



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

March 31, 2022

Board of Directors
Rainier Prep
Seattle, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of the Rainier Prep for the fiscal year ended August 31, 2021. The Public Charter School contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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Rainier Prep

Financial Statements with Supplementary Reports
and Schedules in Accordance with
Government Auditing Standards

August 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rainier Prep
Seattle, Washington

We have audited the accompanying financial statements of the governmental activities and major fund of Rainier Prep as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise Rainier Prep's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to the 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Rainier Prep as of August 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Accounting principles generally accepted in the United States require that management's discussion and analysis on pages 3 to 6, the budgetary comparison information on page 25, and the schedules related to the net pension liability on pages 26 and 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2021 on our consideration of Rainier Prep's internal control over financial reporting and 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 Rainier Prep's internal control over financial reporting and compliance.

Greenwood Ohlund

Seattle, Washington
December 17, 2021

RAINIER PREP

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended August 31, 2021

Our discussion and analysis of Rainier Prep's financial performance provides an overview of Rainier Prep's financial activities for the fiscal year ended August 31, 2021. Readers should consider the information presented here in conjunction with additional information and notes furnished in all sections of this report.

FINANCIAL HIGHLIGHTS

- Rainier Prep's net position as of August 31, 2021, was \$2,562,781. Total assets (including deferred outflows of resources) were \$4,287,777.
- During the year, Rainier Prep had total revenues of \$4,893,909 and total expenses of \$4,353,292, resulting in a change in net position of \$540,617.
- As of August 31, 2021, Rainier Prep has no outstanding debt.

OVERVIEW OF FINANCIAL STATEMENTS

Combined government-wide and fund-basis financial statements have been presented, with eliminations and adjustments included as part of the statements. The government-wide financial statements include the financial activities of Rainier Prep, reporting as a government, whereas the fund financial statements provide information about specific funds, with the emphasis on major governmental funds. Rainier Prep has elected to present combined government-wide and fund-basis financial statements because it has only one all-purpose governmental fund.

FINANCIAL ANALYSIS

Statements of Net Position and Activities

Net position is an indicator of a government entity's financial position. Rainier Prep's assets and deferred outflows of resources exceeded liabilities and deferred inflow of resources by \$2,562,781. Of this total, a portion of net position is invested in capital assets (\$9,309) related to installation costs associated with the lease of two portable classrooms.

A significant portion of total assets (\$4,287,777) is attributable to pension related assets (\$821,161) and a significant portion of liabilities (\$460,993) is attributable to pension related liabilities (\$189,480).

RAINIER PREP

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended August 31, 2021

The following is a summary of the statements of net position as of August 31:

	Net Position			
	2021	2020	Difference	% Change
Current and other assets	\$ 3,131,119	\$ 2,933,143	\$ 197,976	6.75%
Leasehold improvements, net	9,309	27,086	(17,777)	(65.63)
Net pension asset	821,161	-	821,161	N/A
Deferred outflows of resources	326,188	360,549	(34,361)	(9.53)
Total assets	4,287,777	3,320,778	966,999	29.12
Current and other liabilities	271,513	167,224	104,289	62.36
Net pension liability	189,480	1,075,572	(886,092)	(82.38)
Deferred inflows of resources	1,264,003	55,818	1,208,185	2,164.51
Net position	<u>\$ 2,562,781</u>	<u>\$ 2,022,164</u>	<u>\$ 540,617</u>	<u>26.73%</u>

There is no restricted net position. The unrestricted net position of \$2,553,472 represents resources available to finance normal school activities without external constraints imposed by law through constitutional provisions or enabling legislation, laws, and regulations of other governments. The remaining portion of net position is represented by Rainier Prep's net investment of capital assets of \$9,309.

The following is a summary of the statements of activities for the years ended August 31:

	Activities	
	2021	2020
Revenues	\$ 4,893,909	\$ 4,857,554
Expenditures	4,353,292	3,983,764
Change in net position	540,617	873,790
Net position, beginning of year	2,022,164	1,148,374
Net position, end of year	<u>\$ 2,562,781</u>	<u>\$ 2,022,164</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended August 31, 2021

Statements of Governmental Fund Revenue and Expenditures

The following is a summary of the statements of governmental fund revenue for the years ended August 31:

	2021	2020	Difference	% Change
State apportionment - general purpose	\$ 2,985,927	\$ 2,932,899	\$ 53,028	1.81%
State apportionment - special purpose	939,606	1,112,785	(173,179)	(15.56)
Federal grants - special purpose	384,637	340,057	44,580	13.11
Contributions	583,739	471,813	111,926	23.72
Total	<u>\$ 4,893,909</u>	<u>\$ 4,857,554</u>	<u>\$ 36,355</u>	<u>0.75%</u>

The following is a summary of the statements of governmental fund expenditures for the years ended August 31:

	2021	2020	Difference	% Change
Personnel - instructional	\$ 1,910,175	\$ 1,667,110	\$ 243,065	14.58%
Personnel - administration	517,148	484,762	32,386	6.68
Personnel - taxes and benefits	946,445	827,276	119,169	14.40
School operations	376,199	157,478	218,721	138.89
Purchased services	779,964	759,843	20,121	2.65
Facilities	270,291	232,195	38,096	16.41
Total	<u>\$ 4,800,222</u>	<u>\$ 4,128,664</u>	<u>\$ 671,558</u>	<u>16.27%</u>

Budget Variance Highlights Governmental Fund Revenues and Expenditures

Rainier Prep's charter contract with the Washington State Charter School Commission requires submission of a budget forecast for the following fiscal year on July 10. In 2021, Rainier Prep did not make any amendments to its original budget.

Revenues

Rainier Prep's actual revenues exceeded budgeted revenues by approximately \$550,000. Rainier Prep was able to secure fundraising from contributions by amounts in excess of budget of approximately \$570,000. Charter contract requirements prevent Rainier Prep from including a forecast of fundraising revenues for the year.

Expenses

In 2021 Rainier Prep's actual spending was less than budgeted by approximately \$240,000. This is primarily due to the reduction of purchased services expenses relative to budget as allowed by moving to a hybrid in-person / remote school environment.

RAINIER PREP

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended August 31, 2021

CAPITAL ASSETS

At August 31, 2021, Rainier Prep has a net accumulated balance of \$9,309 invested in leasehold improvements related to modular structures added in 2017.

FINANCIAL OUTLOOK

Rainier Prep is well-positioned to continue successful financial and programmatic operations. The strong cash balance, continued full student enrollment, growing reputation in delivering excellent education, and established management systems will enable Rainier Prep's continued success.

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, customers, creditors, and other interested parties) with a general overview of Rainier Prep's finances and to demonstrate Rainier Prep's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Rainier Prep's Chief Financial Officer at 10211 12th Avenue S, Seattle, WA 98168.

RAINIER PREP

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION

August 31, 2021

ASSETS	General Fund	Adjustments (Note 5)	Statement of Net Position
Current Assets			
Cash and cash equivalents	\$ 3,060,194	\$ -	\$ 3,060,194
State apportionment receivable	9,978	-	9,978
Prepaid expenses and other	60,947	-	60,947
Total current assets	3,131,119	-	3,131,119
Noncurrent Assets			
Leasehold improvements, net	-	9,309	9,309
Net pension asset	-	821,161	821,161
Total assets	3,131,119	830,470	3,961,589
Deferred Outflows of Resources	-	326,188	326,188
Total assets and deferred outflows of resources	<u>\$ 3,131,119</u>	<u>\$ 1,156,658</u>	<u>\$ 4,287,777</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 204,558	\$ -	\$ 204,558
Accrued wages and benefits	66,955	-	66,955
Total current liabilities	271,513	-	271,513
Net Pension Liability	-	189,480	189,480
Total liabilities	271,513	189,480	460,993
Deferred Inflows of Resources	-	1,264,003	1,264,003
Total liabilities and deferred inflows of resources	271,513	1,453,483	1,724,996
FUND BALANCE/NET POSITION			
Fund Balance			
Nonspendable	60,947	(60,947)	-
Unassigned	2,798,659	(2,798,659)	-
Total fund balance	2,859,606	(2,859,606)	-
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 3,131,119</u>		
Net Position			
Net investment in capital assets		9,309	9,309
Unrestricted		2,553,472	2,553,472
Total net position		2,562,781	2,562,781
Total liabilities and net position		<u>\$ 1,156,658</u>	<u>\$ 4,287,777</u>

See accompanying notes to financial statements.

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STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES For the Year Ended August 31, 2021

	General Fund	Adjustments (Note 5)	Statement of Activities
Revenues			
State apportionment - general purpose	\$ 2,985,927	\$ -	\$ 2,985,927
State apportionment - special purpose	939,606	-	939,606
Federal grants - special purpose	384,637	-	384,637
Contributions	583,739	-	583,739
Total revenues	4,893,909	-	4,893,909
Expenditures/Expenses			
Current			
Personnel - instructional	1,910,175	-	1,910,175
Personnel - administration	517,148	-	517,148
Personnel - taxes and benefits	946,445	(464,707)	481,738
School operations	376,199	-	376,199
Purchased services	779,964	-	779,964
Facilities	270,291	17,777	288,068
Total expenditures/expenses	4,800,222	(446,930)	4,353,292
Net change in fund balance	93,687	(93,687)	-
Change in net position		\$ 540,617	540,617
Fund Balance/Net Position, beginning of year	2,765,919		2,022,164
Fund Balance/Net Position, end of year	\$ 2,859,606		\$ 2,562,781

See accompanying notes to financial statements.

RAINIER PREP

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Entity and Charter

Rainier Prep is organized as a nonprofit corporation providing public charter school education services authorized by Section 392 of the Washington Code.

Washington Code requires charter schools to comply with the same federal reporting requirements imposed on traditional public school districts (i.e., on a governmental, rather than nonprofit, basis of accounting). Additionally, enabling legislation creates charter schools as public entities (i.e., as public schools, subject to provisions common with other governmental entities as set forth in Washington Code). Accordingly, Rainier Prep's basis of accounting and presentation follows the governmental, rather than nonprofit, reporting model.

Reporting Entity

The accompanying financial statements present the activities of Rainier Prep. Rainier Prep receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, Rainier Prep is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States. Board members are volunteers and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, Rainier Prep's reporting entity does not contain any component units.

Government-Wide and Fund Financial Statements

Combined government-wide and fund-basis financial statements have been presented, with eliminations and adjustments included as part of the statements. The government-wide financial statements include the financial activities of the overall government, whereas the fund financial statements provide information about specific funds with emphasis on major governmental funds. Rainier Prep has elected to present combined government-wide and fund-basis financial statements because it has only one all-purpose general governmental fund.

Basis of Presentation

Rainier Prep follows pronouncements issued by the Governmental Accounting Standards Board in determining the reporting entity and component units. The financial reporting entity consists solely of Rainier Prep, the primary government. Accordingly, the financial statements include all funds and agencies of the primary government whose budgets are controlled or whose boards are appointed by Rainier Prep's Board of Directors.

The accounts of Rainier Prep are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

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NOTES TO FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Governmental funds for Rainier Prep are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or within 60 days after year-end and, therefore, available to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Government-Wide Financial Statements

The government-wide financial statements for Rainier Prep are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded at the time liabilities are incurred regardless of when the related cash flows take place. Revenue from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Adjustments and Eliminations

As noted above, the fund-basis financial statements and the government-wide financial statements each use a different basis of accounting. The adjustments and eliminations presented on the financial statements represent the amounts needed to reconcile the fund-basis financial statements with the government-wide financial statements. The following is a brief description of the reconciling adjustments:

- The fund-basis financial statements report capital outlays as expenditures whereas in the government-wide financial statements, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation (or amortization) expense.
- Termination benefits (pension-related assets and obligations) are not beneficial or due and payable in the current period and, therefore, are not reported in the fund-basis statements. On the government-wide basis, these assets and liabilities are included as assets and liabilities on the statement of net position, and the change in the asset and liability from the prior fiscal year is reflected as an addition to or reduction of the current period's expense.

Fund Balances/Net Position

Fund balance of Rainier Prep is classified in the governmental fund financial statements as follows:

- Nonspendable fund balance consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be kept intact. Rainier Prep's nonspendable fund balance consists of prepaid expenses and supplies.
- Restricted fund balance consists of amounts that are restricted for specific purposes. These restrictions are either (a) imposed externally by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed through constitutional provisions or enabling legislation. There were no restricted funds at August 31, 2021; therefore, this classification has not been presented.

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NOTES TO FINANCIAL STATEMENTS

- Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal actions of the government's highest level of decision-making authority (i.e., Board of Directors). These amounts cannot be used for any other purpose unless Rainier Prep removes or changes the specific use by taking the same type of action it used to commit those amounts. There were no committed funds at August 31, 2021; therefore, this classification has not been presented.
- Assigned fund balance consists of amounts that are constrained by Rainier Prep intended to be used for specific purposes but are neither restricted nor committed. Intent can be expressed by the Board of Directors or by a principal if the Board of Directors delegates the authority. There were no assigned funds at August 31, 2021; therefore, this classification has not been presented.
- Unassigned fund balance are amounts available for any purpose.

There is also no formal policy regarding the use of fund balances, as Rainier Prep has only maintained unassigned funds historically. However, moving forward, it is Rainier Prep's intent that when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, Rainier Prep considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

Net position of Rainier Prep is classified in three components for government-wide presentation:

- Net investment in capital assets consists of leasehold improvements, net of accumulated amortization, and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.
- Restricted net position results when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. There were no restricted funds at August 31, 2021; therefore, this classification has not been presented.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Rainier Prep first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Cash and Cash Equivalents

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. Cash and cash equivalents presented on the government-wide and fund financial statements represent those held at one bank. At August 31, 2021, the carrying amount of cash was \$3,060,194, and the bank balance was \$3,112,754. Of the total bank balance, \$250,000 was covered by federal depository insurance, leaving \$2,862,754 uninsured. Rainier Prep does not have a formal policy limiting its exposure to custodial credit risk.

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NOTES TO FINANCIAL STATEMENTS

Prepaid Expenses and Supplies

Prepaid expenses and supplies balances are for payments made by Rainier Prep in the current year to provide services occurring in the subsequent year or for supplies to be used in the subsequent year. The reserve (nonspendable fund balance) for these balances has been recorded to signify that a portion of the fund balance is not available for other expenditures.

Capital Assets, Leasehold Improvements, and Amortization

Leasehold improvements purchased or acquired by Rainier Prep with a value over \$5,000 are recorded at cost. Contributed assets are recorded at fair value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Amortization on leasehold improvements is calculated on the straight-line basis at the lesser of the useful life of the improvement or the term of the lease, resulting in estimated useful lives of three or four years.

Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred inflows or outflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows represent a use of net position that applies to a future period and will therefore not be recognized as an outflow of resources (expense) until that time. Rainier Prep had no activities that meet the definition of deferred inflows or outflows in the government funds; however, all deferred inflows and outflows in the government-wide financial statements at August 31, 2021, include certain pension-related transactions only.

Revenues and Receivables

Entitlements and shared revenues (which include Washington State apportionments) are recorded as unrestricted grants-in-aid at the time of receipt or earlier, if the "susceptible to accrual" criteria are met. Expenditure-driven grants (which include federal grants from the Department of Education) are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the "susceptible to accrual" criteria has been met. Contributions are recognized when all conditions have been met and, therefore, becomes unconditional.

State apportionment receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Based on prior experience, management has determined that expected losses on balances outstanding are immaterial at August 31, 2021. Accordingly, no allowance for doubtful accounts has been recorded.

Excess of Expenditures over Budget Appropriations

Expenditures for school operations exceeded budgeted amounts by \$160,914 because of the need for supplies necessary to facilitate the transition to a hybrid in-person/remote environment.

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NOTES TO FINANCIAL STATEMENTS

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

Rainier Prep is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and has received a determination letter stating that it is exempt from federal income taxes on related income pursuant to Section 501 (a) of the Internal Revenue Code.

Note 2 – Leasehold Improvements

The changes in leasehold improvements of Rainier Prep are as follows:

	Balance, August 31, 2020	Additions	Retirements	Transfers	Balance, August 31, 2021
Leasehold improvements	\$ 247,326	\$ 12,890	\$ -	\$ -	\$ 260,216
Less: accumulated amortization	(220,240)	(30,667)			(250,907)
Net leasehold improvements	<u>\$ 27,086</u>	<u>\$ (17,777)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,309</u>

Note 3 – Pensions

General Information

The Washington's State department of Retirement Systems (DRS), a department within the primary government of the State of Washington, prepares a standalone comprehensive annual financial report (CAFR) that includes financial statement 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 plan is June 30, 2021. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms, investments are reported at fair value.

For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows, of resources related to pension, and pension expense, information about the fiduciary net position of pension plans administered by DSR and additions to/deductions for the plans' net position have been determined on the same basis as they are reported by the plan.

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

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NOTES TO FINANCIAL STATEMENTS

Administration

Substantially, all Rainier Prep's full-time and qualifying part-time employees participates in TRS or SERS, which are contributory, multi-employer, cost-sharing statewide retirement systems managed by the DRS. While Rainier Prep does not have any members, who participate in PERS, Rainier Prep is allocated a proportionate share of liability for the plans as required by legislature.

Membership and Plan Benefits

PERS

PERS is composed of and reported as 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 and is closed to new entrants. Rainier Prep does not have any members or share of liability in Plan 2 or 3.

PERS Plan 1 was established in 1947; its retirement benefit provisions are contained in Chapters 41.34 and 41.40 RCW and also provides for disability and death benefits. PERS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's year 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 5 years of service.

PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from inactive status before age of 65 may also receive actuarially reduced benefit. Other benefits include an optional Cost-of-Living Adjustment (COLA).

SERS

SERS is a cost-sharing multiple-employer retirement system established in 1998. The plan became effective in 2000. SERS retirement benefit provisions are established in Chapters 41.34 and 41.35 RCW and is composed 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 the Plan 2 and Plan 3 members of 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 2% of the members AFC multiplied by the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the monthly average of the members 60 highest-paid consecutive service months before retirement, termination, or death. There is no cap on years of service credit. Retirement before age 65 is considered an early retirement. SERS members who have least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit.

RAINIER PREP

NOTES TO FINANCIAL STATEMENTS

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 a factor that varies according to each year before age 65, or with a benefit that had a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

Other SERS Plan 2/3 benefits include duty and nonduty disability payments; a COLA based on the Consumer Price Index, capped at 3% annually; and a duty-related death benefit, if the Washington State Department of Labor & Industries determines the member eligible.

TRS

TRS is a cost-sharing multiple-employer retirement system established in 1938; its retirement benefits provisions are contained in Chapters 41.31 and 41.34 RCW. It is composed 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 composed 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 and is closed to new entrants. 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 plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, plan 2/3 is considered to a single plan for accounting purposes.

TRS Plan 1 provides retirement, disability, and death benefits. TRS Plan 1 members are vested after the completion of five years of eligibility service. Retirement benefits are determined as 2% of the AFC, for each year of service credit, up to a maximum of 60% 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 COLA, and a 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 2% of the AFC per year of service for Plan 2 members and 1% 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 age 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.

RAINIER PREP

NOTES TO FINANCIAL STATEMENTS

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 a factor that varies according to 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 5% 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 3% annually and a 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 (Plan 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 41.40, 41.32, and 41.35 RCW for PERS, TRS, SERS, respectively. 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% of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at 6% and does not vary from year to year.

The employer and employee contribution rates for the PERS plan are effective as of July 1. SERS and TRS contribution rates are effective as of September 1. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

	Member	Employer
PERS 1	6.00%	12.97%
TRS 1	6.00%	15.74%
TRS 2/3	7.77%	15.74%
SERS 2/3	8.25%	13.30%

The DRS administrative rate of 0.0018 is included in the employer rate.

RAINIER PREP

NOTES TO FINANCIAL STATEMENTS

The Collective Net Pension Liability

The collective net pension liabilities (assets) for the pension plans in which Rainer Prep participated are the following as of August 31, 2021:

	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total pension liability	\$10,847,066,000	\$ 7,586,243,000	\$ 7,850,211,000	\$20,032,702,000
Plan fiduciary net position	(9,625,832,000)	(8,659,940,000)	(7,176,913,000)	(22,781,509,000)
Participating employers' net pension liability (asset)	1,221,234,000	(1,073,697,000)	673,298,000	(2,748,807,000)
Plan fiduciary net position as a percentage of the total pension liability or asset	88.74%	114.15%	91.42%	113.72%

Rainier Prep's Proportionate Share of Net Pension Liability

At August 31, 2021, Rainer Prep reported a total pension asset of \$821,161 and pension liability of \$189,480 for its proportionate shares of the individual plans' collective net pension asset and liability. Rainer Prep's proportionate share of the collective net pension is based on annual contributions for each of the employers participating in the DRS-administered plans. At August 31, 2021, Rainer Prep's proportionate share of each plan's net pension liability (asset) is reported below:

	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Rainier Prep's annual contributions	\$ 23,111	\$ 39,291	\$ 123,744	\$ 136,672
Proportionate share of the net pension liability (asset)	37,890	(200,364)	151,590	(620,797)

At August 31, 2021, Rainer Prep's percentage of the proportionate share of the collective net pension liability (asset) and the changes in the allocation percentage from the prior period are as follow:

	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the net pension liability or asset	0.003103%	0.018661%	0.022515%	0.022584%
Prior year proportionate share of the net pension liability or asset	0.003242%	0.018613%	0.021717%	0.022070%
Net difference percentage	(0.000139)%	0.000048%	0.000798%	0.000514%

Actuarial Assumptions

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

RAINIER PREP

NOTES TO FINANCIAL STATEMENTS

The total pension assets or liabilities for PERS 1, SERS 2/3, TRS 1, and TSR 2/3 were determined by actuarial valuation as of June 30, 2021, with the results rolled forward to June 30, 2021, 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 increase: in addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity
- Investment rate of return: 7.40%

Mortality Rates

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments of 7.40% was determined using a building-block method in which a best-estimate future rates of return (expected returns, net of pension plan investments expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's CMA's. The CMA's contain three pieces of information for each class of assets in which the WSIB currently invests:

- 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 CMA's and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.40% approximately equals the median of the simulated investments returns over various time horizons.

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, 2021, are summarized in the following table:

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%

RAINIER PREP

NOTES TO FINANCIAL STATEMENTS

Discount Rate

The discount rate used to measure the total pension asset or liability was 7.40%. 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 7.40% 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% future investment rate of return on invested asset was assumed for the test. Contributions from plan members and employers were assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plans 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% on pension plan investments was applied to determine the total pension asset or liability.

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RAINIER PREP

NOTES TO FINANCIAL STATEMENTS

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

The pension plans reported collective deferred outflows of resources and collective deferred inflows of resources related to the individual plans. At August 31, 2021, Rainer Prep reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Outflows	Inflows
PERS 1		
Difference between expected and actual experiences in the measurement of the total pension liability	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	42,051
Changes in assumptions or other inputs	-	-
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	-	-
Total PERS 1	-	42,051
SERS 2/3		
Difference between expected and actual experiences in the measurement of the total pension liability	51,988	-
Net difference between projected and actual earnings on pension plan investments	-	226,677
Changes in assumptions or other inputs	822	6,596
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	11,766	-
Total SERS 2/3	64,576	233,273
TRS 1		
Difference between expected and actual experiences in the measurement of the total pension liability	-	-
Net difference between projected and actual earnings on pension plan investments	-	227,267
Changes in assumptions or other inputs	-	-
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	-	-
Total TRS 1	-	227,267
TRS 2/3		
Difference between expected and actual experiences in the measurement of the total pension liability	192,862	5,024
Net difference between projected and actual earnings on pension plan investments	-	723,765
Changes in assumptions or other inputs	38,615	32,623
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	30,135	-
Total TRS 2/3	261,612	761,412
Summary All Plans		
Difference between expected and actual experiences in the measurement of the total pension liability	244,850	5,024
Net difference between projected and actual earnings on pension plan investments	-	1,219,760
Changes in assumptions or other inputs	39,437	39,219
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	41,901	-
Total all plans	\$ 326,188	\$ 1,264,003

RAINIER PREP

NOTES TO FINANCIAL STATEMENTS

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	PERS 1	SERS 2/3	TRS 1	TRS 2/3
2022	\$ (11,139)	\$ (35,614)	\$ (60,225)	\$ (137,832)
2023	(10,208)	(45,042)	(55,109)	(150,843)
2024	(9,652)	(41,902)	(52,155)	(140,938)
2025	(11,052)	(50,726)	(59,777)	(161,736)
2026	-	4,465	-	26,025
Thereafter	-	122	-	65,524

Pension Benefit

Rainer Prep recognizes a pension benefit for its proportionate share of the collective pension benefit. This is determined by using the district's proportion share of the collective net pension assets and liabilities. For the year ended August 31, 2021, Rainer Prep recognized a total pension benefit as follows:

PERS 1	\$ (7,331)
SERS 2/3	(12,464)
TRS 1	(39,253)
TRS 2/3	(43,355)
	<u>\$ (102,403)</u>

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

The table below presents Rainer Prep's proportionate share of the net pension asset or liability calculated using the discount rate of 7.40% as well as what the net pension asset or liability would be if it were calculated using a discount that is one percentage point lower (6.40%) or one percentage point higher (8.40%) than the current rate.

Amounts are calculated by plan using Rainer Prep's allocation percentage.

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1 net pension liability	\$ 64,547	\$ 37,890	\$ 14,642
SERS 2/3 net pension asset	(2,201)	(200,364)	(364,285)
TRS 1 net pension liability	290,560	151,590	30,315
TRS 2/3 net pension liability (asset)	108,253	(620,797)	(1,215,516)
	<u>\$ 461,159</u>	<u>\$ (631,681)</u>	<u>\$ (1,534,844)</u>

RAINIER PREP

NOTES TO FINANCIAL STATEMENTS

Note 4. Future Lease Obligations

Rainier Prep leases its primary school facilities and two modular buildings under noncancelable operating leases expiring in June 2022 and June 2024, respectively. Rent expenses under the leases was \$138,183 during the year ended August 31, 2021. Future minimum rentals are as follows for the years ending June 30:

2022	\$	118,596
2023		13,596
2024		11,330
		<hr/>
	\$	143,522
		<hr/>

Note 5. Government-Wide Financial Statement Reconciliation

Rainier Prep recognizes certain transactions on the government-wide financial statements that are treated differently on the governmental fund financial statements. The following is a reconciliation of the fund balances/net positions and changes in fund balances/net position from the governmental fund financial statements to the government-wide financial statements.

Governmental Fund Balance Sheet/Statement of Net Position

Fund balance - general fund	\$	2,859,606
Capital assets - net		9,309
Net pension asset		821,161
Net pension liability		(189,480)
Deferred inflows and outflows related to pensions		(937,815)
		<hr/>
Net position - government-wide	\$	2,562,781
		<hr/>

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities

Change in fund balance - general fund	\$	93,687
Purchase of capital assets		12,890
Amortization of capital assets		(30,667)
Pension benefit related to the changes in deferred outflows, net pension asset/liability, and deferred inflows		464,707
		<hr/>
Change in net position - government-wide	\$	540,617
		<hr/>

RAINIER PREP

NOTES TO FINANCIAL STATEMENTS

Note 6. Risk Management

Rainer Prep is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Rainer Prep purchases commercial insurance coverage to mitigate such risks.

Rainer Prep, in the normal course of its activities, may be involved in claims and pending litigation. In the opinion of management, the disposition of these matters are not expected to have a material adverse effect on Rainer Prep general purpose financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

RAINIER PREP

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND For the Year Ended August 31, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
State apportionment - general purpose	\$ 2,814,761	\$ 2,814,761	\$ 2,985,927	\$ 171,166
State apportionment - special purpose	1,173,372	1,173,372	939,606	(233,766)
Federal grants - special purpose	340,082	340,082	384,637	44,555
Contributions	14,234	14,234	583,739	569,505
Total revenue	4,342,449	4,342,449	4,893,909	551,460
Expenditures				
Personnel - instructional	1,983,539	1,983,539	1,910,175	73,364
Personnel - administration	536,778	536,778	517,148	19,630
Personnel - taxes and benefits	1,055,869	1,055,869	946,445	109,424
School operations	215,285	215,285	376,199	(160,914)
Purchased services	1,014,547	1,014,547	779,964	234,583
Facilities	236,123	236,123	270,291	(34,168)
Total expenditures	5,042,141	5,042,141	4,800,222	241,919
Net change in fund balance	\$ (699,692)	\$ (699,692)	\$ 93,687	\$ 793,379

RAINIER PREP

SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

June 30, 2021

	2021	2020	2019	2018	2017
PERS 1					
Rainier Prep's proportion of the net pension liability	0.00310300%	0.00324200%	0.00324200%	0.00206100%	0.00178700%
Rainier Prep's proportionate share of the net pension liability	\$ 37,890	\$ 114,450	\$ 124,741	\$ 92,040	\$ 84,786
Rainier Prep's covered-employee payroll	476,254	487,697	454,825	277,364	225,324
Rainier Prep's proportionate share of the net pension liability as a percentage of covered-employee payroll	7.96%	23.47%	27.43%	33.18%	37.63%
Plan fiduciary net position as a percentage of the total pension liability	88.74%	68.64%	67.12%	63.22%	61.24%
SERS 2/3					
Rainier Prep's proportion of the net pension liability or asset	0.01866100%	0.01861300%	0.01879100%	0.01247700%	0.01102900%
Rainier Prep's proportionate share of the net pension liability (asset)	\$ (200,364)	\$ 114,450	\$ 44,065	\$ 37,315	\$ 54,427
Rainier Prep's covered-employee payroll	476,254	487,697	454,825	277,364	225,324
Rainier Prep's proportionate share of the net pension liability or asset as a percentage of covered-employee payroll	-42.07%	23.47%	9.69%	13.45%	24.15%
Plan fiduciary net position as a percentage of the total pension liability or asset	114.15%	68.64%	96.31%	94.77%	90.79%
TRS 1					
Rainier Prep's proportion of the net pension liability	0.0225150%	0.0217170%	0.0238690%	0.0226170%	0.0166610%
Rainier Prep's proportionate share of the net pension liability	\$ 151,590	\$ 523,108	\$ 590,951	\$ 660,557	\$ 503,707
Rainier Prep's covered-employee payroll	1,676,950	1,582,790	1,609,790	1,340,067	935,843
Rainier Prep's proportionate share of the net pension liability as a percentage of covered-employee payroll	9.04%	33.05%	36.71%	49.29%	53.82%
Plan fiduciary net position as a percentage of the total pension liability	91.42%	92.45%	70.55%	66.52%	65.58%
TRS 2/3					
Rainier Prep's proportion of the net pension liability or asset	0.02258400%	0.02207000%	0.02411500%	0.02300700%	0.01706900%
Rainier Prep's proportionate share of the net pension liability (asset)	\$ (620,797)	\$ 338,998	\$ 145,302	\$ 103,556	\$ 157,533
Rainier Prep's covered-employee payroll	1,676,950	1,582,790	1,609,790	1,340,067	935,843
Rainier Prep's proportionate share of the net pension liability or asset as a percentage of covered-employee payroll	-37.02%	21.42%	9.03%	7.73%	16.83%
Plan fiduciary net position as a percentage of the total pension liability or asset	113.72%	70.55%	91.72%	96.88%	93.14%

RAINIER PREP

SCHEDULES OF CONTRIBUTIONS OF THE NET PENSION LIABILITY

August 31, 2021

	2021	2020	2019	2018	2017
PERS 1					
Contractually required contribution	\$ 23,111	\$ 23,494	\$ 23,260	\$ 13,776	\$ 10,748
Contributions in relation to the contractually required contribution	<u>23,111</u>	<u>23,494</u>	<u>23,260</u>	<u>13,776</u>	<u>10,748</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Rainier Prep's covered-employee payroll	\$ 476,254	\$ 487,697	\$ 454,825	\$ 277,364	\$ 225,324
Contributions as a percentage of covered-employee payroll	4.85%	4.82%	5.11%	4.97%	4.77%
SERS 2/3					
Contractually required contribution	\$ 39,291	\$ 40,250	\$ 37,614	\$ 21,828	\$ 14,939
Contributions in relation to the contractually required contribution	<u>39,291</u>	<u>40,250</u>	<u>37,614</u>	<u>21,828</u>	<u>14,939</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Rainier Prep's covered-employee payroll	\$ 476,254	\$ 487,697	\$ 454,825	\$ 277,364	\$ 225,324
Contributions as a percentage of covered-employee payroll	8.25%	8.25%	8.27%	7.87%	6.63%
TRS 1					
Contractually required contribution	\$ 123,744	\$ 114,045	\$ 118,540	\$ 94,064	\$ 58,303
Contributions in relation to the contractually required contribution	<u>123,744</u>	<u>114,045</u>	<u>118,540</u>	<u>94,064</u>	<u>58,303</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Rainier Prep's covered-employee payroll	\$ 1,676,950	\$ 1,582,790	\$ 1,609,790	\$ 1,340,067	\$ 935,843
Contributions as a percentage of covered-employee payroll	7.38%	7.21%	7.36%	7.02%	6.23%
TRS 2/3					
Contractually required contribution	\$ 136,672	\$ 128,415	\$ 126,046	\$ 102,283	\$ 62,889
Contributions in relation to the contractually required contribution	<u>136,672</u>	<u>128,415</u>	<u>126,046</u>	<u>102,283</u>	<u>62,889</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Rainier Prep's covered-employee payroll	\$ 1,676,950	\$ 1,582,790	\$ 1,609,790	\$ 1,340,067	\$ 935,843
Contributions as a percentage of covered-employee payroll	8.15%	8.11%	7.83%	7.63%	6.72%

RAINIER PREP

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Budgetary Method of Accounting

Annual budgets are prepared using the modified accrual basis of accounting. Accordingly, there are no reconciling items between the budgetary basis of accounting and the method used in the fund financial statements.

Note 2. Schedules of Proportionate Share of the Net Pension Liability

The data provided in the schedules is based as of the measurement date of the net pension liability of June 30, 2021, 2020, 2019, 2018 and 2017. This table is intended to present 10 years of information. Additional years will be displayed when made available.

Note 3. Schedules of Contributions of the Net Pension Liability

The data provided in these schedules is based on information for the years ended August 31, 2021, 2020, 2019, 2018 and 2017. This table is intended to present 10 years of information. Additional years will be displayed when made available.

**SUPPLEMENTAL REPORT IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITORS' 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*

To the Board of Directors
Rainier Prep
Seattle, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial auditing standards generally accepted in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of Rainier Prep as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise Rainier Prep's basic financial statements and have issued our report thereon dated December 17, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rainier Prep'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 Rainier Prep's internal control. Accordingly, we do not express an opinion on the effectiveness of Rainier Prep's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rainier Prep's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Amanda O'Rourke, CPA
Matt Smith, CPA



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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Greenwood Ohlund

Seattle, Washington
December 17, 2021