000 and the two-year aggregate retention is \$9,586,061. The maximum coverage under the excess insurance contract is \$9,586,061. Since the pool is a cooperative program, there is a joint liability among the participating members. The financial statements of the pool may be obtained by contacting Educational Service District No. 123.

A Cooperative Board that is comprised of one designated representative from each participating member and a six-member Executive Board governs the Pool. The Executive Board has five members elected by the Cooperative Board and the ESD Superintendent. ESD #123 is responsible for conducting the business affairs of the Pool.

### **UNEMPLOYMENT**

In fiscal year 1978, school districts within Educational Service District (ESD) #123 joined together to form the Cooperative Unemployment Compensation Insurance Pool, a public entity risk pool currently operating as a common risk management and insurance program for unemployment compensation. Seventeen districts, including ESD #123, have joined the Pool. Members pool their self-insured losses and administrative services and have established a plan of self-insurance and related services, such as risk management, claims administration, etc. Coverage is on an "occurrence" basis. Members make contributions to the fund based on their total gross payroll and unemployment history during the preceding year. The pool is fully funded by its member participants. The financial statements of the pool may be obtained by contacting Educational Service District No. 123. During the 2018-19 school year, the program began to operate as a risk-based program and the funding process started to transition because of this operation change.

The Pool is governed by a Cooperative Board, which is comprised of one designated representative from each participating member and a six-member Executive Board. Five members elected by the Cooperative Board and the ESD Superintendent comprise the Executive Board. ESD #123 is responsible for conducting the business affairs of the Pool.

### **RISK MANAGEMENT**

The district is a member of the Washington Schools Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or

contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in 1986 when educational service districts and school districts in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Over 90 school and educational service districts have joined the Pool.

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

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

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

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

### **NOTE 13: 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 after the end of the fiscal period are recorded as deferred inflow of resources.

### **NOTE 14: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS**

The district is a member of the King County Directors Association, a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association by passing Resolution 345 dated April 26, 1982 and has remained in the joint venture ever since. The district's current equity of \$60,544.16 is the accumulation of the annual assignment of KCDA's operating surplus based on the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

The District purchases electric power from Big Bend Electric, a cooperative headquartered in Ritzville, WA. District patronage credits, held by the cooperative, totaled \$56,955.66 on December 31, 2018.

## **NOTE 15: 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	\$317,649				
Restricted Fund Balance					
For Other Items			\$82,623,069		
For Fund Purpose		\$1,211,405			\$1,870,797
For Carryover of Restricted Revenues	\$378,612				
For Skill Centers					
For Carryover of Food Service Revenue	\$1,628,510				
For Debt Service				\$5,893,037	
For Arbitrage Rebate					
For Self-Insurance					
For Uninsured Risks					
Committed Fund Balance					
For Economic Stabilization					
Other Commitments					
Assigned Fund Balance					
Contingencies					
Other Capital Projects					
Other Purposes	\$9,182,723				
Fund Purposes			\$1,813,661		
Unassigned Fund Balance	\$15,931,206				

In addition, the Capital Projects Fund has the following amounts in Restricted Fund Balance, based on the source of the revenues:

Restricted from Bond Proceeds	\$75,861,596
Restricted from Levy Proceeds	-0-
Restricted from State Proceeds	-0-
Restricted from Federal Proceeds	-0-
Restricted from Other Proceeds	-0-
Restricted from Impact Fee Proceeds	\$6,709,773
Restricted from Mitigation Fee Proceeds	\$51,700
Restricted from Undistributed Proceeds	-0-

## **NOTE 16: 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 Carruth Compliance Consulting, Inc. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements.

#### **NOTE 17: 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 buy out 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.

Unpaid vacation leave was recorded as a liability on the schedule of long-term debt this year. It is estimated that the unpaid vacation leave balance is \$1,103,092 as of August 31, 2019.

#### **NOTE 18: OTHER DISCLOSURES**

##### **Self-Insurance—Security Deposit**

On October 1, 2003, Pasco School District initiated a Dental Self-Insured plan through the Fortis/Assurant Insurance Company. The money for this account has been collected through employee premiums. The costs of the dental care provided were paid from the premiums collected. A reserve fund of 2.5 months of claims and expenses has been established. The target reserve for the plan as of August 31, 2019 was \$566,593. The actual dental reserve as of August 31, 2019 was \$873,215.

On October 1, 2006, Pasco School District initiated a Vision Self-Insured plan through the Guardian Insurance Company. The money for this account has been collected through employee premiums. The costs of the vision care provided were paid from the premiums collected. A reserve fund of 2.5 months of claims and expenses has been established. The target reserve for the plan as of August 31, 2019 was \$200,014. The actual vision reserve as of August 31, 2019 was \$382,472.

### **Impact Fees**

On March 13, 2012, the District entered into an interlocal agreement with the City of Pasco to collect impact fees effective April 16, 2012. As required by RCW 82.02.070 the District has established and maintains a School Impact Fee account. The funds collected are required to be used for public facilities improvements per RCW 82.02.050(4) and RCW 82.02.070(2).

### **Tri-Tech Skills Center**

The district participates in the Tri-Tech Skills Center in cooperation with five neighboring districts for the purpose of training students in all six districts in certain vocational skills. All revenues and expenditures are reported by the Kennewick School District.

### **Delta High School**

In 2009 the district entered into an inter-cooperative agreement with Richland and Kennewick School Districts to establish Delta High School. The school opened for the 2009/2010 school year offering students a Science, Technology, Engineering, and Mathematics (STEM) focused curriculum. The school is scheduled to enroll 100 students each year for a target capacity of 400 students. Each of the three participating districts is allotted a share of student seats to fill. The school operates out of facilities owned by Pasco School District located within the Pasco School District. Effective September 1, 2017, Pasco School District serves as the fiscal agent for the High School.

Pasco School District No. 001  
Schedule of Long-Term Liabilities  
For the Year Ended August 31, 2019

Description	Beginning Outstanding Debt September 1, 2018	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2019	Amount Due Within One Year
<b>Voted Debt</b>					
Voted Bonds	218,220,000.00	0.00	6,835,000.00	211,385,000.00	7,540,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
<b>Non-Voted Debt and Liabilities</b>					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	0.00	1,422,921.81	0.00	1,422,921.81	260,578.09
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	142,369.22	567,000.00	176,119.22	533,250.00	33,750.00
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	861,182.87	241,908.99	0.00	1,103,091.86	220,618.37
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
<b>Other Liabilities</b>					
<b>Non-Voted Notes Not Recorded as Debt</b>					
Net Pension Liabilities:	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities TRS 1	44,742,618.00	0.00	5,844,683.00	38,897,935.00	
Net Pension Liabilities TRS 2/3	6,953,938.00	2,593,016.00	0.00	9,546,954.00	
Net Pension Liabilities SERS 2/3	3,985,907.00	0.00	821,060.00	3,164,847.00	
Net Pension Liabilities PERS 1	10,085,460.00	0.00	1,005,665.00	9,079,795.00	
<b>Total Long-Term Liabilities</b>	284,991,475.09	4,824,846.80	14,682,527.22	275,133,794.67	8,054,946.46

**Pasco School District No. 1**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	School Breakfast Program	10.553	N/A	1,720,965	-	1,720,965	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	N/A	5,824,256	-	5,824,256	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	N/A	352,834	-	352,834	-	3
Total CFDA 10.555:				6,177,090	-	6,177,090	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Summer Food Service Program for Children	10.559	N/A	125,425	-	125,425	-	
Total Child Nutrition Cluster:				8,023,480	-	8,023,480	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Fresh Fruit and Vegetable Program	10.582	N/A	276,383	-	276,383	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	202780	298	-	298	-	4, 5
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	203086	4,860,268	-	4,860,268	-	4, 5
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	270014	36,220	-	36,220	-	4, 5

The accompanying notes are an integral part of this schedule.

OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	270027	54,095	-	54,095	-	4, 5
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	270054	43,330	-	43,330	-	4, 5
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	271003	12,781	-	12,781	-	4, 5
<b>Total CFDA 84.010:</b>				<b>5,006,992</b>	-	<b>5,006,992</b>	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Migrant Education State Grant Program	84.011	282325	11,196	-	11,196	-	5
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Migrant Education State Grant Program	84.011	282353	848,163	-	848,163	-	5
<b>Total CFDA 84.011:</b>				<b>859,360</b>	-	<b>859,360</b>	-	
<b>Special Education Cluster (IDEA)</b>								
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	306379	3,036,966	-	3,036,966	-	5
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	365875	49,723	-	49,723	-	5
<b>Total Special Education Cluster (IDEA):</b>				<b>3,086,689</b>	-	<b>3,086,689</b>	-	
Office of Career, Technical, and Adult Education, DEPARTMENT OF (via WA OSPI)	Career and Technical Education -- Basic Grants to States	84.048	174248	127,562	-	127,562	-	5
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	English Language Acquisition State Grants	84.365	402670	552,519	-	552,519	-	5

The accompanying notes are an integral part of this schedule.



OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84,367	524264	1,167	-	1,167	-	5
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84,367	524594	570,732	-	570,732	-	5
<b>Total CFDA 84,367:</b>				<b>571,898</b>	-	<b>571,898</b>	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	Student Support and Academic Enrichment Program	84,424	430271	200,389	-	200,389	-	5
IMMED OFFICE OF THE SECRETARY OF HEALTH AND HUMAN SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA OSPI)	Pregnancy Assistance Fund Program	93,500	179438	1,747	-	1,747	-	6
Corporation for National and Community Service, CORPORATION FOR NATIONAL AND COMMUNITY SERVICE (via Comm for Community Serv)	AmeriCorps	94,006	17AFHWA001-K2430	247,880	-	247,880	-	7
<b>Total Federal Awards Expended:</b>				<b>18,954,899</b>	-	<b>18,954,899</b>	-	

**Pasco School District No. 1**  
**EIN: 91-6001752**  
**Schedule of Expenditure of Federal Awards**  
**For Fiscal Year Ending August 31, 2019**

**Notes to the Schedule of Federal Awards**

**NOTE 1 - BASIS OF ACCOUNTING**

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

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

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

**NOTE 3 - NONCASH AWARDS**

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

**NOTE 4 - SCHOOLWIDE PROGRAMS**

The Pasco School District operates a "schoolwide program" in fifteen elementary buildings, three middle schools, two high schools, one alternative high school and one online school. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within high poverty schools for all students as well as target services to high need students. The following federal program amounts were expended by the District in its schoolwide programs: Title I to Local Educational Agencies (84.010) - \$5,006,993

**NOTE 5 - FEDERAL INDIRECT RATE**

The Pasco School District used the federal restricted rate of 2.6% for FY 17-18 and 3.81% for FY 18-19.

**NOTE 6 - INDIRECT RATE**

The Pasco School District charged no indirect .

**NOTE 7 - INDIRECT RATE**

The Pasco School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The Pasco School District used an indirect rate of 5.256% .

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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