



Office of the Washington State Auditor  
Pat McCarthy

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

# **Chewelah School District No. 36**

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

*Published May 3, 2021*

Report No. 1028179



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

May 3, 2021

Superintendent and Board of Directors  
Chewelah School District No. 36  
Chewelah, Washington

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

Please find attached our report on Chewelah School District No. 36's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

***Americans with Disabilities***

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### **Chewelah School District No. 36 September 1, 2019 through August 31, 2020**

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

The results of our audit of Chewelah School District No. 36 are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### **Financial Statements**

We issued an unmodified opinion on the fair presentation of the District’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

##### **Internal Control over Financial Reporting:**

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

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

#### **Federal Awards**

##### **Internal Control over Major Programs:**

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

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

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

## **Identification of Major Federal Programs**

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

<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 – COVID 19 – Summer Food Service Program for Children

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**

See Finding 2020-001.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Chewelah School District No. 36 September 1, 2019 through August 31, 2020

#### 2020-001 The District did not have adequate internal controls to ensure compliance with federal child nutrition program verification requirements.

<b>CFDA Number and Title:</b>	10.553 School Breakfast Program 10.555 National School Lunch Program 10.559 COVID 19 – Summer Food Service Program for Children
<b>Federal Grantor Name:</b>	U.S. Department of Agriculture
<b>Federal Award/Contract Number:</b>	N/A
<b>Pass-through Entity Name:</b>	Office of Superintendent of Public Instruction
<b>Pass-through Award/Contract Number:</b>	N/A
<b>Questioned Cost Amount:</b>	\$0

#### *Background*

During fiscal year 2020, the District received \$337,475 in funding for the School Breakfast, National School Lunch Program and Summer Food Service Programs. These programs provide funding for free and reduced-price meals for eligible low-income students whose households meet specific income requirements set by the U.S. Department of Agriculture.

Federal regulations require recipients to establish and follow internal controls to ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

Each year, districts must select a sample of household applications and verify that family income information reported to the District is correct. The Office of Superintendent of Public Instruction (OSPI) instructs school districts how to verify program eligibility, including the number of applications and the method with

which to sample the applications. The District must review selected applicants' income documentation and confirm students are receiving correct benefits of free or reduced-price meals. Otherwise, the student is not eligible and must pay for meals at full price.

### ***Description of Condition***

Though the District had a process in place to perform the annual verification process, internal controls were not sufficient to ensure the District selected and verified the required sample, performed the verification steps accurately and complied with federal requirements.

The District was required to use the 3 percent focused sampling method because 20 percent of the sampled applications in the 2018-2019 school year did not respond to the District's verification process. However the District incorrectly used the random sampling method for its verification process and did not select the correct applications for review.

We consider this control deficiency to be a material weakness, which led to material noncompliance.

This issue was not reported as a finding in the prior audit.

### ***Cause of Condition***

The District had a basic understanding of the verification process but was not aware it needed to use a different sampling method because of the non-response rate it experienced in the prior year. The District also experienced turnover in the Food Services Secretary position, which is responsible for the verification process.

### ***Effect of Condition***

Because the District did not have effective internal controls over the verification process, it increases the risk that the District might have received funding for households that did not qualify for free or reduced-priced meals.

### ***Recommendation***

We recommend that the District establish and follow internal controls and provide oversight to confirm it completes the annual verification process following OSPI and federal guidelines.

### ***District's Response***

*The District had changes in the positions for Food Service Secretary and Business Manager during this year. We tried very hard to get up to speed and correctly*

*complete the verification process. To correct this process in the future, the District will provide training opportunities to the Food Service Secretary and Business Manager to understand and complete the verification each year. The Food Service Secretary and Business Manager will also meet and discuss the verification process every two weeks during the verification timeline starting October 1<sup>st</sup> and continuing until the verification is completed and submitted. The District has been in contact with OSPI to find opportunities for training, recorded trainings, and checklists to assist with this process in the future.*

### ***Auditor's Remarks***

We appreciate the District's commitment to resolving the issues noted and will follow up during the next scheduled audit.

### ***Applicable Laws and Regulations***

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

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

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

Title 7 CFR, Part 245, *Determining Eligibility For Free And Reduced Price Meals And Free Milk In Schools*, Section 6a, Verification requirements sets forth the verification requirements for verifying edibility of children for free and reduced price meal benefits.



## INDEPENDENT AUDITOR'S REPORT

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

#### **Chewelah School District No. 36 September 1, 2019 through August 31, 2020**

Superintendent and Board of Directors  
Chewelah School District No. 36  
Chewelah, 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 Chewelah School District No. 36, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated April 6, 2021.

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 3 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 3.

## 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.

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 6, 2021

## INDEPENDENT AUDITOR'S REPORT

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

### **Chewelah School District No. 36 September 1, 2019 through August 31, 2020**

Superintendent and Board of Directors  
Chewelah School District No. 36  
Chewelah, Washington

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

We have audited the compliance of Chewelah School District No. 36, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2020. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

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

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

### **District's Response to Findings**

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

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

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-001, that we consider to be a material weakness.

### **District's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other

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

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 6, 2021

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **Chewelah School District No. 36 September 1, 2019 through August 31, 2020**

Superintendent and Board of Directors  
Chewelah School District No. 36  
Chewelah, Washington

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Chewelah School District No. 36, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 20.

### **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 Chewelah School District No. 36, as of August 31, 2020, 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 Chewelah School District No. 36, as of August 31, 2020, 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 3 to the financial statements, the full extent of the COVID-19 pandemic’s direct or indirect financial impact on the District is unknown. Management’s plans in response to this matter are also described in Note 3. 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 also 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 6, 2021 on our consideration of the District’s internal control over financial reporting and on our tests

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

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 6, 2021

## **FINANCIAL SECTION**

### **Chewelah School District No. 36 September 1, 2019 through August 31, 2020**

#### **FINANCIAL STATEMENTS**

Balance Sheet – Governmental Funds – 2020

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

Notes to the Financial Statements – 2020

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

Schedule of Long-Term Liabilities – 2020

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

Chewelah School District No. 036  
Balance Sheet - Governmental Funds  
August 31, 2020

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>Assets</b>							
Cash and Cash Equivalents	564,775.67	11,437.57	11,370.92	1,166.15	8.36	0.00	588,758.67
Minus Warrants Outstanding	-538,284.01	-1,820.00	0.00	0.00	0.00	0.00	-540,104.01
Taxes Receivable	423,190.07		0.00	158,152.40	0.00		581,342.47
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	107,015.34	0.00	0.00	0.00	0.00	0.00	107,015.34
Accounts Receivable	3,302.52	0.00	0.00	0.00	0.00	0.00	3,302.52
Interfund Loans Receivable	0.00						0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	53,745.95	0.00		0.00			53,745.95
Prepaid Items	153,576.01	1,745.00			0.00	0.00	155,321.01
Investments	1,286,854.78	71,333.30	11,395.42	113,773.53	155,291.84	0.00	1,638,648.87
Investments/Cash With Trustee	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00		0.00	0.00
Self-Insurance Security Deposit	0.00					0.00	0.00
<b>TOTAL ASSETS</b>	<b>2,054,176.33</b>	<b>82,695.87</b>	<b>22,766.34</b>	<b>273,092.08</b>	<b>155,300.20</b>	<b>0.00</b>	<b>2,588,030.82</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>							
Deferred Outflows of Resources - Other	0.00	0.00	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 OUTFLOWS OF RESOURCES</b>	<b>2,054,176.33</b>	<b>82,695.87</b>	<b>22,766.34</b>	<b>273,092.08</b>	<b>155,300.20</b>	<b>0.00</b>	<b>2,588,030.82</b>
<b>LIABILITIES</b>							
Accounts Payable	34,475.59	109.75	0.00	9,406.64	0.00	0.00	43,991.98
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00

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

Chewelah School District No. 036  
Balance Sheet - Governmental Funds  
August 31, 2020

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Accrued Salaries	6,083.16		0.00	0.00			6,083.16
Anticipation Notes Payable	0.00		0.00	0.00			0.00
<b>LIABILITIES:</b>							
Payroll Deductions and Taxes Payable	1,418.29		0.00	0.00			1,418.29
Due To Other Governmental Units	825.90		0.00	0.00	0.00	0.00	825.90
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
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
<b>TOTAL LIABILITIES</b>	<b>42,802.94</b>	<b>109.75</b>	<b>0.00</b>	<b>9,406.64</b>	<b>0.00</b>	<b>0.00</b>	<b>52,319.33</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue	0.00		0.00	0.00	0.00	0.00	0.00
Unavailable Revenue - Taxes Receivable	423,190.07		0.00	158,152.40	0.00		581,342.47
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>423,190.07</b>	<b>0.00</b>	<b>0.00</b>	<b>158,152.40</b>	<b>0.00</b>	<b>0.00</b>	<b>581,342.47</b>
<b>FUND BALANCE:</b>							
Nonspendable Fund Balance	207,321.96	1,745.00	0.00	0.00	0.00	0.00	209,066.96
Restricted Fund Balance	45,882.57	80,841.12	22,766.34	0.00	155,300.20	0.00	304,790.23
Committed Fund Balance	0.00	0.00	0.00	92,322.13	0.00	0.00	92,322.13
Assigned Fund Balance	0.00	0.00	0.00	13,210.91	0.00	0.00	13,210.91

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

Chewelalah School District No. 036  
Balance Sheet - Governmental Funds

August 31, 2020

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Unassigned Fund Balance	1,334,978.79	0.00	0.00	0.00	0.00	0.00	1,334,978.79
<b>TOTAL FUND BALANCE</b>	<b>1,588,183.32</b>	<b>82,586.12</b>	<b>22,766.34</b>	<b>105,533.04</b>	<b>155,300.20</b>	<b>0.00</b>	<b>1,954,369.02</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE</b>	<b>2,054,176.33</b>	<b>82,695.87</b>	<b>22,766.34</b>	<b>273,092.08</b>	<b>155,300.20</b>	<b>0.00</b>	<b>2,588,030.82</b>

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

Chewelah School District No. 036

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

For the Year Ended August 31, 2020

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>REVENUES:</b>							
Local	1,032,693.56	111,865.06	22,816.55	356,437.04	929.18		1,524,741.39
State	9,112,362.21		0.00	34,000.00	120,556.73		9,266,918.94
Federal	1,129,806.84		0.00	5,846.37	0.00		1,135,653.21
Other	44,021.50			0.00	0.00	0.00	44,021.50
<b>TOTAL REVENUES</b>	<b>11,318,884.11</b>	<b>111,865.06</b>	<b>22,816.55</b>	<b>396,283.41</b>	<b>121,485.91</b>	<b>0.00</b>	<b>11,971,335.04</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	5,421,921.70						5,421,921.70
Special Education	1,300,809.33						1,300,809.33
Vocational Education	445,797.81						445,797.81
Skill Center	0.00						0.00
Compensatory Programs	921,119.92						921,119.92
Other Instructional Programs	21,270.45						21,270.45
Community Services	214,449.60						214,449.60
<b>Support Services</b>	<b>2,292,041.99</b>						<b>2,292,041.99</b>
<b>Student Activities/Other</b>		<b>120,023.99</b>				<b>0.00</b>	<b>120,023.99</b>
<b>CAPITAL OUTLAY:</b>							
Sites				0.00			0.00
Building				34,000.00			34,000.00
Equipment				131,120.52			131,120.52
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					112,283.54		112,283.54
Sales and Lease				0.00			0.00
Other	80,488.53						80,488.53
<b>DEBT SERVICE:</b>							
Principal	7,766.05		200,000.00	0.00	0.00		207,766.05
Interest and Other Charges	0.00		1,900.00	0.00	0.00		1,900.00

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



Chewelah School District No. 036

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

For the Year Ended August 31, 2020

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Bond/Levy Issuance							
<b>TOTAL EXPENDITURES</b>	10,705,665.38	120,023.99	201,900.00	165,120.52	112,283.54	0.00	11,304,993.43
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	613,218.73	-8,158.93	-179,083.45	231,162.89	9,202.37	0.00	665,341.61
<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	0.00		0.00
Transfers In	0.00		189,683.46	0.00	0.00		189,683.46
Transfers Out (GL 536)	0.00		0.00	-189,683.46	0.00	0.00	-189,683.46
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	3,000.00		3,000.00
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	0.00		189,683.46	-189,683.46	3,000.00	0.00	3,000.00
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	613,218.73	-8,158.93	10,600.01	41,479.43	12,202.37	0.00	669,341.61
<b>BEGINNING TOTAL FUND BALANCE</b>	974,964.59	90,745.05	12,166.33	64,053.61	143,097.83	0.00	1,285,027.41
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>	1,588,183.32	82,586.12	22,766.34	105,533.04	155,300.20	0.00	1,954,369.02

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

## **CHEWELAH SCHOOL DISTRICT**

### **Notes to the Financial Statements**

**September 1, 2019 Through August 31, 2020**

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

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

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

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

#### **Fund Accounting**

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

##### ***Governmental Funds***

##### **General Fund**

This fund is used to account for all expendable financial resources, except for those that are required to be accounted for in another fund. In keeping with the principle of having as few

funds as are necessary, activities such as food services, maintenance, data processing, printing, and student transportation are included in the General Fund.

### Capital Projects Funds

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

Capital Projects Fund. This fund is used to account for resources set aside for the acquisition and construction of major capital assets such as land and buildings.

Transportation Vehicle Fund. This fund is used to account for the purchase, major repair, rebuilding, and debt service expenditures that relate to pupil transportation equipment.

### Debt Service Fund

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

### Special Revenue Fund

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

## **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. Categorical program claims and interdistrict billings are measurable and available and are accrued. Property taxes not collected by the fiscal year-end are measurable and recorded as a receivable, however the receivable is not considered available revenue and is recorded as a deferred inflow of resources.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which

are recorded when due. Purchases of capital assets are expensed during the year of acquisition. For federal grants, the recognition of expenditures is dependent on the obligation date. (Obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.)

## **Budgets**

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

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

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

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

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

### **The government's fund balance classifications policies and procedures.**

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

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

Restricted Fund Balance. Amounts that are reported as Restricted are those resources of the District that have had a legal restriction placed on their use either from statute, WAC, or other legal requirements that are beyond the control of the board of directors. Restricted fund

balance includes anticipated recovery of revenues that have been received but are restricted as to their usage.

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

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

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

The Superintendent is the only person who has the authority to create Assignments of fund balance.

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

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

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

## **Cash and Cash Equivalents**

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

## **Inventory**

Inventory is valued at cost using the first-in, first-out (FIFO) method. 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. 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**

All of the District's bank balances are insured by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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

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

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

The district's participation in the Stevens County investment pool is voluntary and the pool does not have a credit rating. The district reports its investment in the pool at the fair value amount, which is not the same as the value of the pool per share. The fair value of the district's investment in the pool is measured using a net asset value (NAV) as determined by the pool. The pool maintains a weighted average maturity of 60 days or less.

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

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

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

The District's investments in the Stevens County Treasurer's Investment Pool LGIP as of August 31, 2020, are as follows:

Type of Investment	District's own investments	Investments held by district as an agent for other organizations	Total
County Treasurer's Investment Pool	\$1,638,649	\$ 0	\$1,638,649

### **NOTE 3: 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 included closing schools, canceling public events, limiting gathering sizes, and requiring people to stay home unless they were leaving for an essential function. On April 6, 2020, the Governor closed all public and private K–12 school buildings throughout the remainder of the 2019–20 school year. The school district, however, continued to operate, educating students using continuous learning models.

Many of the precautionary measures put in place during the 2019–20 school year remain in effect; and are affecting the district for the 2020–21 school year in new ways.

The district began the 2020–21 school year fully remote using a distance learning model and switched to a hybrid model that was phased in from October 13 to November 4, 2020. Students currently attend in-person classes two days a week and work from home three days a week supported by a learning management system monitored and directed by their teachers. The students are separated into two learning cohorts that are not intermixed. As a result, there is

limited on-campus activity, and many of the district's support staff including some bus drivers and a food service worker have had their hours significantly reduced. At this time, the district anticipates continuing to follow our hybrid model unless there is a significant change in COVID-19 cases per 100,000 in our area or unless the advice and recommendations from the Tri-County Department of Health change to allow for regular daily in person learning or recommend we revert back to full distance learning.

The district has experienced decreased student enrollment beginning in the 2020–2021 school year. The district's enrollment is currently 55 FTE under the budgeted enrollment. The district's transportation ridership is under budget by over 400 students. As a result, the district estimates a reduction in district funding by \$1,000,000 to \$1,300,000 for the 2020-2021 school year from the budgeted revenues. The district has taken the following measures: convened a fiscal work group to review, discuss and make recommendations on reducing expenditures including but not limited to supplies, materials, services and staffing.

Due to the closure of facilities and programs, the district expects General Fund local revenues to decrease \$50,000 from the loss of food service revenue and facility rental fees during the 2020-2021 school year. The district also expects ASB fund revenues to decrease \$200,000 during the 2020–2021 school year due to a reduction in gate fees, ASB cards, concessions, sports passes and fundraisers.

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

## **NOTE 4: 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. The DRS total collective net pension liabilities for the pension plans school districts participate in are shown here.



## The Collective Net Pension Liability

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

The Collective Net Pension Liability as of June 30, 2020				
	Total Pension Liability	Plan fiduciary net position	Participating employers' net pension liability	Plan fiduciary net position as a percentage of the total pension liability
PERS 1	\$11,256,796,000	\$7,726,256,000	\$3,530,540,000	68.64%
SERS 2/3	\$7,043,384,000	\$6,511,420,000	\$531,964,000	92.45%
TRS 1	\$8,179,362,000	\$5,770,576,000	\$2,408,786,000	70.55%
TRS 2/3	\$18,559,021,000	\$17,023,040,000	\$1,535,981,000	91.72%

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 [Annual Financial Reports](#) or <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, 2020, was as follows:

Plan	Retirees and Beneficiaries Receiving Benefits	Inactive Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members
PERS 1	44,359	310	1,181
SERS 2	11,112	6,274	28,943
SERS 3	11,200	9,064	36,772
TRS 1	31,777	92	263
TRS 2	6,201	2,808	22,980
TRS 3	15,316	8,279	56,593

## ***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 Plan Information

TRS was established in 1938, and its retirement provisions are contained in RCW Chapters 41.34 and 41.32. TRS is a cost-sharing multi-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. TRS eligibility for membership requires service as a certificated, public school employee working in an instructional, administrative or supervisory capacity.

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

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

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

The benefit is reduced by a factor that varies according to age, for each year before age 65. TRS Plan 2/3 members who have 30 or more years of service credit, were hired prior to May 1, 2013, and are at least 55 years old, can retire under one of two provisions: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules. TRS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. TRS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

#### PERS Plan Information

PERS was established in 1947, and its retirement benefit provisions are contained in RCW Chapters 41.34 and 41.40. PERS is a cost-sharing, multi-employer retirement system. PERS Plan 1 provides retirement, disability and death benefits. PERS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

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

#### SERS Plan Information

SERS was established by the legislature in 1998, and the plan became effective in 2000. SERS retirement benefit provisions are established in RCW Chapters 41.34 and 41.35. SERS is a cost-sharing, multiemployer retirement system comprised of two separate plans for membership purposes. SERS Plan 2 is a defined benefit plan and SERS Plan 3 is a defined benefit plan with a defined contribution component. SERS members include classified employees of school districts and educational service districts.

SERS is reported as two separate plans for accounting purposes: Plan 2/3 and Plan 3. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of

the Plan 2 or Plan 3 members or beneficiaries. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

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

The benefit is reduced by a factor that varies according to age, for each year before age 65. SERS members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 2, 2013: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules. SERS members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. SERS retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

### ***Plan Contributions***

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

The employer and employee contribution rates for the PERS plan were effective as of July 1, 2019. SERS and TRS contribution rates are effective as of September 1, 2019. All plans will not have a contribution rate change until September 1, 2020. The pension plan contribution rates (expressed as a percentage of covered payroll) for fiscal year 2020 are listed below:

<b>Pension Contribution Rates from September 01, 2019 to August 31, 2020</b>			
	Employer	Employee	
PERS Plan 1	12.86%	6.00%	
TRS Plan 1	15.51%	6.00%	
TRS Plan 2/3	15.51%	7.77%	*/**
SERS Plan 2/3	13.19%	8.25%	*/**
<i>Note: The Employer rates include .0018 DRS administrative expense.</i>			
* – TRS and SERS Plan 3 Employee Contribution Variable from 5% to 15% based on rate selected by the employee member.			
** – TRS and SERS Plan 2/3 Employer Contributions for defined benefit portion only.			

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

At June 30, 2020, the school district reported a total liability of \$3,306,572 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, 2020, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2020	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	90,435	154,052	330,200	368,381
Proportionate Share of the Net Pension Liability	440,549	378,971	1,514,575	972,477

At June 30, 2020, 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 share of the Net Pension Liability	0.012478%	0.071240%	0.062877%	0.063313%
Prior year share of the Net Pension Liability	0.011525%	0.066805%	0.057472%	0.057766%
Net difference percentage	<b>0.000953%</b>	<b>0.004434%</b>	<b>0.005405%</b>	<b>0.005547%</b>

## ***Actuarial Assumptions***

The total pension liabilities for TRS 1, TRS 2/3, PERS 1 and SERS 2/3 were determined by actuarial valuation as of June 30, 2019, with the results rolled forward to June 30, 2020, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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 developed using the Society of Actuaries' Pub.H-2010 Mortality rates, which vary by member status as the base table. OSA applies age offsets for each system to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale to project mortality rates for every year after the 2010 base table. The actuarial assumptions used in the June 30, 2019, valuation were based on the results of the *2013–2018 Demographic Experience Study Report and the 2019 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report.

### Long-term Expected Rate of Return

OSA selected a 7.40% long-term expected rate of return on pension plan investments using a building-block method. In selecting the assumptions, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the Washington State Investment Board (WSIB) provided.

The CMAs contain three pieces of information for each class of assets the WSIB currently invest in:

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

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The expected future rates of return are developed by the WSIB for each major asset class. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2020, are summarized in the following table:

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. Based on the assumptions described in the DRS CAFR Certification Letter, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return, a 7.40 percent on pension plan investments was applied to determine the total pension liability.

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

The following table presents the Chewelah 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
<b>PERS 1 NPL</b>	\$4,422,202,000	\$3,530,540,000	\$2,752,919,000
Allocation Percentage	0.012478%	0.012478%	0.012478%
Proportionate Share of NPL	\$551,802	\$440,541	\$343,509
	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
<b>SERS 2/3 NPL</b>	\$1,517,879,000	\$531,964,000	(\$283,583,000)
Allocation Percentage	0.071240%	0.071240%	0.071240%
Proportionate Share of NPL	\$1,081,337	\$378,971	(\$202,025)
<b>TRS 1 NPL</b>	\$3,051,911,000	\$2,408,786,000	\$1,847,550,000
Allocation Percentage	0.062877%	0.062877%	0.062877%
Proportionate Share of NPL	\$1,918,950	\$1,514,572	\$1,161,684
<b>TRS 2/3 NPL</b>	\$4,526,645,000	\$1,535,981,000	(\$903,643,000)
Allocation Percentage	0.063313%	0.063313%	0.063313%
Proportionate Share of NPL	\$2,865,955	\$972,476	(\$572,123)

## **NOTE 5: 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. Benefits purchased by PEBB include medical, dental, life insurance and long-term disability insurance.



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

### Eligibility

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

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

### Medical Benefits

Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 medical coverage for 2021.

<b>Members not eligible for Medicare (or enrolled in Part A only)</b>			
<b>Descriptions</b>	<b>Type of Coverage</b>		
	<b>Employee</b>	<b>Employee &amp; Spouse</b>	<b>Full Family</b>
Kaiser Permanente NW Classic	\$715.66	\$1,426.75	\$1,959.20
Kaiser Permanente NW CDHP	\$608.85	\$1,206.99	\$1,611.85
Kaiser Permanente WA Classic	\$752.15	\$1,499.24	\$2,059.55
Kaiser Permanente WA CDHP	\$610.16	\$1,210.10	\$1,616.32
Kaiser Permanente WA Sound Choice	\$618.49	\$1,231.92	\$1,692.00
Kaiser Permanente WA Value	\$675.71	\$1,346.36	\$1,849.35
UMP Classic	\$679.72	\$1,354.37	\$1,860.37
UMP CDHP	\$608.35	\$1,206.48	\$1,611.34
UMP Plus-Puget Sound High Value Network	\$644.97	\$1,284.88	\$1,764.82
UMP Plus-UW Medicine Accountable Care Network	\$644.97	\$1,284.88	\$1,764.82

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

<b>Members enrolled in Part A and B of Medicare</b>			
<b>Descriptions</b>	<b>Type of Coverage</b>		
	<b>Employee</b>	<b>Employee &amp; Spouse<sup>1</sup></b>	<b>Full Family<sup>1</sup></b>
Kaiser Permanente NW Senior Advantage	\$173.01	\$342.75	\$875.70
Kaiser Permanente WA Medicare Plan	\$174.55	\$344.04	N/A

Kaiser Permanente WA Classic	N/A	N/A	\$904.36
Kaiser Permanente WA Sound Choice	N/A	N/A	\$804.11
Kaiser Permanente WA Value	N/A	N/A	\$847.03
UMP Classic	\$320.54	\$636.02	\$1,142.01
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.

The School Employee Benefits Board (SEBB) collects benefit premiums from all school district entities for covered employees. The premium includes a fee, established in state law. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees who elect to purchase their health care benefits through the state Health Care Authority PEBB plan. For the fiscal year 2019–20, SEBB was required to collect for the HCA \$69.56 per month per eligible employee to support the program. This amount is set forth in the state’s operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

The 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 the [Office of the State Actuary](#).

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 the [OFM](#) website

## **NOTE 6: COMMITMENTS UNDER LEASES**

For the fiscal year ended August 31, 2020, the District had incurred additional long-term debt as follows:

### Capital Leases:

John Deere Financial 1600 Wide Area Front Mower

<b>Date</b>	<b>Months</b>	<b>Lease Payment</b>	<b>Amount of Long-Term Debt</b>
Gross equal to 47 payments			30,416.99
8-31-2021	12	7,766.04	22,650.95
8-31-2022	12	7,766.04	14,884.91
8-31-2023	12	7,766.04	7,118.87
8-31-2024	11	7,118.87	0.00
	47	30,416.99	

The district has the option of purchasing the leased mower at a bargained purchase price of \$5,972.92 at the end of the lease terms.

### Non-Cancellable Operating Leases:

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of lease agreements are not reflected in the District's financial statements. The following is a schedule by years of future minimum rental payments required under operating leases with initial or remaining non-cancellable lease terms of one year or more as of August 31, 2020.

### Canon Copier Leases

<b>Year Ending</b>	<b>Months</b>	<b>Lease Payment Amount</b>
8-31-2021	12	\$8,424.48
8-31-2022	12	\$8,424.48
8-31-2023	12	\$8,424.48
8-31-2024	9	\$4,992.20
Total	45	\$30,265.64

## **NOTE 7: OTHER SIGNIFICANT COMMITMENTS**

The District has active construction projects as of August 31, 2020:

Project	Project Authorization Amount	Expended as of 8/31/2020	Additional Local Funds Committed	Additional State Funds Committed
Analytic Cameras and Licenses	\$120,457.12	\$94,066.53	\$26,390.59	\$0.00
Total	\$120,457.12	\$94,066.53	\$26,390.59	\$0.00

### **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, 2020:

Fund	Amount
General	\$235,044.90
Capital Projects Fund	\$88,899.33
Transportation Vehicle Fund	\$113,817.48

## **NOTE 8: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS**

The District's capital assets are insured in the amount of \$35,711,064 for fiscal year 2020. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

## **NOTE 9: LONG-TERM DEBT**

### **Long-Term Debt**

The following is a summary of changes in long-term debt of the District for the fiscal year ended August 31, 2020:

Governmental activities	Balance at Sept. 1, 2019	Increases	Decreases	Balance at Aug. 31, 2020	Due within One Year
General Obligation Bonds	\$200,000		\$200,000	\$0.00	\$0.00
Total	\$200,000		\$200,000	\$0.00	\$0.00

Long-term debt at August 31, 2020, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
General Obligation Bonds	\$1,150,000	\$1,150,000	12/01/2019	1.9%	\$0.00
Total	\$1,150,000	\$1,150,000			\$0.00

At August 31, 2020, the District had \$22,766.34 available in the Debt Service Fund to service the general obligation bonds.

## **NOTE 10: INTERFUND BALANCES AND TRANSFERS**

The following table depicts interfund transfer activity:

Transferred From (Fund) 535 or 536	Transferred To (Fund) 965 9900 or 9901	Amount	Description
Capital Projects Fund	Debt Service Fund	\$189,683.46	Principal on General Obligation Bond

## **NOTE 11: 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.

#### State Industrial Insurance Pool

In June 1983, the District joined together with other school districts in the state to form Northeast Washington Workers Compensation Cooperative Pool, a public entity risk pool currently operating as a common risk management and insurance program for industrial insurance. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the Northeast Washington Workers Compensation Cooperative Pool provides that the pool will be self-sustaining through member premiums.

#### Unemployment Compensation Insurance Cooperative

In November 1977, the District joined together with other school districts in the state and the Educational Service District No. 101 in an unemployment compensation insurance cooperative. The purpose of the cooperative is to provide unemployment compensation insurance to eligible employees in an efficient and effective manner, in compliance with state laws regarding unemployment compensation insurance. The District pays assessments and administration fees to the ESD for services related to this unemployment compensation insurance. The assessments and fees are calculated on an annual basis and approved by the cooperative's advisory board.

#### Other Insurance Pools

The District continues to carry commercial insurance for all other risks of loss, including property, general liability, automotive liability, wrongful acts liability, and crime. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **NOTE 12: PROPERTY TAXES**

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

### **NOTE 13: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS**

The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association by passing a resolution. The District's current equity of \$594.57 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against

paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

## **NOTE 14: 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	\$207,321.96	\$1,745.00			
Restricted Fund Balance					
For Fund Purpose		\$80,841.12			\$155,300.20
For Carryover of Restricted Revenues	\$45,882.57				
For Debt Service				\$22,766.34	
Committed Fund Balance					
Other Commitments			\$92,322.13		
Assigned Fund Balance					
Fund Purposes			\$13,210.91		
Unassigned Fund Balance	\$1,334,978.79				

The board of directors has established a minimum fund balance policy for the general fund to provide for financial stability and contingencies within the District. The policy is that the District shall maintain an end of fiscal year cash reserve of no less than 7.75% of the total District budget. Portions of fund balance that are set aside for the purpose of meeting this policy are recorded on the financial statements as a part of Unassigned fund balance.

## **NOTE 15: DEFINED CONTRIBUTION PENSION**

### **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. The District does not make employer contributions to the plan.

### **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 one type of deferral: elective deferrals (employee contribution).

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 The Omni Group. Plan assets are assets of the District employees, not the school district, and are therefore not reflected on the financial statements. The District does not make employer contributions to the plan.

## **NOTE 16: TERMINATION BENEFITS**

### **Compensated Absences**

Employees earn sick leave at a rate of 10 or 12 days per year up to a maximum of one contract year.

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

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

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

No unrecorded liability exists for other employee benefits.



Chewelah School District No. 036  
Schedule of Long-Term Liabilities  
For the Year Ended August 31, 2020

Description	Beginning Outstanding Debt September 1, 2019	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2020	Amount Due Within One Year
<b>Voted Debt</b>					
Voted Bonds	200,000.00	0.00	200,000.00	0.00	0.00
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	0.00	0.00	0.00	0.00
Capital Leases	38,182.44	0.00	7,765.45	30,416.99	7,766.04
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Non-Cancellable Operating Leases	38,690.12	0.00	8,424.48	30,265.64	8,424.48
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	289,261.46	17,930.19	5,400.51	301,791.14	250,598.37
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>	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities:					
Net Pension Liabilities TRS 1	1,422,899.00	91,676.00	0.00	1,514,575.00	
Net Pension Liabilities TRS 2/3	348,061.00	624,416.00	0.00	972,477.00	
Net Pension Liabilities SERS 2/3	156,657.00	222,314.00	0.00	378,971.00	
Net Pension Liabilities PERS 1	443,196.00	0.00	2,647.00	440,549.00	
<b>Total Long-Term Liabilities</b>	<b>2,936,947.02</b>	<b>956,336.19</b>	<b>224,237.44</b>	<b>3,669,045.77</b>	<b>266,788.89</b>

**Chewelah School District No. 36**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2020**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
<b>Child Nutrition Cluster</b>								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	School Breakfast Program	10.553	207WAWA3N10 99	28,930	-	28,930	-	4
	National School Lunch Program	10.555	207WAWA3N10 99	93,838	-	93,838	-	4
	COVID 19 - Summer Food Service Program for Children	10.559	207WAWA3N10 99	214,707	-	214,707	-	4
		<b>Total Child Nutrition Cluster:</b>			-	<b>337,475</b>	-	
<b>Food Distribution Cluster</b>								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Commodity Supplemental Food Program	10.565	N/A	22,223	-	22,223	-	4, 5
		<b>Total Food Distribution Cluster :</b>			-	<b>22,223</b>	-	
<b>Forest Service Schools and Roads Cluster</b>								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via OFFICE OF THE STATE TREASURER)	Schools and Roads - Grants to States	10.665	N/A	19,952	-	19,952	-	4
		<b>Total Forest Service Schools and Roads Cluster:</b>			-	<b>19,952</b>	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	203433	352,217	-	352,217	-	3, 4, 6

*The accompanying notes are an integral part of this schedule.*

**Chewelah School District No. 36**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2020**

Federal Agency (Pass-Through Agency)	Expenditures					Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	
<b>Special Education Cluster (IDEA)</b>							
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	0306847	176,043	-	176,043	3, 4
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	0366328	4,865	-	4,865	3, 4
<b>Total Special Education Cluster (IDEA):</b>						<b>180,908</b>	
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA OSPI)	Career and Technical Education -- Basic Grants to States	84.048	0174559	14,491	-	14,491	3, 4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	0524835	17,273	-	17,273	3, 4
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	Student Support and Academic Enrichment Program	84.424	0430629	17,215	-	17,215	3, 4
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425D	0120118	159,535	-	159,535	3, 4
<b>Medicaid Cluster</b>							

*The accompanying notes are an integral part of this schedule.*

**Chewelah School District No. 36**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2020**

	Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
			CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
	CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via HCA)	Medical Assistance Program	93.778	N/A	8,518	-	8,518	-	4
			<b>Total Medicaid Cluster:</b>		<b>8,518</b>	<b>-</b>	<b>8,518</b>	<b>-</b>	
			<b>Total Federal Awards Expended:</b>		<b>1,129,807</b>	<b>-</b>	<b>1,129,807</b>	<b>-</b>	

## **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

### **NOTE 1—BASIS OF ACCOUNTING**

This Schedule is prepared on the same basis of accounting as the Chewelah School District's financial statements. The Chewelah 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—FEDERAL DE MINIMIS INDIRECT RATE**

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

### **NOTE 3—FEDERAL INDIRECT RATE**

The Chewelah School District used the federal restricted rate of 3.57%.

### **NOTE 4—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 Chewelah School District's local matching share, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### **NOTE 5—NONCASH AWARDS**

The amount of commodities reported on the schedule is the value of commodities distributed by the Chewelah School District during the current year and priced as prescribed by OSPI.

### **NOTE 6—SCHOOLWIDE PROGRAMS**

The Chewelah School District operates a "schoolwide program" in one elementary building and one junior/senior high building. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the Chewelah School District in its schoolwide program: Title I (84.010) \$352,217.

# Chewelah Schools – *Where Dreams Begin*

*Our Mission: Ensuring learning for all students*

## **CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE**

**Chewelah School District No. 36**

**September 1, 2019 through August 31, 2020**

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

<b>Finding ref number:</b> 2020-001	<b>Finding caption:</b> The District did not have adequate internal controls to ensure compliance with federal child nutrition program verification requirements.
<b>Name, address, and telephone of District contact person:</b> Mara Schneider, P.O. BOX 47 Chewelah, WA 99109 and 509-685-6800 x81004	
<b><i>Corrective action the auditee plans to take in response to the finding:</i></b> <i>The Food Service Secretary and the Business Manager will work together to ensure the federal child nutrition program verification requirements are met in the future. The following action will be taken:</i> <ol style="list-style-type: none"><li><i>1. The Business Manager will request that OSPI conduct a training annually specific to the verification process to be attended by both the Business Manager and the Food Service Secretary. We feel there is little formal training on this aspect of the food service program and with a small district in which a small group of employees do a lot of different jobs it is hard to get complete information to do this specific duty correctly, even when we are actively reading and asking questions about the process.</i></li><li><i>2. The Food Service Secretary and the Business Manager will work with our Food Service Manager with OSPI, to ensure the Food Service Secretary has access to WINS to check our verification requirements annually and to submit the verification. We have requested this access several times for our Food Service Secretary but have yet to receive access for her.</i></li></ol>	

3. *The Food Service Secretary will compile notes and deadlines regarding verification and other Food Service Secretary duties in a file for any future Food Service Secretary.*
4. *Both the Food Service Secretary and the Business Manager will watch the deadlines in a checklist/notes. They agree to meet October 1<sup>st</sup> and every 2 weeks after that until the food service verification is completed every year to coordinate and work together to ensure requirements and timelines are met annually.*

**Anticipated date to complete the corrective action:** November 2021

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