



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Methow Valley School District No. 350

For the period September 1, 2018 through August 31, 2020

Published August 12, 2021

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

August 12, 2021

Board of Directors
Methow Valley School District No. 350
Winthrop, Washington

Report on Financial Statements

Please find attached our report on Methow Valley School District No. 350's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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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*

Methow Valley School District No. 350 September 1, 2018 through August 31, 2020

Board of Directors
Methow Valley School District No. 350
Winthrop, 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 Methow Valley School District No. 350, as of and for the years ended August 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated July 22, 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 2020 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 audits 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 audits 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 audits, 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, reading "Pat McCarthy". The signature is written in a cursive, flowing style with a large initial "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

July 22, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Methow Valley School District No. 350 September 1, 2018 through August 31, 2020

Board of Directors
Methow Valley School District No. 350
Winthrop, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Methow Valley School District No. 350, as of and for the years ended August 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 10.

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 audits. We conducted our audits 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 Methow Valley School District No. 350, as of August 31, 2020 and 2019, and the changes in financial position thereof for the years 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 Methow Valley School District No. 350, as of August 31, 2020 and 2019, or the changes in financial position or cash flows thereof for the years 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 2020 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 audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedules of Long-Term Liabilities are 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 July 22, 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.



Pat McCarthy, State Auditor

Olympia, WA

July 22, 2021

FINANCIAL SECTION

Methow Valley School District No. 350 September 1, 2018 through August 31, 2020

FINANCIAL STATEMENTS

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Balance Sheet – Governmental Funds – 2019

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Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
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Schedules of Long-Term Liabilities – 2020

Schedules of Long-Term Liabilities – 2019

Methow Valley School District No. 350
Balance Sheet - Governmental Funds

August 31, 2020

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Assets							
Cash and Cash Equivalents	1,036,168.84	30,442.51	5,804.92	94,688.49	1,043.65	0.00	1,168,148.41
Minus Warrants Outstanding	-826,761.76	-4,669.20	0.00	-3,719.18	0.00	0.00	-835,150.14
Taxes Receivable	744,994.89		69,144.08	558,480.46	145.60		1,372,765.03
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	203,808.25	0.00	0.00	0.00	0.00	0.00	203,808.25
Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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	7,160.30	0.00		3,214.80			10,375.10
Prepaid Items	34,275.18	1,403.78			0.00	0.00	35,678.96
Investments	1,176,449.14	45,203.60	946,537.37	330,501.30	131,931.51	0.00	2,630,622.92
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	2,376,094.84	72,380.69	1,021,486.37	983,165.87	133,120.76	0.00	4,586,248.53
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred Outflows of Resources - Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2,376,094.84	72,380.69	1,021,486.37	983,165.87	133,120.76	0.00	4,586,248.53
LIABILITIES							
Accounts Payable	39,588.84	181.15	0.00	44,890.83	0.00	0.00	84,660.82
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.

Methow Valley School District No. 350
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	23,450.07	0.00	0.00	0.00			23,450.07
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
LIABILITIES:							
Payroll Deductions and Taxes Payable	15,022.01	0.00		0.00			15,022.01
Due To Other Governmental Units	7,255.96	44.57		73.79	0.00	0.00	7,374.32
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	0.00
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Unearned Revenue	0.00	0.00	0.00	0.00	0.00		0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
TOTAL LIABILITIES	85,316.88	225.72	0.00	44,964.62	0.00	0.00	130,507.22
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	150,000.00	0.00	0.00	0.00	0.00	0.00	150,000.00
Unavailable Revenue - Taxes Receivable	744,994.89		69,144.08	558,480.46	145.60		1,372,765.03
TOTAL DEFERRED INFLOWS OF RESOURCES	894,994.89	0.00	69,144.08	558,480.46	145.60	0.00	1,522,765.03
FUND BALANCE:							
Nonspendable Fund Balance	41,435.48	1,403.78	0.00	3,214.80	0.00	0.00	46,054.06
Restricted Fund Balance	10,371.08	70,751.19	905,643.78	271,997.35	132,975.16	0.00	1,391,738.56
Committed Fund Balance	0.00	0.00	0.00	104,508.64	0.00	0.00	104,508.64
Assigned Fund Balance	68,423.00	0.00	46,698.51	0.00	0.00	0.00	115,121.51

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

Methow Valley School District No. 350
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	1,275,553.51	0.00	0.00	0.00	0.00	0.00	1,275,553.51
TOTAL FUND BALANCE	1,395,783.07	72,154.97	952,342.29	379,720.79	132,975.16	0.00	2,932,976.28
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	2,376,094.84	72,380.69	1,021,486.37	983,165.87	133,120.76	0.00	4,586,248.53

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

Methow Valley School District No. 350

Balance Sheet

Governmental Funds

August 31, 2019

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	972,721.18	28,841.00	5,898.37	85,684.01	75,219.06	0.00	1,168,363.62
Minus Warrants Outstanding	-675,383.57	-1,950.00	0.00	-39,162.59	0.00	0.00	-716,496.16
Taxes Receivable	699,770.69		139,747.90	567,785.21	4,985.05		1,412,288.85
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	77,043.19	0.00	0.00	0.00	0.00	0.00	77,043.19
Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	3,676.67	0.00		4,378.80			8,055.47
Prepaid Items	23,202.09	1,401.19			0.00	0.00	24,603.28
Investments	956,767.07	63,595.74	992,730.40	472,368.80	142,009.11	0.00	2,627,471.12
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	2,057,797.32	91,887.93	1,138,376.67	1,091,054.23	222,213.22	0.00	4,601,329.37
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred Outflows of Resources - Other	0.00		0.00	0.00	0.00		0.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	2,057,797.32	91,887.93	1,138,376.67	1,091,054.23	222,213.22	0.00	4,601,329.37
LIABILITIES:							
Accounts Payable	75,399.91	271.04	0.00	277,809.60	0.00	0.00	353,480.55
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	40,683.14	0.00		0.00			40,683.14
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00

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

Methow Valley School District No. 350

Balance Sheet

Governmental Funds

August 31, 2019

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Payroll Deductions and Taxes Payable	14,980.04	0.00		0.00			14,980.04
Due To Other Governmental Units	13,288.69	0.00		640.12	0.00	0.00	13,928.81
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	0.00
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Unearned Revenue	0.00	0.00	0.00	0.00	0.00		0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
TOTAL LIABILITIES	144,351.78	271.04	0.00	278,449.72	0.00	0.00	423,072.54
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue	159,240.00	9,291.00	0.00	0.00	0.00	0.00	168,531.00
Unavailable Revenue - Taxes Receivable	699,770.69		139,747.90	567,785.21	4,985.05		1,412,288.85
TOTAL DEFERRED INFLOWS OF RESOURCES	859,010.69	9,291.00	139,747.90	567,785.21	4,985.05	0.00	1,580,819.85
FUND BALANCE:							
Nonspendable Fund Balance	26,878.76	1,401.19	0.00	0.00	0.00	0.00	28,279.95
Restricted Fund Balance	105,277.89	80,924.70	998,628.77	581,150.14	217,228.17	0.00	1,983,209.67
Committed Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assigned Fund Balance	68,423.00	0.00	0.00	0.00	0.00	0.00	68,423.00
Unassigned Fund Balance	853,855.20	0.00	0.00	-336,330.84	0.00	0.00	517,524.36
TOTAL FUND BALANCE	1,054,434.85	82,325.89	998,628.77	244,819.30	217,228.17	0.00	2,597,436.98
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	2,057,797.32	91,887.93	1,138,376.67	1,091,054.23	222,213.22	0.00	4,601,329.37

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

Methow Valley School District No. 350

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
REVENUES:							
Local	1,973,408.94	153,376.76	231,458.65	1,338,032.63	6,849.37		3,703,126.35
State	7,995,376.53		3,497.41	25,650.12	87,982.64		8,112,506.70
Federal	646,169.60		0.00	0.00	0.00		646,169.60
Other	246,000.00			0.00	0.00	0.00	246,000.00
TOTAL REVENUES	10,860,955.07	153,376.76	234,956.06	1,363,682.75	94,832.01	0.00	12,707,802.65
EXPENDITURES:							
CURRENT:							
Regular Instruction	5,636,940.71						0.00
Special Education	834,573.31						0.00
Vocational Education	318,612.43						5,636,940.71
Skill Center	0.00						834,573.31
Compensatory Programs	582,509.93						318,612.43
Other Instructional Programs	169,760.23						0.00
Community Services	213,866.76						582,509.93
Support Services	2,744,855.22						169,760.23
Student Activities/Other							213,866.76
CAPITAL OUTLAY:		163,547.68				0.00	2,744,855.22
Sites				0.00			0.00
Building				100,956.24			0.00
Equipment				472,511.08			100,956.24
Instructional Technology				74,163.80			472,511.08
Energy				0.00			74,163.80
Transportation Equipment					152,005.76		0.00
Sales and Lease				0.00			152,005.76
Other	0.00						0.00
DEBT SERVICE:							
Principal	0.00		813,248.36	0.00	0.00		0.00
Interest and Other Charges	0.00		126,812.19	0.00	0.00		0.00
							813,248.36
							126,812.19

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

Methow Valley School District No. 350

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							
TOTAL EXPENDITURES	10,501,118.59	163,547.68	940,060.55	647,631.12	152,005.76	0.00	12,404,363.70
REVENUES OVER (UNDER) EXPENDITURES	359,836.48	-10,170.92	-705,104.49	716,051.63	-57,173.75	0.00	303,438.95
OTHER FINANCING SOURCES (USES) :							0.00
Bond Sales & Refunding Bond Sales	0.00		1,351,705.00	0.00	0.00		1,351,705.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		626,717.66	0.00	0.00		626,717.66
Transfers Out (GL 536)	-18,488.26		0.00	-581,150.14	-27,079.26	0.00	-626,717.66
Other Financing Uses (GL 535)	0.00		-1,319,604.65	0.00	0.00		-1,319,604.65
Other	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	-18,488.26		658,818.01	-581,150.14	-27,079.26	0.00	32,100.35
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	341,348.22	-10,170.92	-46,286.48	134,901.49	-84,253.01	0.00	335,539.30
BEGINNING TOTAL FUND BALANCE	1,054,434.85	82,325.89	998,628.77	244,819.30	217,228.17	0.00	2,597,436.98
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	1,395,783.07	72,154.97	952,342.29	379,720.79	132,975.16	0.00	2,932,976.28

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

Methow Valley School District No. 350

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2019

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	2,024,856.53	152,213.44	348,083.62	1,331,778.10	13,776.61		3,870,708.30
State	7,466,941.28		3,687.94	14,939.57	109,138.89		7,594,707.68
Federal	516,107.95		0.00	0.00	0.00		516,107.95
Other	225,000.00			0.00	0.00	0.00	225,000.00
TOTAL REVENUES	10,232,905.76	152,213.44	351,771.56	1,346,717.67	122,915.50	0.00	12,206,523.93
EXPENDITURES:							
CURRENT:							
Regular Instruction	5,211,053.30						5,211,053.30
Special Education	726,323.01						726,323.01
Vocational Education	277,753.58						277,753.58
Skill Center	0.00						0.00
Compensatory Programs	537,923.67						537,923.67
Other Instructional Programs	263,027.60						263,027.60
Community Services	15,420.10						15,420.10
Support Services	2,583,803.87						2,583,803.87
Student Activities/Other		139,184.07				0.00	139,184.07
CAPITAL OUTLAY:							
Sites				357,928.29			357,928.29
Building				200,860.14			200,860.14
Equipment				469,701.84			469,701.84
Instructional Technology				164,632.64			164,632.64
Energy				0.00			0.00
Transportation Equipment					129,566.90		129,566.90
Sales and Lease				0.00			0.00
Other							0.00
DEBT SERVICE:							
Principal	0.00		637,722.40	0.00	0.00		637,722.40
Interest and Other Charges	0.00		145,202.84	0.00	0.00		145,202.84
Bond/Levy Issuance				5,000.00	0.00		5,000.00
TOTAL EXPENDITURES	9,615,305.13	139,184.07	782,925.24	1,198,122.91	129,566.90	0.00	11,865,104.25
REVENUES OVER (UNDER) EXPENDITURES	617,600.63	13,029.37	-431,153.68	148,594.76	-6,651.40	0.00	341,419.68
OTHER FINANCING SOURCES (USES):							

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

Methow Valley School District No. 350

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2019

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	450,000.00	0.00		450,000.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		489,700.24	0.00	0.00		489,700.24
Transfers Out (GL 536)	-26,445.51		0.00	-416,099.89	-47,154.84	0.00	-489,700.24
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	125.00		0.00	0.00	0.00		125.00
TOTAL OTHER FINANCING SOURCES (USES)	-26,320.51		489,700.24	33,900.11	-47,154.84	0.00	450,125.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	591,280.12	13,029.37	58,546.56	182,494.87	-53,806.24	0.00	791,544.58
BEGINNING TOTAL FUND BALANCE	463,154.73	69,296.52	940,082.21	62,324.43	271,034.41	0.00	1,805,892.30
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	1,054,434.85	82,325.89	998,628.77	244,819.30	217,228.17	0.00	2,597,436.98

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

METHOW VALLEY SCHOOL DISTRICT #350
Notes to the Financial Statements
September 1, 2018 through August 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Methow Valley School District #350 (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 school district board of directors as a body and the superintendent are the only persons who have the authority to create Assignments of fund balance.

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

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

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

Cash and Cash Equivalents

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

Inventory

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. *(Such reserves for inventory indicate that a portion of net current assets is set aside to replace or increase the inventory.)* USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

Summary of Significant Accounting Policies and Reporting Changes

The district has implemented the provisions of GASB Statement No. 88 and presented information in the notes related to debt, direct borrowings and direct placements.

NOTE 2: DEPOSITS AND INVESTMENTS

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

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

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

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

- Certificates, notes, or bonds of the United States, its agencies, or any corporation wholly owned by the government of the United States,
- Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System,
- Bankers' acceptances purchased on the secondary market,

- Repurchase agreements for securities listed in the three items above, provided that the transaction is structured so that the public treasurer obtains control over the underlying securities,
- Investment deposits with qualified public depositories,
- Washington State Local Government Investment Pool, and
- County Treasurer Investment Pools.

The District's investments as of August 31, 2020, are as follows:

Type of Investment	Methow Valley School District's own investments	Investments held by (district) as an agent for other organizations	Total
County Treasurer's Investment Pool	\$2,630,622.92	\$0	\$2,630,622.92
Total	\$2,630,622.92	\$0	\$2,630,622.92

The District's investments as of August 31, 2019, are as follows:

Type of Investment	Methow Valley School District's own investments	Investments held by Methow Valley School District as an agent for other organizations	Total
County Treasurer's Investment Pool	\$2,627,471.12	\$0	\$2,627,471.12
Total	\$2,627,471.12	\$0	\$2,627,471.12

The district's participation in the Okanogan County Public Fund Account with Umpqua Bank is voluntary and the pool is not rated by a nationally recognized statistical rating organization (NRSRO). 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 duration/weighted average maturity of approximately 30 days.

NOTE 3: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus, COVID-19. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling 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 is using a hybrid learning model to begin the 2020–21 school year. Students of parents choosing to have their students attend in person are split into two cohorts with one cohort attending Monday, Tuesday and the other cohort attending Thursday, Friday. The other three days students are attending by remote learning with the option of attending small group learning pods on campus on Wednesdays with tutors, overseen by certificated staff, leading the groups. Parents can also choose to participate in our existing home school learning program.

The length of time these measures will be in place, and the full extent of the financial impact on the Methow Valley School District is unknown at this time. The district will return to in-person learning full-time as soon as the health officials, working in conjunction with district officials, determine that it is safe to do so.

The district has experienced approximately a 2% decrease in budgeted enrollment beginning in the 2020-2021 school year. The impact of the decreased enrollment on district revenues will not be known until the legislative session has concluded for the 2021-23 biennium.

Due to the closure of facilities for sporting events, the ASB fund revenues will likely decrease in the 2020-21 school year. The extent of the decrease is unknown at this time and will depend on when sporting events can be resumed.

In 2020-21, the district applied for federal reimbursement through the Federal Emergency Management Agency for \$87,746.82 in COVID-19 related expenditures. The application is still pending at this time. The district will also be eligible for the second round of Elementary and Secondary Education Relief (ESSER) funds under the CRSSA act for \$728,304 as well as the third round of ESSER funds under the ARP Act for \$1,636,000.

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.

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

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

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

Membership & Plan Benefits

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

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

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

TRS Plan 1 provides retirement, disability and death benefits. TRS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the average final compensation (AFC), for each year of service credit, up to a

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

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

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

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

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

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

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

Plan Contributions

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

The employer and employee contribution rates for the 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:

Pension Contribution Rates from September 01, 2019 to August 31, 2020			
	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 employer and employee contribution rates for the various plans are effective as of the dates shown in the table. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2018 and 2019 are listed below:

Pension Rates			
	7/1/19 Rate	9/1/18 Rate	
PERS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	12.86%	12.83%	
Pension Rates			
	9/1/19 Rate	9/1/18 Rate	
TRS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	15.51%	15.41%	
TRS 2			
Member Contribution Rate	7.77%	7.06%	
Employer Contribution Rate	15.51%	15.41%	
TRS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	15.51%	15.41%	**
SERS 2			
Member Contribution Rate	8.25%	7.27%	
Employer Contribution Rate	13.19%	13.58%	
SERS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.19%	13.58%	**
<i>Note: The DRS administrative rate of .0018 is included in the employer rate.</i>			
* = Variable from 5% to 15% based on rate selected by the member.			
** = Defined benefit portion only.			

The Collective Net Pension Liability

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

The 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%

The Net Pension Liability as of June 30, 2019:				
Dollars in Thousands	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total Pension Liability	\$11,696,634	\$6,352,843	\$8,355,496	\$16,545,194
Plan fiduciary net position	(\$7,851,279)	(\$6,118,345)	(\$5,879,693)	(\$15,942,660)
Participating employers' net pension liability	\$3,845,355	\$234,498	\$2,475,803	\$602,534
Plan fiduciary net position as a percentage of the total pension liability	67.12%	96.31%	70.37%	96.36%

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

At June 30, 2020, the school district reported a total liability of \$3,104,916.50 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	\$ 96,752.27	\$165,017.17	\$ 295,655.35	\$330,140.63
Proportionate Share of the Net Pension Liability	\$471,320.77	\$405,945.20	\$1,356,122.69	\$871,527.84

At June 30, 2019, the school district reported a total liability of \$2,094,429 for its proportionate shares of the individual plans' collective net pension liability. Proportion of net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2019, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2019	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	\$ 82,455	\$133,616	\$ 240,720	\$256,480
Proportionate Share of the Net Pension Liability	\$442,189	\$156,534	\$1,200,046	\$295,661

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 proportionate share of the Net Pension Liability	0.013350%	0.076311%	0.056299%	0.056741%
Prior year proportionate share of the Net Pension Liability	0.011499%	0.066753%	0.048471%	0.049070%
Net difference percentage	0.001851%	0.009558%	0.007828%	0.007671%

At **June 30, 2019**, the school district's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below.

Allocation percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.011499%	0.066753%	0.048471%	0.049070%
Prior year proportionate share of the Net Pension Liability	0.011092%	0.067113%	0.051701%	0.052553%
Net difference percentage	0.000407%	-0.000360%	-0.003230%	-0.003484%

Actuarial Assumptions

2019-20

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

The total pension liabilities for TRS 1, TRS 2/3, PERS 1 and SERS 2/3 were determined by actuarial valuation as of June 30, 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%

2018-19

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

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

Mortality Rates

2019-2020

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.

2018-2019

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

Long-term Expected Rate of Return

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 and June 30, 2019, are summarized in the following table:

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

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

Discount Rate

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

Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.

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

The following table presents the Methow Valley 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.

2019-2020

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%)
PERS 1 NPL	\$4,422,202,000	\$3,530,540,000	\$2,752,919,000
Allocation Percentage	0.013550%	0.013550%	0.013550%
Proportionate Share of NPL	\$590,356	\$471,321	\$367,510
	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
SERS 2/3 NPL	\$1,517,879,000	\$531,964,000	(\$283,583,000)
Allocation Percentage	0.076311%	0.076311%	0.076311%
Proportionate Share of NPL	\$1,158,303	\$405,945	\$(216,404)
TRS 1 NPL	\$3,051,911,000	\$2,408,786,000	\$1,847,550,000
Allocation Percentage	0.056299%	0.056299%	0.056299%
Proportionate Share of NPL	\$1,718,196	\$1,356,123	\$1,040,152
TRS 2/3 NPL	\$4,526,645,000	\$1,535,981,000	(\$903,643,000)
Allocation Percentage	0.056741%	0.056741%	0.056741%
Proportionate Share of NPL	\$2,568,454	\$871,528	\$(512,734)

2018-2019

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1 NPL	\$4,815,609,000	\$3,845,355,000	\$3,003,532,000
Allocation Percentage	0.011499%	0.011499%	0.011499%
Proportionate Share of Collective NPL	\$553,761	\$442,189	\$345,385
SERS 2/3 NPL	\$1,141,883,000	\$234,498,000	(\$513,722,000)
Allocation Percentage	0.066753%	0.066753%	0.066753%
Proportionate Share of Collective NPL	\$762,239	\$156,534	(\$342,924)
TRS 1 NPL	\$3,164,358,000	\$2,475,803,000	\$1,878,531,000
Allocation Percentage	0.048471%	0.048471%	0.048471%
Proportionate Share of Collective NPL	\$1,533,795	\$1,200,046	\$910,542
TRS 2/3 NPL	\$3,283,747,000	\$602,534,000	(\$1,577,475,000)
Allocation Percentage	0.049070%	0.049070%	0.049070%
Proportionate Share of Collective NPL	\$1,611,321	\$295,661	(\$774,060)

NOTE 5: ANNUAL OTHER POST-EMPLOYMENT BENEFIT COST AND NET OPEB OBLIGATIONS

2019-2020

The state, through the Health Care Authority (HCA), administers a defined benefit other postemployment 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 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.

2018-2019

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

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

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), 76 of the state’s K–12 school districts and educational service districts (ESDs), and 249 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 227 K–12 school districts and ESDs. The District’s retirees, approximately 31 as of September 2019 and 54 as of September 2020 are eligible to participate in the PEBB plan under this arrangement.

Eligibility

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

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

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

Medical Benefits

Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 medical coverage for 2020.

Members not eligible for Medicare (or enrolled in Part A only)			
Descriptions	Type of Coverage		
	Employee	Employee & Spouse	Full Family
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.

Members enrolled in Part A and B of Medicare			
Descriptions	Type of Coverage		
	Employee	Employee & Spouse¹	Full Family¹
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.			

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

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

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

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

Members enrolled in Part A and B of Medicare

<u>Descriptions</u>	<u>Type of Coverage</u>		
	<u>Employee</u>		
	<u>Employee</u>	<u>& Spouse¹</u>	<u>Full Family¹</u>
Kaiser Permanente NW Senior Advantage	\$169.80	\$333.63	\$862.14
Kaiser Permanente WA Medicare Plan	\$167.91	\$329.85	N/A
Kaiser Permanente WA Classic	N/A	N/A	\$875.41
Kaiser Permanente WA Sound Choice	N/A	N/A	\$777.78
Kaiser Permanente WA Value	N/A	N/A	\$817.56
UMP Classic	\$313.09	\$620.20	\$1,121.86

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

Funding Policy

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

According to state law, the Washington State Treasurer collects a fee from all school district entities, which have employees who are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees who elect to purchase their health care benefits through the state Health Care Authority. The Methow Valley School District is an active member of the state Health Care Authority and is not required to pay this fee.

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

For further information on the results of the actuarial valuation of the employer provided subsidies associated with the state's PEBB plan, refer to:

<http://leg.wa.gov/osa/additionalservices/Documents/Final.2017.PEBB.OPEB.AVR.pdf>

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

NOTE 6: COMMITMENTS UNDER LEASES

For the fiscal years ended August 31, 2019 and August 31, 2020, the District had incurred additional long-term debt as follows:

Lessor	Total Lease Amount	Annual Installment 2018-19	Balance 2019	Annual Installment 2019-20	Final Installment Date	Interest Rate	Balance 2020
Ricoh Americas Corp	10,196.64	1,911.87	0.00	0.00	06/03/2019	N/A	0.00
Ricoh Americas Corp	13,434.24	2,518.92	0.00	0.00	06/03/2019	N/A	0.00
Ricoh Americas Corp	13,434.24	1,959.16	0.00	0.00	04/30/2019	N/A	0.00
Ricoh Americas Corp	4,747.20	1,186.80	0.00	0.00	09/23/2019	N/A	0.00
Ricoh Americas Corp	732.60	122.10	0.00	0.00	11/06/2018	N/A	0.00
Ricoh Americas Corp	732.60	122.10	0.00	0.00	11/06/2018	N/A	0.00
Apple Computer Inc.	24,117.78	0.00	0.00	6,472.29	09/25/2022	N/A	17,645.49
Wells Fargo (Chromebook)	46,920.00	0.00	0.00	11,730.00	10/01/2023	N/A	35,190.00
Ricoh USA Inc.	90,036.00	0.00	0.00	12,004.80	01/01/2025	N/A	78,031.20
Ford Motor Co. (Van)	35,246.00	8,716.44	10,347.62	10,347.63	07/24/2020	7.08%	0.00
CDFCU (Ford Edge #1)	27,683.50	0.00	0.00	3,772.51	10/27/2025	4.490%	23,910.99
CDFCU (Ford Edge #2)	29,188.40	0.00	0.00	3,977.61	09/27/2025	4.490%	25,210.79
CDFCU (Dodge Ram)	20,191.97	3,804.80	16,075.71	3,931.89	07/25/2023	3.29%	12,143.82
Mahindra (Tractor)	36,856.58	4,424.53	32,074.67	4,685.87	07/15/2025	5.753%	27,388.80
Totals		24,766.73	58,498.01	56,922.61			219,521.08
<i>Total Lease-Purchase Commitments</i>							219,521.08

NOTE 7: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$49,150,961 for fiscal year 2019 and \$53,206,662 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 8: LONG-TERM DEBT

Bonds payable at August 31, 2019 and August 31, 2020 are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding FYE 2019	Amount Outstanding FYE 2020
2019 UTGO Bond - DSF	\$1,351,705	\$127,606-\$154,892	12/1/2028	2.42%	\$ 0	\$1,224,099
2019 LGO Bond - CPF	\$ 450,000	\$148,973.00 - \$152,663.78	12/1/2021	2.90%	\$ 450,000	\$ 301,027
2016 LGO Bond - CPF	\$2,000,000	\$191,164.15 - \$209,073.46	12/1/2021	2.00%	\$1,024,871	\$ 621,031
2013 LGO Bond - CPF	\$ 131,301	\$ 1,962.11-\$ 9,816.33	6/1/2023	2.35% to 5.95%	\$ 71,765	\$ 54,805
2013 LGO Bond - TVF	\$ 331,739	\$ 25,627.46-\$ 7,574.11	12/1/2020	2.00% to 5.00%	\$ 33,443	\$ 7,574
2012 General Obligation Bond - DSF	\$1,820,000	\$ 80,000.00-\$130,000.00	12/1/2031	3.15% to 4.00%	\$1,400,000	\$1,310,000
2009 General Obligation Bond - DSF	\$4,035,000	\$500,000.00 - 165,000.00	12/1/2028	2.625% to 5.00%	\$1,290,000	\$ 0
Total General Obligation Bonds	\$10,119,745				\$4,270,079	\$3,518,536

The following is a summary of general obligation long-term debt transactions of the District for the fiscal years(s) ended August 31, 2019:

Long-Term Debt Payable at 9/1/2018	\$4,457,802
New Issues	\$ 450,000
Debt Retired	\$ 637,722
Long-Term Debt Payable at 8/31/2019	\$4,270,079

The following is a summary of general obligation long-term debt transactions of the District for the fiscal years(s) ended August 31, 2020:

Long-Term Debt Payable at 9/1/2019	\$4,270,079
New Issues	\$1,351,705
Debt Retired	\$2,103,248
Long-Term Debt Payable at 8/31/2020	\$3,518,536

Debt service requirements on long-term debt as of August 31, 2019, are as follows:

	Bonds		
Years Ending August 31	Principal	Interest	Total
2019	\$ 637,722.40	\$144,602.84	\$ 782,325.24
2020	\$ 785,642.36	\$137,987.80	\$ 923,630.16
2021	\$ 780,102.97	\$122,723.89	\$ 902,826.86
2022	\$ 584,984.79	\$101,687.53	\$ 686,672.32
2023	\$ 229,349.24	\$ 85,592.68	\$ 314,941.92
2024-2028	\$1,225,000.00	\$265,225.00	\$1,490,225.00
2029-2033	\$ 665,000.00	\$ 36,097.50	\$ 701,097.50
Total	\$4,907,801.76	\$893,917.24	\$5,801,719.00

Debt service requirements on long-term debt as of August 31, 2020, are as follows:

	Bonds		
Years Ending August 31	Principal	Interest	Total
2020	\$ 813,248.36	\$ 94,144.57	\$ 907,392.93
2021	\$ 795,369.97	\$ 94,016.86	\$ 889,386.83
2022	\$ 597,912.79	\$ 75,412.84	\$ 673,325.63
2023	\$ 239,752.24	\$ 61,938.18	\$ 301,690.42
2024	\$ 232,688.00	\$ 54,047.60	\$ 286,735.60
2025-2029	\$1,272,813.00	\$ 157,154.56	\$1,429,967.56
2030-2035	\$ 380,000.00	\$ 18,112.50	\$ 398,112.50

	Bonds		
Years Ending August 31	Principal	Interest	Total
Total	\$4,331,784.36	\$ 554,827.11	\$4,886,611.47

At August 31, 2019, the District had \$998,628.77 available in the Debt Service Fund to service the general obligation bonds.

At August 31, 2020, the District had \$952,342.29 available in the Debt Service Fund to service the general obligation bonds.

Refunded Debt

On October 29, 2019 the District issued \$1,351,705.00 in general obligation bonds with an average interest rate of 2.42% to refund \$1,290,000 of outstanding bonds dated June 24, 2009 with an average interest rate of 5.00%. The net proceeds of \$1,319,605.00 (after the payment of \$32,100.00 in issuance expenses) were used to purchase U.S. Government securities and provide a beginning cash balance that were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds, and to provide a deposit of \$0.35 to the District's Debt Service Fund. As a result, the refunded bonds are considered to be defeased.

The District refunded the 2009 bonds to reduce its total debt service over the next nine (9) years by \$132,782.64 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$118,766.52.

Cash Flows Difference		
Old Debt Service Cash Flows	\$1,641,812.50	
Less New Debt Service Cash Flows	(\$1,509,030.21)	
Plus Accrued Interest Included in 12/1/2019 Payment	\$ 0.00	
Plus Bond Proceeds deposited in Debt Service Fund	\$ 0.35	
Total Difference	\$ 132,782.64	
Economic Gain		
Present Value of Old Debt Service Cash Flows	\$1,470,471.17	
Less Present Value of New Debt Service Cash Flows	(\$1,351,705.00)	
Plus Accrued Interest Included in 12/1/2019 Payment	\$ 0.00	
Plus Bond Proceeds deposited in Debt Service Fund	\$ 0.35	
Total Gain	\$ 118,766.52	

NOTE 9: INTERFUND BALANCES AND TRANSFERS

The following table depicts FY 2018-19 interfund transfer activity:

Transferred From (Fund) 535 or 536	Transferred To (Fund) 965 9900 or 9901	Amount	Description
General Fund	Debt Service Fund	\$ 26,445.51	Bond Payment
Capital Projects	Debt Service Fund	\$416,099.89	Bond Payment
Transportation Vehicle	Debt Service Fund	\$ 47,154.84	Bond Payment

The following table depicts FY 2019-20 interfund transfer activity:

Transferred From (Fund) 535 or 536	Transferred To (Fund) 965 9900 or 9901	Amount	Description
General Fund	Debt Service Fund	\$ 18,488.26	Bond Payment
Capital Projects	Debt Service Fund	\$581,150.14	Bond Payment
Transportation Vehicle	Debt Service Fund	\$ 27,079.26	Bond Payment

NOTE 10: ENTITY RISK MANAGEMENT ACTIVITIES

North Central Washington Worker's Compensation and Unemployment Pool

Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint self-insuring to the same extent that they may individually self-insure. Separate agreements to form an unemployment pool and workers' compensation pool and unemployment pool were made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The North Central Unemployment Pool was formed on July 1, 1988, and the North Central Washington Workers' Compensation Pool was formed on January 1, 1984, when school districts and North Central Educational Service District (NCESD) in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses. The North Central Unemployment Pool was formed on July 1, 1988, and the North Central Unemployment Compensation Risk-Sharing Insurance Pool was created September 1, 2015, when school districts and NCESD in the State of Washington joined together by signing an Agreement to pool their self-insured losses. Twenty-four school districts and North Central Educational Service District (ESD) have joined the unemployment pool; twenty-nine school districts and NCESD have joined the workers' compensation pool while twenty-six school districts and NCESD have joined the unemployment pool.

These funds are operated for the Methow Valley School District's benefit in lieu of the district having to make monthly premium payments to the State of Washington for unemployment and industrial insurance and unemployment. Membership automatically renews each year. Even after termination, members are still responsible for contributions for unresolved claims occurring during a period when the district was a member of the pools.

The pools are governed by a board of directors of each pool which is comprised of one designated representative from each participating member. Executive committees are elected for each pool and are responsible for conducting the business affairs of each pool.

Each member's contributions to the pools are determined by an annual actuarial study. In fiscal year ending August 31, 2019, Methow Valley School District made payments totaling \$83,927.90 to the industrial insurance pool and \$18,885.73 to the unemployment insurance pool. In fiscal year ending August 31, 2020, Methow Valley School District made payments totaling \$86,275.71 to the industrial insurance pool and \$18,080.71 to the unemployment insurance pool.

United Schools Insurance Program Membership

Methow Valley School District is a member of United Schools Insurance Program. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1985, when 29 school districts in the state of Washington joined together by signing a Joint Purchasing Agreement to pool their self-insured losses and jointly purchase insurance and administrative services.

Membership for the years ending August 31, 2019 and August 31, 2020 included 154 school districts.

The program allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Wrongful Act Liability, Miscellaneous Professional Liability and Employee Benefit Liability is on a claims-made basis. All other coverages are on an occurrence basis. The program provides the following forms of group purchased insurance coverage for its members: Property, General Liability, Automotive Liability, Wrongful Acts Liability, and Crime.

Liability insurance is subject to a self-insured retention of \$100,000. Members are responsible for a \$1,000 deductible for each claim (member deductibles may vary), while the program is responsible for the \$100,000 self-insured retention (SIR). Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a

joint liability among the participating members towards the sharing of the \$100,000 SIR. The program also purchases a stop loss policy as an additional layer of protection for its members.

The attachment point of the stop loss policy for the fiscal year ending August 31, 2019 was \$1,108,275.

The attachment point of the stop loss policy for the fiscal year ending August 31, 2020 was \$1,271,048.

Property insurance is subject to a per-occurrence deductible of \$100,000. Members are responsible for \$1,000 deductible for each claim (Member deductibles may vary), while the program is responsible for the \$100,000 SIR. Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim.

Members contract to remain in the program for a minimum of one year, and must give notice before August 31 to terminate participation the following September 1. The Interlocal Agreement is renewed automatically each year. Even after termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Joint Purchasing Agreement.

The program is fully funded by its member participants. Claims are filed by members with Clear Risk Solutions which has been contracted to perform program administration, claims adjustment, and loss prevention for the program.

Fees paid to the third party administrator under this arrangement for the year ending August 31, 2019, were \$1,696,376.12.

Fees paid to the third party administrator under this arrangement for the year ending August 31, 2020, were \$1,696,473.74.

A board of directors consisting of nine members is selected by the membership from six areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. The Board of Directors has contracted with Clear Risk Solutions to perform day-to-day administration of the program. This program has no employees.

NOTE 11: 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 12: 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 District's current equity for calendar year 2018 was \$10,891.04 and for calendar year 2019 was \$11,177.33 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 13: FUND BALANCE CLASSIFICATION DETAILS

The District's financial statements include the following amounts presented in the aggregate for the year ended August 31, 2020.

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items	\$ 41,435.48	\$ 1,403.78	\$3,214.80		
Restricted Fund Balance					
For Fund Purpose		\$70,751.19			\$125,211.70
For Debt Service	\$ 10,371.08		\$271,997.35	\$905,643.78	\$ 7,763.46
Committed Fund Balance					
Levy Proceeds			\$104,508.64		
Assigned Fund Balance					
Other Purposes	\$ 68,423.00				
Fund Purposes				\$ 46,698.51	
Unassigned Fund Balance	\$1,275,553.51				

The District's financial statements include the following amounts presented in the aggregate for the year ended August 31, 2019.

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items	\$26,878.76	\$1,401.19			
Restricted Fund Balance					
For Fund Purpose		\$80,924.70			\$190,148.91
For Carryover of Restricted Revenues	\$86,789.63				
For Debt Service	\$18,488.26		\$581,150.14	\$998,628.77	\$27,079.26
Committed Fund Balance					
Other Commitments					
Assigned Fund Balance					
Other Purposes	\$68,423.00				
Unassigned Fund Balance	\$853,855.20		(\$336,330.84)		

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 3% to 5% of the current year's expenditures. 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 14: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS

457 Plan – Deferred Compensation Plan

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

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

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

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

NOTE 15: TERMINATION BENEFITS

Compensated Absences

Prior to August 31, 2018, the District had been a member of the North Central Compensated Absences Liability Pool with the NCESD. Changes in GASB reporting requirements caused a significant diminishment to the value of the pool for its members. As such, the decision was made to stop receiving contributions and dissolve the pool. As of August 31, 2018, no remaining funds are being held at NCESD on behalf of the District in relation to this pool.

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

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

Methow Valley School District No. 350
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
Voted Debt					
Voted Bonds	2,690,000.00	1,351,705.00	1,507,606.00	2,534,099.00	210,267.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt and Liabilities					
Non-Voted Bonds	1,580,079.33	0.00	595,642.34	984,436.99	583,102.97
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Non-Cancellable Operating Leases	58,498.01	217,945.68	56,922.61	219,521.08	69,281.39
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	198,144.02	34,357.15	37,694.96	194,806.21	84,629.79
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
Other Liabilities					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities:					
Net Pension Liabilities TRS 1	1,200,046.00	156,077.00	0.00	1,356,123.00	
Net Pension Liabilities TRS 2/3	295,661.00	575,867.00	0.00	871,528.00	
Net Pension Liabilities SERS 2/3	156,534.00	249,411.00	0.00	405,945.00	
Net Pension Liabilities PERS 1	442,188.00	29,133.00	0.00	471,321.00	
Total Long-Term Liabilities	6,621,150.36	2,614,495.83	2,197,865.91	7,037,780.28	947,281.15

Methow Valley School District No. 350
Schedule of Long-Term Liabilities
For the Year Ended August 31, 2019

Description	Beginning Outstanding Debt September 1, 2018	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2019	Amount Due Within One Year
Voted Debt					
Voted Bonds	2,870,000.00	0.00	180,000.00	2,690,000.00	190,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt and Liabilities					
Non-Voted Bonds	1,587,801.73	450,000.00	457,722.40	1,580,079.33	595,642.36
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Non-Cancellable Operating Leases	83,264.74	0.00	24,766.73	58,498.01	18,965.39
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	225,884.02	20,756.48	48,496.48	198,144.02	130,698.45
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
Other Liabilities					
Non-Voted Notes Not Recorded as Debt					
Net Pension Liabilities:	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities TRS 1	1,509,988.00	0.00	309,942.00	1,200,046.00	
Net Pension Liabilities TRS 2/3	236,549.00	59,112.00	0.00	295,661.00	
Net Pension Liabilities SERS 2/3	200,710.00	0.00	44,176.00	156,534.00	
Net Pension Liabilities PERS 1	495,385.00	0.00	53,197.00	442,188.00	
Total Long-Term Liabilities	7,209,582.49	529,868.48	1,118,300.61	6,621,150.36	935,306.20

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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