



Office of the Washington State Auditor  
Pat McCarthy

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

# **Aberdeen School District No. 5**

**For the period September 1, 2020 through August 31, 2021**

*Published May 31, 2022*

Report No. 1030580



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

May 31, 2022

Board of Directors  
Aberdeen School District No. 5  
Aberdeen, Washington

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

Please find attached our report on Aberdeen School District No. 5's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### Aberdeen School District No. 5 September 1, 2020 through August 31, 2021

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

The results of our audit of Aberdeen School District No. 5 are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

##### Financial Statements

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

##### Internal Control over Financial Reporting:

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

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

##### Federal Awards

##### Internal Control over Major Programs:

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

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

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

## **Identification of Major Federal Programs**

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.555	Child Nutrition Cluster – National School Lunch Program
10.555	Child Nutrition Cluster – COVID-19 – National School Lunch Program
10.559	Child Nutrition Cluster – Summer Food Service Program for Children
84.010	Title I Grants to Local Educational Agencies
84.425	COVID-19 – Education Stabilization Fund

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

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

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

None reported.

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

See Findings 2021-001, 2021-002 and 2021-003.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Aberdeen School District No. 5 September 1, 2020 through August 31, 2021

#### **2021-001    The District's internal controls were inadequate for ensuring compliance with federal requirements for Title I eligibility.**

<b>CFDA Number and Title:</b>	84.010 – Title I Grants to Local Educational Agencies
<b>Federal Grantor Name:</b>	U.S. Department of Education
<b>Federal Award/Contract Number:</b>	N/A
<b>Pass-through Entity Name:</b>	Office of Superintendent of Public Instruction (OSPI)
<b>Pass-through Award/Contract Number:</b>	203818, 224750, 270554
<b>Questioned Cost Amount:</b>	\$0

#### ***Background***

The objective of the Title I program is to improve the teaching and learning of children who are at risk of not meeting state academic standards and who reside in areas with high concentrations of children from low-income families. During the 2020-2021 school year, the District spent \$1,590,048 in Title I program funds.

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

Title I requires participating districts to allocate more funds to schools with higher poverty percentages. Districts must rank schools from highest to lowest poverty concentrations based on the total number of students from low-income families attending the school or residing in the area. For districts with 1,000 or more students enrolled, any buildings with a poverty rate higher than 75 percent must be included. The rankings are included in the Title I application, and districts must maintain documentation supporting their rankings.

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

Our audit found the District's internal controls were inadequate for ensuring compliance with Title I eligibility requirements. Specifically, the District incorrectly included preschool student family income data as part of the income data it used for ranking and allocating funding to Title I school buildings.

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

The issue was reported as a finding in the prior audit as finding 2020-002.

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

District officials were aware that preschool student income data should be excluded when determining Title I building rankings and funding allocations. However, District staff responsible for preparing the Title I application forgot to remove the preschool student income data. Further, the District did not have a secondary review in place to ensure the accuracy of the income data included in the application.

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

The District cannot demonstrate compliance with federal requirements for allocating Title I funds to eligible schools. Based on corrected income data, Stevens Elementary incorrectly received \$101 per pupil more in Title I funding than five other schools with higher poverty percentages.

### ***Recommendation***

We recommend the District establish and follow internal controls to ensure it uses correct income data for determining Title I building rankings and funding allocations.

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

*The district included preschool students in the count of eligible students at the elementary school site that hosts that program. This impacted the rank and allocation process. The district has new administrators responsible for this program that continue to learn the intricacies. The district attends quarterly meetings with ESD and OSPI for program updates and ask questions. Additionally they reach out to OSPI on other occasions as needed. The district appreciates the SAO review and input.*

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

We thank the District for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the District's corrective action during our next audit.

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

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

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

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

Title 34 CFR, Part 200, *Title I – Improving the Academic Achievement of the Disadvantaged*, Subpart A – *Improving Basic Programs Operated by Local Education Agencies*, Section 78 – Allocation of funds to school attendance areas and schools.



## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Aberdeen School District No. 5 September 1, 2020 through August 31, 2021

#### **2021-002    The District had inadequate internal controls for ensuring compliance with suspension and debarment requirements.**

<b>CFDA Number and Title:</b>	10.555 – National School Lunch Program 10.555 – COVID-19 – National School Lunch Program 10.559 – Summer Food Service Program for Children
<b>Federal Grantor Name:</b>	U.S. Department of Agriculture (USDA)
<b>Federal Award/Contract Number:</b>	N/A
<b>Pass-through Entity Name:</b>	Office of the Superintendent of Public Instruction (OSPI)
<b>Pass-through Award/Contract Number:</b>	14-005
<b>Questioned Cost Amount:</b>	\$0

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

The District participates in the National School Lunch Program and the Summer Food Service Program for Children. During the 2020-2021 school year, the District spent \$1,845,315 in federal funding to administer these programs.

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

Federal requirements prohibit grant recipients from contracting with or purchasing from parties suspended or debarred from doing business with the federal government. Whenever the District contracts for goods and services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify the contractor is not suspended, debarred or otherwise excluded. The District may

verify a contractor's status by obtaining written certification from the contractor, or it can insert a clause into the contract stating the contractor is not suspended or debarred. Alternatively, the District may check the U.S. General Services Administration's Excluded Parties List System (EPLS). The District must meet one of these verification requirements and retain supporting documentation demonstrating compliance with this federal requirement before contracting or purchasing.

The District lacked adequate internal controls for verifying the eligibility of two contractors that were paid \$52,343 and \$33,305 in 2021.

We consider this deficiency to be a material weakness that led to material noncompliance with federal requirements.

The issue was reported as a finding in the prior audit as finding 2020-001.

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

The District's normal process is to include suspension and debarment language in contracts. However, the employee responsible for the process did not know a contract was required for these purchases, and as such, did not establish one. As a result, the District did not verify the contractors' status before making the purchases.

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

Without adequate internal controls, the District cannot ensure the contractors it paid with federal funds are eligible to participate in federal programs. Any program funds the District used to pay contractors that have been suspended or debarred would be unallowable and the grantor could potentially recover them.

We verified the contractors were not suspended or debarred. Therefore, we are not questioning the related costs.

### ***Recommendation***

We recommend the District follow its established internal controls for verifying the suspension and debarment status of contractors paid \$25,000 or more, all or in part with federal funds, before contracting or purchasing.

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

*The district has been working through a challenging supply chain climate. If we know that we are going to spend over \$10,000 in federal funds, we will now look the vendor up in the SAM data base. One of the vendors in question changed ownership and the district did not combine the totals for both vendors to review amounts for suspension and debarment*

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

We thank the District for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the District's corrective action during our next audit.

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

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

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

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

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

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Aberdeen School District No. 5 September 1, 2020 through August 31, 2021

#### **2021-003    The District had inadequate internal controls for ensuring compliance with federal requirements for providing proportional funding to private schools.**

<b>CFDA Number and Title:</b>	84.425 – COVID-19 – Education Stabilization Fund
<b>Federal Grantor Name:</b>	U.S. Department of Education
<b>Federal Award/Contract Number:</b>	N/A
<b>Pass-through Entity Name:</b>	Office of Superintendent of Public Instruction (OSPI)
<b>Pass-through Award/Contract Number:</b>	84.425D 120270, 84.425D 130141, 84.425D 120507, and 84.425U 459001
<b>Questioned Cost Amount:</b>	\$0

#### ***Background***

The objectives of the Education Stabilization Fund (ESF) program are to prevent, prepare for and respond to the COVID-19 pandemic. The District spent \$1,092,581 of its ESF awards during fiscal year 2021. This included \$1,015,396 of its Elementary and Secondary School Emergency Relief (ESSER) Fund subprogram award funded by the Coronavirus Aid, Relief, and Economic Security (CARES) Act (ESSER I), \$69,481 of its ESSER subprogram award funded by the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act (ESSER II), and \$7,704 of its ESSER subprogram award funded by the American Rescue Plan Act (ARPA) (ESSER III).

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

Federal regulations also require school districts using ESSER I funds to consult with private schools located within their boundaries and provide their eligible students, teachers and families with equitable services. The amount of federal

funding for equitable services must equal the proportion of funds allocated to participating public school attendance areas based on the number of students from low-income families who reside in those attendance areas and attend private schools.

Districts must determine the proportional share, which is automatically calculated in the Title I application, before using or transferring program funds. The ESSER I application guides the District to input the proportional share calculated in the Title I application.

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

Our audit found the District's controls were ineffective for ensuring it used accurate data in its calculation of the proportional share dedicated to private schools. Additionally, the District incorrectly entered the proportional share percentage into the ESSER I application. As a result, the District's calculation and the amounts allocated to private schools were incorrect.

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

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

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

District staff did not understand how to complete the Title I application because of position turnover. Staff did not verify that the income and enrollment data in the Title I application agreed with each applicable section and underlying support. Additionally, the District did not perform a secondary review of the information entered into the Title I application for the equitable share calculation or the information entered into the ESSER I application.

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

The District's use of the inaccurate income and enrollment data and incorrect proportional share rate caused it to underallocate private school funding by \$4,779, or by 19 percent.

### ***Recommendation***

We recommend the District establish and follow internal controls to ensure:

- Staff use accurate income and enrollment data for calculating private schools' proportional share of Title I funding

- Accurate data entry into federal grant applications, including performing a secondary review before submitting applications to grantors

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

*The district included preschool students in the count of eligible students at the elementary school site that hosts that program. This error was compounded by a data entry error. The district submits the Title I application to OSPI for review and approval. The information was not noted as an error through their review. The district appreciates the SAO review and input.*

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

We thank the District for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the District's corrective action during our next audit.

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

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

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

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

Title 34 CFR, Part 200, Title I – *Improving the Academic Achievement of the Disadvantaged*, Subpart A – *Improving Basic Programs Operated by Local Education Agencies*, Section 64 – Factors for determining equitable participation of private school children



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Aberdeen School District No. 5 September 1, 2020 through August 31, 2021

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

<b>Audit Period:</b> 9/1/2019-8/31/2020	<b>Report Reference No.:</b> 1028899	<b>Finding Ref. No.:</b> 2020-001	<b>CFDA Number(s):</b> 10.555 & 10.559
<b>Federal Program Name and Granting Agency:</b> Child Nutrition Cluster – U.S. Department of Agriculture		<b>Pass-Through Agency Name:</b> Office of Superintendent of Public Instruction (OSPI)	
<b>Finding Caption:</b> The District's internal controls are inadequate for ensuring compliance with suspension and debarment requirements.			
<b>Background:</b> <u>Suspension and Debarment</u> <p>Grant recipients cannot contract with or purchase from parties suspended or debarred from doing business with the federal government. Whenever the District contracts for goods and services equaling or exceeding \$25,000 – paid all or in part with federal funds – it must verify the contractor is not suspended, debarred or otherwise excluded. The District may verify a contractor's status in two ways. First, the District may obtain written certification from the contractor or insert a clause into the contract stating the contractor is not suspended or debarred. Second, the District may review the federal Excluded Parties List System the U.S. General Services Administration issues. The District must meet one of these verification requirements and retain supporting documentation before contracting or purchasing.</p>			
<b>Status of Corrective Action: (check one)</b> <div style="display: flex; justify-content: space-between;"> <div> <input type="checkbox"/> Fully Corrected         </div> <div> <input checked="" type="checkbox"/> Partially Corrected         </div> <div> <input type="checkbox"/> Not Corrected         </div> <div> <input type="checkbox"/> Finding is considered no longer valid         </div> </div>			
<b>Corrective Action Taken:</b> <u>Suspension and Debarment</u>			

*The district has incorporated in the bid process the suspension and debarment process. The Food Service Supervisor and Ex Dir of Business & Operations meet prior to the start of the school year to discuss which vendors will continue to be used, so that suspension and debarment information can be obtained. During COVID, when it was difficult to procure items, it was not always apparent that the threshold for debarment would be reached prior to purchasing.*

*The Child Nutrition Manager will not make sure to check the vendor in the SAM database whenever a purchase of \$10,000 or more is made, and/or when a the total aggregate is approaching \$10,000*

<b>Audit Period:</b> 9/1/2019-8/31/2020	<b>Report Reference No.:</b> 1028899	<b>Finding Ref. No.:</b> 2020-002	<b>CFDA Number(s):</b> 84.010
<b>Federal Program Name and Granting Agency:</b> Title I Grants to Local Educational Agencies – U.S. Department of Education		<b>Pass-Through Agency Name:</b> Office of Superintendent of Public Instruction (OSPI)	
<b>Finding Caption:</b> The District did not have adequate internal controls for ensuring compliance with federal requirements for eligibility and private schools.			
<b>Background:</b> <u>Eligibility</u> Title I requires participating districts allocate more funds to schools with higher poverty percentages. Districts must rank schools from highest to lowest poverty concentrations based on the total number of students from low-income families attending the school or residing in the area. For districts with 1,000 or more students enrolled, any buildings with a poverty rate higher than 75 percent must be included. The rankings are included in the Title I application, and districts must maintain documentation supporting their rankings. The District’s internal controls were inadequate for ensuring compliance with eligibility requirements. Specifically, the District used incorrect and unsupported income and enrollment data for ranking and allocating funding to Title I school buildings. Additionally, the District did not allocate funding to all schools with a poverty rate exceeding 75 percent, as the program requires. <u>Private Schools</u> Federal regulations require districts using Title I funds to consult with private schools located within their boundaries and provide their eligible students, teachers and families with equitable services. The amount of federal funding set aside for providing equitable services to private school students from low-income families must equal the proportion of funds the District			



allocates to public school students from low-income families. Districts must determine the proportional share before using or transferring program funds. The proportional share is automatically calculated in the annual Title I application. The share is calculated by multiplying the proportion of private school students from low-income families residing in the area by the District's total Title 1 allocation. The district must maintain documentation supporting the calculation.

The District's controls were ineffective for ensuring accurate data were used in its calculation of the proportional share dedicated to private schools. As a result, the District's calculation and the amount allocated to private schools was incorrect.

**Status of Corrective Action: (check one)**

☐ Fully Corrected      ☒ Partially Corrected      ☐ Not Corrected      ☐ Finding is considered no longer valid

**Corrective Action Taken:**

Eligibility

*The district has worked with OSPI to work through the process of determining eligibility after qualifying for the CEP program. The CEP program limits the number of eligibility codes allowed to be used to determine free/reduced price meal eligibility, thus changing the number of students that qualified at each building. This year it was discovered that preschool students were included in the neighborhood school count. That has been corrected moving forward in the 2021-2022 school year.*

Private Schools

*The preschool student count was used in the neighborhood school count for the year audited. This has been corrected for the 2021-2022 school year.*

## 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*

#### **Aberdeen School District No. 5 September 1, 2020 through August 31, 2021**

Board of Directors  
Aberdeen School District No. 5  
Aberdeen, 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 Aberdeen School District No. 5, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 17, 2022.

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

As discussed in Note 4 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

May 17, 2022

## INDEPENDENT AUDITOR'S REPORT

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

### **Aberdeen School District No. 5 September 1, 2020 through August 31, 2021**

Board of Directors  
Aberdeen School District No. 5  
Aberdeen, Washington

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

We have audited the compliance of Aberdeen School District No. 5, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2021. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2021-001, 2021-002 and 2021-003. Our opinion on each major federal program is not modified with respect to these matters.

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

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

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

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

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

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.


Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2021-001, 2021-002 and 2021-003 that we consider to be material weaknesses.

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

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

### **Purpose of this Report**

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

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

Pat McCarthy, State Auditor

Olympia, WA

May 17, 2022

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **Aberdeen School District No. 5 September 1, 2020 through August 31, 2021**

Board of Directors  
Aberdeen School District No. 5  
Aberdeen, Washington

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Aberdeen School District No. 5, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 28.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual) described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of



expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aberdeen School District No. 5, as of August 31, 2021, and the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### **Basis for Adverse Opinion on U.S. GAAP**

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

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

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Aberdeen School District No. 5, as of August 31, 2021, or the changes in financial position or cash flows thereof for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

## **Matters of Emphasis**

As discussed in Note 4 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Long-Term Liabilities is also presented for purposes of additional analysis, as required by the prescribed Accounting Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral

part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

May 17, 2022

## **FINANCIAL SECTION**

### **Aberdeen School District No. 5 September 1, 2020 through August 31, 2021**

#### **FINANCIAL STATEMENTS**

Balance Sheet – Governmental Funds – 2021  
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2021  
Statement of Fiduciary Net Position – Fiduciary Funds – 2021  
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#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Long-Term Liabilities – 2021  
Schedule of Expenditures of Federal Awards – 2021  
Notes to the Schedule of Expenditures of Federal Awards – 2021

Aberdeen School District No. 005  
Balance Sheet - Governmental Funds  
August 31, 2021

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>Assets</b>							
Cash and Cash Equivalents	4,879,268.45	27,424.36	335,542.63	1,513,658.99	173,870.96	0.00	6,929,765.39
Minus Warrants Outstanding	-3,232,275.51	-60.00	0.00	0.00	0.00	0.00	-3,232,335.51
Taxes Receivable	1,672,501.03		1,314,579.05	0.00	0.00	0.00	2,987,080.08
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	1,271,682.58	0.00	0.00	0.00	0.00	0.00	1,271,682.58
Accounts Receivable	16,675.46	4,302.69	0.00	87.50	0.00	0.00	21,065.65
Interfund Loans Receivable	0.00		0.00	0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	219,505.33	0.00		0.00			219,505.33
Prepaid Items	0.00	6,332.92			0.00	0.00	6,332.92
Investments	2,200,601.93	254,955.22	2,117,847.23	322,822.75	184,000.00	0.00	5,080,227.13
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
<b>TOTAL ASSETS</b>	<b>7,027,959.27</b>	<b>292,955.19</b>	<b>3,767,968.91</b>	<b>1,836,569.24</b>	<b>357,870.96</b>	<b>0.00</b>	<b>13,283,323.57</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>							
Deferred Outflows of Resources - Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>7,027,959.27</b>	<b>292,955.19</b>	<b>3,767,968.91</b>	<b>1,836,569.24</b>	<b>357,870.96</b>	<b>0.00</b>	<b>13,283,323.57</b>
<b>LIABILITIES</b>							
Accounts Payable	1,333,459.17	4,128.13	0.00	0.00	0.00	0.00	1,337,587.30
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.

## Balance Sheet - Governmental Funds

August 31, 2021

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Accrued Salaries	0.00	0.00		0.00			0.00
Anticipation Notes Payable	0.00		0.00		0.00		0.00
<b>LIABILITIES:</b>							
Payroll Deductions and Taxes Payable	56,929.25	0.00		0.00			56,929.25
Due To Other Governmental Units	241,759.60	0.00		0.00	0.00	0.00	241,759.60
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	100,837.98	0.00		0.00			100,837.98
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
<b>TOTAL LIABILITIES</b>	<b>1,732,986.00</b>	<b>4,128.13</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,737,114.13</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue	4,750.00	19,017.00	0.00	590.00	0.00	0.00	24,357.00
Unavailable Revenue - Taxes Receivable	1,672,501.03		1,314,579.05	0.00	0.00		2,987,080.08
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,677,251.03</b>	<b>19,017.00</b>	<b>1,314,579.05</b>	<b>590.00</b>	<b>0.00</b>	<b>0.00</b>	<b>3,011,437.08</b>
<b>FUND BALANCE:</b>							
Nonspendable Fund Balance	219,505.33	0.00	0.00	0.00	0.00	0.00	219,505.33
Restricted Fund Balance	1,162,042.81	269,810.06	2,453,389.86	1,250,000.00	357,870.96	0.00	5,493,113.69
Committed Fund Balance	14,070.00	0.00	0.00	0.00	0.00	0.00	14,070.00
Assigned Fund Balance	0.00	0.00	0.00	585,979.24	0.00	0.00	585,979.24

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

## Balance Sheet - Governmental Funds

August 31, 2021

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Unassigned Fund Balance	2,222,104.10	0.00	0.00	0.00	0.00	0.00	2,222,104.10
<b>TOTAL FUND BALANCE</b>	<b>3,617,722.24</b>	<b>269,810.06</b>	<b>2,453,389.86</b>	<b>1,835,979.24</b>	<b>357,870.96</b>	<b>0.00</b>	<b>8,534,772.36</b>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	7,027,959.27	292,955.19	3,767,968.91	1,836,569.24	357,870.96	0.00	13,283,323.57

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

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

For the Year Ended August 31, 2021

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>REVENUES:</b>							
Local	3,934,306.57	99,217.25	2,842,284.76	19,183.66	71,350.38		6,966,342.62
State	39,953,712.48		0.00	0.00	137,376.30		40,091,088.78
Federal	7,226,339.24		0.00	0.00	0.00		7,226,339.24
Other	93,976.27		0.00	0.00	0.00	0.00	93,976.27
<b>TOTAL REVENUES</b>	<b>51,208,334.56</b>	<b>99,217.25</b>	<b>2,842,284.76</b>	<b>19,183.66</b>	<b>208,726.68</b>	<b>0.00</b>	<b>54,377,746.91</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	21,153,885.38						21,153,885.38
Special Education	5,923,661.68						5,923,661.68
Vocational Education	1,882,457.38						1,882,457.38
Skill Center	232,819.02						232,819.02
Compensatory Programs	5,694,104.95						5,694,104.95
Other Instructional Programs	1,118,214.12						1,118,214.12
Federal Stimulus COVID-19	75,317.08						75,317.08
Community Services	1,913,018.86						1,913,018.86
Support Services	9,823,394.79						9,823,394.79
Student Activities/Other		105,596.17				0.00	105,596.17
<b>CAPITAL OUTLAY:</b>							
Sites				0.00			0.00
Building				0.00			0.00
Equipment				0.00			0.00
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					149,949.14		149,949.14
Sales and Lease				0.00			0.00
Other	764,013.04						764,013.04
<b>DEBT SERVICE:</b>							
Principal			2,745,000.00	0.00	0.00		2,745,000.00

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



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

For the Year Ended August 31, 2021

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Interest and Other Charges	0.00		320,778.25	0.00	0.00		320,778.25
Bond/Levy Issuance				0.00	0.00		0.00
<b>TOTAL EXPENDITURES</b>	<b>48,580,886.30</b>	<b>105,596.17</b>	<b>3,065,778.25</b>	<b>0.00</b>	<b>149,949.14</b>	<b>0.00</b>	<b>51,902,209.86</b>
REVENUES OVER (UNDER) EXPENDITURES	2,627,448.26	-6,378.92	-223,493.49	19,183.66	58,777.54	0.00	2,475,537.05
<b>OTHER FINANCING SOURCES (USES) :</b>							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		283,763.25	1,500,000.00	0.00		1,783,763.25
Transfers Out (GL 536)	-1,783,763.25		0.00	0.00	0.00	0.00	-1,783,763.25
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-1,783,763.25</b>	<b>-6,378.92</b>	<b>283,763.25</b>	<b>1,500,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>843,685.01</b>	<b>-6,378.92</b>	<b>60,269.76</b>	<b>1,519,183.66</b>	<b>58,777.54</b>	<b>0.00</b>	<b>2,475,537.05</b>
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>2,774,037.23</b>	<b>276,188.98</b>	<b>2,393,120.10</b>	<b>316,795.58</b>	<b>299,093.42</b>	<b>0.00</b>	<b>6,059,235.31</b>
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>ENDING TOTAL FUND BALANCE</b>	<b>3,617,722.24</b>	<b>269,810.06</b>	<b>2,453,389.86</b>	<b>1,835,979.24</b>	<b>357,870.96</b>	<b>0.00</b>	<b>8,534,772.36</b>

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

Aberdeen School District No. 005  
Statement of Fiduciary Net Position  
August 31, 2021

	Custodial Funds	Private Purpose Trust
<b>ASSETS:</b>		
Imprest Cash	0.00	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	0.00	17,515.20
Minus Warrants Outstanding	0.00	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	0.00	100,059.32
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	0.00
Capital Assets, Land	0.00	0.00
Capital Assets, Buildings	0.00	0.00
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	0.00
Accum Depreciation, Equipment	0.00	0.00
<b>TOTAL ASSETS</b>	<b>0.00</b>	<b>117,574.52</b>
<b>LIABILITIES:</b>		
Accounts Payable	0.00	0.00
Due To Other Funds	0.00	0.00
<b>TOTAL LIABILITIES</b>	<b>0.00</b>	<b>0.00</b>
<b>NET POSITION:</b>		
<b>Held in trust for:</b>		
Held In Trust For Intact Trust Principal	0.00	5,000.00
Held In Trust For Private Purposes	0.00	0.00
Held In Trust For Pension Or Other Post-Employment Benefits	0.00	0.00
Held In Trust For Other Purposes	0.00	112,574.52
<b>TOTAL NET POSITION</b>	<b>0.00</b>	<b>117,574.52</b>

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

Aberdeen School District No. 005  
Statement of Changes in Fiduciary Net Position  
For the Year Ended August 31, 2021

	Custodial Funds	Private Purpose Trust
<b>ADDITIONS:</b>		
<b>Contributions:</b>		
Private Donations	0.00	19,372.38
Employer		0.00
Members		0.00
Other	0.00	0.00
<b>TOTAL CONTRIBUTIONS</b>	<b>0.00</b>	<b>19,372.38</b>
<b>Investment Income:</b>		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	0.00	147.64
Less Investment Expenses	0.00	0.00
Net Investment Income	0.00	147.64
<b>Other Additions:</b>		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
<b>TOTAL ADDITIONS</b>	<b>0.00</b>	<b>19,520.02</b>
<b>DEDUCTIONS:</b>		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	0.00	
Other	0.00	17,426.40
<b>TOTAL DEDUCTIONS</b>	<b>0.00</b>	<b>17,426.40</b>
Net Increase (Decrease)	0.00	2,093.62
Net Position--Prior Year August Beginning	0.00	115,480.90
Prior Year F-196 Manual Revision	0.00	0.00
Net Position - Total	0.00	115,480.90
Prior Year(s) Corrections or Restatements	0.00	0.00
<b>NET POSITION--ENDING</b>	<b>0.00</b>	<b>117,574.52</b>

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

**Aberdeen School District No. 5**  
**Notes to the Financial Statements**  
**September 1, 2020 Through August 31, 2021**

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

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

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

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

**Fund Accounting**

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

**Governmental Funds**

General Fund

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

### Capital Projects Funds

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

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

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

### Debt Service Fund

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

### Special Revenue Fund

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

### **Fiduciary Funds**

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

### Private-Purpose Trust Fund

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the amount of the transaction can be readily determined. Revenues are considered "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end. 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 Board of Directors 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. USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

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

The Grays Harbor 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, 2021, are as follows:

Type of Investment	(District's) own investments	Investments held by (district) as an agent for other organizations	Total
State Treasurer's Investment Pool	\$ 5,080,227.13	\$ 100,059.32	\$ 5,180,286.45
Total	\$ 5,080,227.13	\$ 100,059.32	\$ 5,180,246.45



The District is a participant in the Local Government Investment Pool (LGIP). The LGIP was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the LGIP and adopts rules. The State Treasurer is responsible for establishing the investment policy for the LGIP and reviews the policy annually; proposed changes are reviewed by the LGIP Advisory Committee.

The LGIP is an unrated external investment pool. Investments in the Pool are reported at amortized cost, which approximates fair value. The Pool is invested in manner that meets the maturity, quality, diversification, and liquidity requirements set forth by generally accepted accounting principles for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The Pool does not have any legally binding guarantees of share values.

The Pool does not impose liquidity fees or redemption gates on participant withdrawals. It is the policy of the Pool to permit participants to withdraw their investments on a daily basis; therefore, the District's investment balance in the Pool is equal to fair value. Fair value is measured using quoted prices in active markets for identical assets that the pool can access at the measurement date (Level 1 Inputs). Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.

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

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

### **Litigation**

The district has one current pending litigation. At this time, the impact on the district is unknown.

### **Risk Pools**

The Aberdeen 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 program 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 as of August 31, 2021 includes 155 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 Acts 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, Crime, and Cyber Liability.

Liability insurance is subject to a **self-insured retention of \$250,000**. Members are responsible for a \$1,000 deductible for each claim (member deductibles may vary), while the program is responsible for the **\$250,000 self-insured retention (SIR)**. Insurance carriers cover insured losses over **\$251,000** 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 **\$250,000 SIR**. The program also purchases a stop loss policy with an **attachment point of \$2,428,943**, as an additional layer of protection for its members.

Property insurance is subject to a per-occurrence **SIR of \$250,000**. Members are responsible for a \$1,000 deductible for each claim (member deductibles may vary), while the program is responsible for the **\$250,000 SIR**. Equipment Breakdown insurance is subject to a per-occurrence **pool retention of \$10,000**. Members are responsible for a \$2,500 deductible each claim, while the program is responsible for the remaining \$7,500.

**Privacy, Security, and Technology (Cyber) insurance is subject to a per occurrence SIR of \$100,000. Members are responsible for a \$10,000 deductible for each claim, while the program is responsible for the remaining \$90,000.**

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, 2021, were \$1,736,998.28.**

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 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

### **COVID-19 Pandemic**

In February 2020, Governor Inslee declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, canceling public events, limiting gathering sizes, and requiring people to stay home unless they were leaving for an essential function. On April 6, 2020, the Governor closed all public and private K–12 school buildings throughout the remainder of the 2019–20 school year and continuing through the 2020–21 school year. The school district, however, continues 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 2020–2021 school year in new ways.

The district used a distance learning model for the beginning of the year and transitioned to a hybrid model for the second half of the 2020–21 school year. Teachers provided online instruction to students, MTSS–Assistants and some para-educators provided online support to students. As a result, there was limited on-campus activity, and many of the district’s support staff including bus drivers and para-educators had their hours significantly reduced or were laid off. The district returned to an in-person instruction model for the 2021–22 school year. With intermittent closures due to outbreaks of COVID illness.

The district has experienced a decreased enrollment beginning in the 2020–2021. The district has experienced a reduction of more than 200 fte from the 2019–20 to the 2020–21 school year. The district has taken the following measures: reduction of classified staffing, the shift of adding certificated support in the form of MTSS coaches to support students who have experienced learning loss, with support of classified MTSS Assistant support for teachers and students, and for the 2021–22 school year the addition of programs that would attract credit deficient or remote learning students.

Due to the closure of facilities, the district experienced significant reduction in facility rental fees and ASB fund revenue during the 2020–2021 school year. The facilities remained closed to all outside entities that did not have a partnership with the school district. The ASB had little to no revenue for attendance at sporting events.

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

## **NOTE 5: PENSION PLANS**

### **General Information**

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

The school district is reporting the net pension liability in the notes and on the Schedule of Long-term Liabilities calculated as the district's proportionate allocation percentage multiplied by the total plan collective net pension liability. The DRS total collective net pension liabilities for the pension plans school districts participate in are shown here.

### **The Collective Net Pension Liability (Asset)**

The collective net pension liability or asset for the pension plans districts participated in are reported in the following tables

The Collective Net Pension Liability or (Asset) as of June 30, 2021				
	Total Pension Liability	Plan fiduciary net position	Participating employers' net pension liability or (Asset)	Plan fiduciary net position as a percentage of the total pension liability
PERS 1	10,847,066,000	(9,625,832,000)	1,221,234,000	88.74%
SERS 2/3	7,586,243,000	(8,659,940,000)	(1,073,697,000)	114.15%
TRS 1	7,850,211,000	(7,176,913,000)	673,298,000	91.42%
TRS 2/3	20,032,702,000	(22,781,509,000)	(2,748,807,000)	113.72%

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

### **Membership Participation**

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

Membership participation by retirement plan as of June 30, 2021, was as follows:

Plan	Retirees and Beneficiaries Receiving Benefits	Inactive Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members
PERS 1	42,886	241	875
SERS 2	12,235	6,634	28,835
SERS 3	12,348	9,363	33,615
TRS 1	30,762	84	162
TRS 2	6,594	3,016	24,269
TRS 3	16,963	8,400	55,328

### **Membership & Plan Benefits**

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

#### TRS Plan Information

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

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

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

disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

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

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

#### PERS Plan Information

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

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

#### SERS Plan Information

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

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

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

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

## **Plan Contributions**

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. 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 all plans were effective as of September 1, 2020. PERS contribution rates changed on July 1, 2021. TRS and SERS plans will not have a contribution rate change until September 1, 2021. The pension plan contribution rates (expressed as a percentage of covered payroll) for fiscal year 2021 are listed below:

<b>Pension Contribution Rates from September 01, 2020 to June 30, 2021</b>			
	Employer	Employee	
PERS Plan 1	12.97%	6.00%	
<b>Pension Contribution Rates from July 01, 2021 to August 31, 2021</b>			
	Employer	Employee	
PERS Plan 1	10.252%	6.00%	
<b>Pension Contribution Rates from September 01, 2020 to August 31, 2021</b>			
	Employer	Employee	
TRS Plan 1	15.74%	6.00%	
TRS Plan 2/3	15.74%	7.77%	*/**
SERS Plan 2/3	13.30%	8.25%	*/**
<i>Note: The Employer rates include .0018 DRS administrative expense.</i>			
* – TRS and SERS Plan 3 Employee Contribution Variable from 5% to 15% based on rate selected by the employee member.			
** – TRS and SERS Plan 2/3 Employer Contributions for defined benefit portion only.			

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

At June 30, 2021, the school district reported a total liability of \$ 2,210,655 for its proportionate shares of the individual plans' collective net pension liability and \$ 9,731,290 for its proportionate shares of net pension assets. Proportions of net pension amounts are based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2021 the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2021	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	342,066	578,447	1,346,779	1,492,988
Proportionate Share of the Net Pension Liability (Asset)	560,813	(2,949,772)	1,649,842	(6,781,519)



At June 30, 2021, the school district's percentage of the proportionate share of the collective net pension amount was as follows and the change in the allocation percentage from the prior period is illustrated below.

Change in Proportionate Shares	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share	0.045922%	0.274730%	0.245039%	0.246708%
Prior year proportionate share	0.052701%	0.295273%	0.258433%	0.259993%
Net difference percentage	<b>-0.006779%</b>	<b>-0.020542%</b>	<b>-0.013394%</b>	<b>-0.013285%</b>

### Actuarial Assumptions

The total pension liabilities for TRS 1, TRS 2/3, PERS 1 and SERS 2/3 were determined by actuarial valuation as of June 30, 2020, 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 increases	In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.40%

### Mortality Rates

Mortality rates used in the plans were developed using the Society of Actuaries' Pub.H-2010 Mortality rates, which vary by member status as the base table. OSA applies age offsets for each system to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale to project mortality rates for every year after the 2010 base table. The actuarial assumptions used in the June 30, 2020, valuation were based on the results of the *2013–2018 Demographic Experience Study Report and the 2019 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report.

### Long-term Expected Rate of Return

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

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

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

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

The expected future rates of return are developed by the WSIB for each major asset class.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2021, 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% 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%. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Based on the assumptions described in the DRS Certification Letter, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return, a 7.40% on pension plan investments was applied to determine the total pension liability.

#### **Sensitivity of the Net Pension Liability (Asset)**

The following table presents the Aberdeen School District's proportionate share of the collective net pension liability or asset calculated using the discount rate of 7.40%, as well as what the net pension liability or asset would be if it were calculated using a discount rate that is one percentage-point lower (6.40%) or one percentage-point higher (8.40%) 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 or asset.

<b>Sensitivity of the Net Pension Liability or Asset to Changes in the Discount Rate</b>			
	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
<b>PERS 1</b>	\$ 2,080,441,000	\$ 1,221,234,000	\$ 471,917,000
Allocation Percentage	0.045922%	0.045922%	0.045922%
Proportionate Share	\$ 955,377	\$ 560,813	\$ 216,713
<b>SERS 2/3</b>	(\$ 11,793,000)	(\$ 1,073,697,000)	(\$ 1,952,101,000)
Allocation Percentage	0.274730%	0.274730%	0.274730%
Proportionate Share	(\$ 32,399)	(\$ 2,949,772)	(\$ 5,363,014)
<b>TRS 1</b>	\$ 1,290,542,000	\$ 673,298,000	\$ 134,647,000
Allocation Percentage	0.245039%	0.245039%	0.245039%
Proportionate Share	\$ 3,162,330	\$ 1,649,842	\$ 329,938
<b>TRS 2/3</b>	\$ 479,331,000	(\$ 2,748,807,000)	(\$ 5,382,150,000)
Allocation Percentage	0.246708%	0.246708%	0.246708%
Proportionate Share	\$ 1,182,546	(\$ 6,781,519)	(\$ 13,278,179)

## **NOTE 6: ANNUAL OTHER POST-EMPLOYMENT BENEFIT COST AND NET OPEB OBLIGATIONS**

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

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided

in accordance with a substantive plan. A substantive plan is one, which the employers and plan members understand the plan terms. This understanding is based on communications between the HCA, employers and plan members, and historical pattern of practice with regards to sharing of benefit costs.

Employers participating in the 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 the K–12 school districts and ESDs. The District’s retirees (approximately 202) 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 PERS 1, 2, 3; TRS 1, 2, or 3; or SERS 2 and 3 plans.

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

#### Medical Benefits

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

<b>Members not eligible for Medicare</b>			
<b>(or enrolled in Part A only)</b>		<b>Type of Coverage</b>	
<b>Descriptions</b>	<b>Employee</b>	<b>Employee &amp; Spouse</b>	<b>Full Family</b>
Kaiser Permanente NW Classic	\$745.66	\$1,485.75	\$2,040.82
Kaiser Permanente NW CDHP	\$618.76	\$1,226.30	\$1,638.21
Kaiser Permanente WA Classic	\$775.39	\$1,545.22	\$2,122.58
Kaiser Permanente WA CDHP	\$619.29	\$1,227.86	\$1,640.54
Kaiser Permanente WA Sound Choice	\$641.43	\$1,277.28	\$1,754.17
Kaiser Permanente WA Value	\$698.96	\$1,392.34	\$1,912.38
UMP Classic	\$691.72	\$1,377.86	\$1,892.47
UMP Select	\$623.50	\$1,241.43	\$1,704.88
UMP CDHP	\$618.52	\$1,226.31	\$1,638.41
UMP Plus-Puget Sound High Value Network	\$658.79	\$1,312.02	\$1,801.93
UMP Plus-UW Medicine Accountable Care Network	\$658.79	\$1,312.02	\$1,801.93

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

<b>Members enrolled in Part A and B of Medicare</b>		<b>Type of Coverage</b>	
<b>Descriptions</b>	<b><u>Employee</u></b>	<b><u>Employee &amp; Spouse<sup>1</sup></u></b>	<b><u>Full Family<sup>1</sup></u></b>
Kaiser Permanente NW Senior Advantage	\$174.41	\$343.27	\$898.34
Kaiser Permanente WA Medicare Plan	\$177.10	\$348.64	N/A
Kaiser Permanente WA Classic	N/A	N/A	\$926.01
Kaiser Permanente WA Sound Choice	N/A	N/A	\$825.54
Kaiser Permanente WA Value	N/A	N/A	\$868.68
UMP Classic	\$336.30	\$667.04	\$1,181.65
Note 1: Employee–Spouse and Full Family with two Medicare eligible subscribers.			

### Funding Policy

The School Employees Benefits Board (SEBB) Program administers health insurance and other benefits to all employees in school districts and charter schools, and union-represented employees of educational service districts in Washington. The SEBB studies, designs, and approves comprehensive and cost-effective insurance benefit plans for school employees and establishes eligibility criteria for participation in these plans. The SEB Board is separate and independent from the Public Employees Benefits Board (PEBB).

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

The SEBB collects benefit premiums from all school district entities for covered employees. The premium includes a fee, established in state law. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees who elect to purchase their health care benefits through the state Health Care Authority PEBB plan. The amount collected is set forth in the state's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

For the fiscal year 2020-21, the Aberdeen School District paid \$ 1,960,491.72 in total to HCA-SEBB.

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

For further information on the results of the actuarial valuation of the employer provided subsidies associated with the state's PEBB plan, refer to the [Office of the State Actuary](#). The plan does not issue a separate report; however, additional information is included in the State of Washington Annual Comprehensive Financial Report, which is available on the [OFM](#) website

## **NOTE 7: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS**

The District's capital assets are insured in the amount of \$ 161,096,650 for fiscal year 2021. 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**

### **Long-Term Debt**

The following is a summary of changes in long-term debt of the District for the fiscal year ended August 31, 2021:

Governmental activities	Balance at Sept. 1, 2020	Increases	Decreases	Balance at Aug. 31, 2021	Due within One Year
General Obligation Bonds	\$ 13,170,000	\$ 0	\$2,745,000	\$10,425,000	\$2,885,000
Total	\$ 13,170,000	\$ 0	\$2,745,000	\$10,425,000	\$2,885,000

Long-term debt at August 31, 2021, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
General Obligation Bonds					
UTGO Bonds R 2011	\$8,995,000	\$1,270,000	12/1/2023	3.00%	\$4,230,000
UTGO Bonds R 2012	\$8,955,000	\$1,250,000	12/1/2023	3.00%	\$4,155,000
Notes from direct borrowing and direct placement					
LTGO – Non voted	\$2,500,000	\$ 225,000	12/1/2028	2.73%	\$2,040,000
Total	\$20,450,000	\$2,745,000			\$10,425,000

Debt service requirements on long-term debt as of August 31, 2021, are as follows:

	Bonds		
Years Ending August 31	Principal	Interest	Total
2022	\$ 2,885,000	\$ 236,173	\$ 3,121,173
2023	\$ 3,040,000	\$ 154,882	\$ 3,194,882
2024	\$ 3,175,000	\$ 77,084	\$ 3,252,084
2025	\$ 250,000	\$ 29,348	\$ 279,348
2026	\$ 260,000	\$ 25,799	\$ 285,799
2027-29	\$ 815,000	\$ 33,784	\$ 848,784
Total	\$10,425,000	\$ 557,069	\$ 10,982,069

At August 31, 2021, the District had \$ 2,117,847.23 available in the Debt Service Fund to service the general obligation bonds.

## **NOTE 9: INTERFUND BALANCES AND TRANSFERS**

The following table depicts interfund transfer activity:

Transferred From (Fund) 535 or 536	Transferred To (Fund) 965 9900 or 9901	Amount	Description
General	Capital Project	\$1,500,000	For Turf field replacement and support building

## **NOTE 10: ENTITY RISK MANAGEMENT ACTIVITIES**

### **Worker's Compensation**

The Aberdeen School District is a member of the ESD 113 Workers' Compensation Fund, as authorized by Chapter-51.14 RCW. The district joined the Workers' Compensation Fund in 1983.

The Workers' Compensation Fund provides industrial injury accident insurance coverage for its membership, including excess insurance coverage and provides related services such as administrative services, safety programs and claims administration. All coverage is on an occurrence basis. The Workers' Compensation Fund is fully funded by its member participants.

Members make an annual contribution to fund the Workers' Compensation Fund. Member contributions are calculated based on the members' hours worked. The Workers' Compensation Fund retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts. The Workers' Compensation Fund per-occurrence retention limit is \$450,000 and the annual aggregate retention is \$7,717,353. Since the Workers' Compensation Fund is a cooperative program, there is a joint liability among participating members.

Workers' Compensation Fund members contract to automatically renew from year to year unless the member gives written notice of its election to terminate at least 180 days prior to August 31 of any year. Termination occurs on August 31. Even after termination, a member is still responsible for contributions to the Workers' Compensation Fund for any unresolved, unreported, and in-process claims for the period they were a signatory to the interlocal governmental agreement.

The Workers' Compensation Fund is governed by a board of directors, which is comprised of one designated representative from each participating member. A five-member executive committee is responsible for conducting the business affairs of the Workers' Compensation Fund. Financial statements and disclosures for the Workers' Compensation Fund can be obtained from the following address: [www.esd113.org](http://www.esd113.org).

## **Unemployment**

The Aberdeen School District is a member of the ESD 113 Unemployment Cooperative, as authorized by Chapter 50.44 RCW. CR ESD 113 joined the Unemployment Cooperative in 1978.

The Unemployment Cooperative provides unemployment compensation coverage for members of the Pool arising from previous employees, employer representation (as needed) and claims administration services.

Members make an annual contribution to fund the Unemployment Cooperative, which is fully funded by its member participants. Member districts pay a contribution calculated at a percentage of their employee's wages. These contributions plus investment earnings pays for unemployment claims and for the administration of the Unemployment Cooperative. There is provision that members can be additionally assessed if the Unemployment Cooperative needs additional funding.

Claimants submit claims to the State of Washington Employment Security Department who determines eligibility. The Unemployment Cooperative reimburses the Department for the unemployment claims paid against the member's account. Since the Unemployment Cooperative is a cooperative program, there is a joint liability among participating members.

Unemployment Cooperative members contract to automatically renew from year to year unless the member gives written notice of its election to terminate at least 180 days prior to August 31 of any year. Termination occurs on August 31. Even after termination, a member is still responsible for contributions to the Unemployment Cooperative for any unresolved, unreported, and in-process claims for the period they were a signatory to the interlocal governmental agreement.

The Unemployment Cooperative is governed by a board of directors, which is comprised of one designated representative from each participating member. A five-member executive committee is responsible for conducting the business affairs of the Unemployment Cooperative. Financial statements and disclosures for the Unemployment Cooperative can be obtained from the following address: [www.esd113.org](http://www.esd113.org).

## **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 Hoquiam School District has a cooperative with the Aberdeen School District to administer transportation services to Aberdeen School District's students and it is included in the financial statements. For fiscal year ending August 2021, these cooperative revenues totaled \$505,909.40, as compared to the preceding year's revenues of \$667,259.62. Expenditures related to the cooperative totaled \$588,688.99 as compared to the preceding year's expenditures of \$812,833.29.

The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association by passing Resolution 2005-07 dated March 15, 2005, and has remained in the joint venture ever since. The District's current equity of \$ 41,019.97 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.

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
<b>Nonspendable Fund Balance</b>	<b>\$219,505.33</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Inventory and Prepaid Items	\$219,505.33				
<b>Restricted Fund Balance</b>	<b>\$1,162,042.80</b>	<b>\$269,810.06</b>	<b>\$1,250,000</b>	<b>\$2,453,389.86</b>	<b>\$357,870.96</b>
For Other Items		\$7,500			
For Fund Purpose		\$262,310.06			\$357,870.96
For Carryover of Restricted Revenues	\$1,162,042.80				
For Skill Centers					
For Carryover of Food Service Revenue					
For Debt Service				\$2,453,389.86	
Restricted from Other Proceeds			\$1,250,000		

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
<b>Committed Fund Balance</b>	<b>\$14,070</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Other Commitments	\$14,070				
<b>Assigned Fund Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$585,979.24</b>	<b>\$0</b>	<b>\$0</b>
Fund Purposes			\$585,979.24		
<b>Unassigned Fund Balance</b>	<b>\$2,222,104.11</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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 5 percent of the general fund 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: TERMINATION BENEFITS**

### **Compensated Absences**

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

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

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

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

## **NOTE 15: OTHER DISCLOSURES**

**Skill Center Branch Campus Note**

The District operates a Branch Campus of the New Market Skill Center, hosted by the Tumwater School District. A Skill Center is a regional cooperative program designed to enhance the learning opportunities for career and technical education for students of participating districts by avoiding unnecessary duplication of course offerings and allowing students from many districts to participate.

The Skill Center was created by an agreement of 9 member districts. The Skill Center is governed by an Administrative Council, comprised of the superintendents of all member districts, or their appointed representatives. The administration of the Skill Center is handled by a director, employed by the {host} District.

A Branch Campus is an extension of the Skill Center core campus located within the {host} District. A Branch Campus provides three or more career and technical education programs at a location separate from the Core Campus, but is still governed by the Administrative Council that oversees the Skill Center. Branch campuses report their own enrollment, separate from the Core Campus, and receive direct apportionment funding as if they were a Core Campus.

Aberdeen School District No. 005  
Schedule of Long-Term Liabilities  
For the Year Ended August 31, 2021

Description	Beginning Outstanding Debt September 1, 2020	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2021	Amount Due Within One Year
<b>Voted Debt</b>					
Voted Bonds	10,905,000.00	0.00	2,520,000.00	8,385,000.00	2,655,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
<b>Non-Voted Debt and Liabilities</b>					
Non-Voted Bonds	2,265,000.00	0.00	225,000.00	2,040,000.00	230,000.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Non-Cancellable Operating Leases	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	1,326,274.33	547,332.35	416,821.47	1,456,785.21	333,683.84
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
<b>Other Liabilities</b>					
<b>Non-Voted Notes Not Recorded as Debt</b>	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities:					
Net Pension Liabilities TRS 1	6,225,101.00	0.00	4,575,259.00	1,649,842.00	
Net Pension Liabilities TRS 2/3	3,993,436.00	0.00	3,993,436.00	0.00	
Net Pension Liabilities SERS 2/3	1,570,744.00	0.00	1,570,744.00	0.00	
Net Pension Liabilities PERS 1	1,860,622.00	0.00	1,299,809.00	560,813.00	
<b>Total Long-Term Liabilities</b>	<b>28,146,177.33</b>	<b>547,332.35</b>	<b>14,601,069.47</b>	<b>14,092,440.21</b>	<b>3,218,683.84</b>

Other postemployment benefits other than pensions (OPEB) liabilities are not presented in the Schedule of Long Term Liabilities.

**Aberdeen School District No. 5**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	National School Lunch Program	10.555	14-005	1,711,229	-	1,711,229	-	
	National School Lunch Program	10.555	14-005	48,144	-	48,144	-	2
	COVID 19 - National School Lunch Program	10.555	10.555D	46,532	-	46,532	-	
Total CFDA 10.555:				1,805,905	-	1,805,905	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Summer Food Service Program for Children	10.559	14848	39,410	-	39,410	-	
Total Child Nutrition Cluster:				1,845,315	-	1,845,315	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Child and Adult Care Food Program	10.558	14-005	32,672	-	32,672	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Fresh Fruit and Vegetable Program	10.582	14-005	54,303	-	54,303	-	
Forest Service Schools and Roads Cluster								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Schools and Roads - Grants to States	10.665	N/A	36,107	-	36,107	-	
Total Forest Service Schools and Roads Cluster:				36,107	-	36,107	-	

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

**Aberdeen School District No. 5**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2021**

Federal Agency (Pass-Through Agency)	Expenditures					Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	203818	1,531,550	-	1,531,550	3,4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	224750	29,430	-	29,430	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	270554	29,068	-	29,068	-
<b>Total CFDA 84.010:</b>				<b>1,590,048</b>	-	<b>1,590,048</b>	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Migrant Education State Grant Program	84.011	282511	59,770	-	59,770	-
<b>Special Education Cluster (IDEA)</b>							
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	Special Education Grants to States	84.027	307263	797,063	-	797,063	-
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	Special Education Preschool Grants	84.173	3666652	42,128	-	42,128	-
<b>Total Special Education Cluster (IDEA):</b>				<b>839,191</b>	-	<b>839,191</b>	-
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via OSPI)	Career and Technical Education -- Basic Grants to States	84.048	174676	39,513	-	39,513	-

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

**Aberdeen School District No. 5**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2021**

Federal Agency (Pass-Through Agency)	Expenditures						Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via OSPI)	Career and Technical Education -- Basic Grants to States	84.048	178010	500	-	500	-	
			<b>Total CFDA 84.048:</b>	<b>40,013</b>	<b>-</b>	<b>40,013</b>	<b>-</b>	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	Indian Education Grants to Local Educational Agencies	84.060	S060A200627	-	32,787	32,787	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities- National Programs)	84.184	510011	13,047	-	13,047	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities- National Programs)	84.184	510033	20,000	-	20,000	-	
			<b>Total CFDA 84.184:</b>	<b>33,047</b>	<b>-</b>	<b>33,047</b>	<b>-</b>	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Education for Homeless Children and Youth	84.196	457500	23,537	-	23,537	-	4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Twenty-First Century Community Learning Centers	84.287	991615	534,213	-	534,213	-	

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

**Aberdeen School District No. 5**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Expenditures				Passed through to Subrecipients	Note
			Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF POSTSECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	20-IA121	-	136,176	136,176	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Rural Education	84.358	461650	74,203	-	74,203	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	English Language Acquisition State Grants	84.365	402915	36,486	-	36,486	-	4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	525104	180,359	-	180,359	-	4
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	Student Support and Academic Enrichment Program	84.424	430787	60,189	-	60,189	-	4
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D 120270	979,763	-	979,763	-	4
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D - 130141	35,733	-	35,733	-	6
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D - 120507	69,481	-	69,481	-	4

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



**Aberdeen School District No. 5**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U - 459001	7,704	-	7,704	-	7
		Total CFDA 84.425:			-	1,092,681	-	
Medicaid Cluster	Medical Assistance Program	93.778	K1589	29,037	-	29,037	-	
		Total Medicaid Cluster:			-	29,037	-	
		Total Federal Awards Expended:			168,963	6,730,134	-	

# NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year ending August 31, 2021

## NOTE 1—BASIS OF ACCOUNTING

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

## NOTE 2—NONCASH AWARDS

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

## NOTE 3—SCHOOLWIDE PROGRAMS

The Aberdeen School District operates a "schoolwide program" in four elementary buildings, one middle school and one alternative high school. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the Aberdeen School District in its schoolwide program Title I (84.010) - \$1,531,550.00

## NOTE 4—FEDERAL INDIRECT RATE

The Aberdeen School District used the federal restricted rate of **2.47** percent for this program. The Aberdeen School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

## NOTE 5 -- FEDERAL INDIRECT RATE

The Aberdeen School District used a fixed rate of **1.51** percent for this program.

## NOTE 6 - FEDERAL INDIRECT RATE

The Aberdeen School District used a fixed rate of **19.11** for this program

## NOTE 7 - FEDERAL INDIRECT RATE

The Aberdeen School District used the federal restricted rate of **2.57** for this program.



## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

### Aberdeen School District No. 5 September 1, 2020 through August 31, 2021

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

<b>Finding ref number:</b> 2021-001	<b>Finding caption:</b> The District's internal controls were inadequate for ensuring compliance with federal requirements for Title I eligibility.
<b>Name, address, and telephone of District contact person:</b> Elyssa Louderback, Executive Director of Business & Operations 216 N. G Street Aberdeen, WA 98520 (360) 538-2007	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The district included preschool students in the count of eligible students at the elementary school site that hosts that program. This impacted the rank and allocation process. The district has new administrators responsible for this program that continue to learn the intricacies. The district attends quarterly meetings with ESD and OSPI for program updates and ask questions. Additionally they reach out to OSPI on other occasions as needed. The district appreciates the SAO review and input.</i>	
<b>Anticipated date to complete the corrective action:</b> April 2022	

<b>Finding ref number:</b> 2021-002	<b>Finding caption:</b> The District had inadequate internal controls for ensuring compliance with suspension and debarment requirements.
<b>Name, address, and telephone of District contact person:</b> Elyssa Louderback, Executive Director of Business & Operations 216 N. G Street Aberdeen, WA 98520 (360) 538-2007	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The district has been working through a challenging supply chain climate. If we know that we are going to spend over \$10,000 in federal funds, we will now look the vendor up in the SAM data base. One of the vendors in question changed ownership and the district did not combine the totals for both vendors to review amounts for suspension and debarment.</i>	
<b>Anticipated date to complete the corrective action:</b> April 2022	

<b>Finding ref number:</b> 2021-003	<b>Finding caption:</b> The District did not have adequate internal controls for ensuring compliance with federal requirements for private schools.
<b>Name, address, and telephone of District contact person:</b> Elyssa Louderback, Executive Director of Business & Operations 216 N. G Street Aberdeen, WA 98520 (360) 538-2007	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The district included preschool students in the count of eligible students at the elementary school site that hosts that program. This error was compounded by a data entry error. The district submits the Title I application to OSPI for review and approval. The information was not noted as an error through their review. The district appreciates the SAO review and input.</i>	
<b>Anticipated date to complete the corrective action:</b> April 2022	

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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.

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