



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## Lind School District No. 158

For the period September 1, 2020 through August 31, 2022

*Published July 6, 2023*

Report No. 1032862



Find out what's new at SAO  
by scanning this code with  
your smartphone's camera



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

July 6, 2023

Superintendent and Board of Directors  
Lind School District No. 158  
Lind, Washington

**Report on Financial Statements**

Please find attached our report on Lind School District No. 158's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

## TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	4
Independent Auditor's Report on the Financial Statements .....	7
Financial Section .....	11
About the State Auditor's Office .....	62

## 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*

#### **Lind School District No. 158 September 1, 2020 through August 31, 2022**

Superintendent and Board of Directors  
Lind School District No. 158  
Lind, 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 Lind School District No. 158, as of and for the years ended August 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated June 28, 2023.

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 the financial statements are prepared by the District using accounting practices prescribed by state law and the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual) described in Note 1, which is a basis of accounting other than 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.

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

## **REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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

June 28, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Lind School District No. 158 September 1, 2020 through August 31, 2022**

Superintendent and Board of Directors  
Lind School District No. 158  
Lind, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of Lind School District No. 158, as of and for the years ended August 31, 2022 and 2021, and the related notes to the financial statements, as listed in the financial section of our report.

### **Unmodified Opinion on the 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 and accounting practices prescribed by the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual). Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balance of Lind School District No. 158, and its changes in fund balance, for the years ended August 31, 2022 and 2021, on the basis of accounting described in Note 1.

### **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 Lind School District No. 158, as of August 31, 2022 and 2021, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

## **Basis for Unmodified and Adverse Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

## **Matter Giving Rise to 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. As described in Note 1 of the financial statements, the financial statements are prepared by the District in accordance with state law using accounting practices prescribed by the Accounting Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

## **Responsibilities of Management 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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and



*Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Supplementary Information**

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The Schedule of Long-Term Liabilities are presented for purposes of additional analysis, as required by the prescribed Accounting Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards

generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2023 on our consideration of the District's internal control over financial reporting and on the 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

June 28, 2023

## **FINANCIAL SECTION**

### **Lind School District No. 158 September 1, 2020 through August 31, 2022**

#### **FINANCIAL STATEMENTS**

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2022

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2021

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2022

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2021

Notes to Financial Statements – 2022

Notes to Financial Statements – 2021

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

Schedule of Long-Term Liabilities – 2022

Schedule of Long-Term Liabilities – 2021

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

For the Year Ended August 31, 2022

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>REVENUES:</b>							
Local	549,458.94	7,783.75	410,974.01	50,726.71	88.96		1,019,032.37
State	4,034,640.44		0.00	15,488.85	175,008.83		4,225,138.12
Federal	653,785.99		0.00	0.00	0.00		653,785.99
Other	156,662.60			0.00	0.00	293.70	156,956.30
<b>TOTAL REVENUES</b>	<b>5,394,547.97</b>	<b>7,783.75</b>	<b>410,974.01</b>	<b>66,215.56</b>	<b>175,097.79</b>	<b>293.70</b>	<b>6,054,912.78</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	2,271,805.14						2,271,805.14
Special Education	330,215.04						330,215.04
Vocational Education	291,385.73						291,385.73
Skill Center	0.00						0.00
Compensatory Programs	363,115.22						363,115.22
Other Instructional Programs	72,394.16						72,394.16
Federal Stimulus COVID-19	183,953.41						183,953.41
Community Services	0.00						0.00
Support Services	2,136,552.37						2,136,552.37
Student Activities/Other		19,407.87				0.00	19,407.87
<b>CAPITAL OUTLAY:</b>							
Sites				0.00			0.00
Building				0.00			0.00
Equipment				0.00			0.00
Instructional Technology				24,118.59			24,118.59
Energy				0.00			0.00
Transportation Equipment					131,240.92		131,240.92
Sales and Lease				0.00			0.00
Other	60,329.18						60,329.18
<b>DEBT SERVICE:</b>							
Principal	0.00		335,000.00	0.00	0.00		335,000.00

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, 2022

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Interest and Other Charges	0.00		59,900.00	0.00	0.00		59,900.00
Bond/Levy Issuance				0.00	0.00		0.00
<b>TOTAL EXPENDITURES</b>	<b>5,709,750.25</b>	<b>19,407.87</b>	<b>394,900.00</b>	<b>24,118.59</b>	<b>131,240.92</b>	<b>0.00</b>	<b>6,279,417.63</b>
REVENUES OVER (UNDER) EXPENDITURES	-315,202.28	-11,624.12	16,074.01	42,096.97	43,856.87	293.70	-234,504.85
<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		0.00	0.00	0.00		0.00
Transfers Out (GL 536)	0.00		0.00	0.00	0.00	0.00	0.00
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	7,790.05		0.00	0.00	0.00		7,790.05
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>7,790.05</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>7,790.05</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>-307,412.23</b>	<b>-11,624.12</b>	<b>16,074.01</b>	<b>42,096.97</b>	<b>43,856.87</b>	<b>293.70</b>	<b>-216,714.80</b>
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>1,044,802.51</b>	<b>29,999.21</b>	<b>349,946.47</b>	<b>34,079.61</b>	<b>145,493.26</b>	<b>65,405.99</b>	<b>1,669,727.05</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>737,390.28</b>	<b>18,375.09</b>	<b>366,020.48</b>	<b>76,176.58</b>	<b>189,350.13</b>	<b>65,699.69</b>	<b>1,453,012.25</b>

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	535,164.72	1,628.47	418,671.56	34,077.61	22.92		989,565.28
State	3,849,058.51		0.00	0.00	137,416.54		3,986,475.05
Federal	638,112.27		0.00	0.00	0.00		638,112.27
Other	30,364.24			0.00	0.00	227.08	30,591.32
<b>TOTAL REVENUES</b>	<b>5,052,699.74</b>	<b>1,628.47</b>	<b>418,671.56</b>	<b>34,077.61</b>	<b>137,439.46</b>	<b>227.08</b>	<b>5,644,743.92</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	2,081,420.59						2,081,420.59
Special Education	300,223.86						300,223.86
Vocational Education	272,555.88						272,555.88
Skill Center	0.00						0.00
Compensatory Programs	390,333.49						390,333.49
Other Instructional Programs	72,570.30						72,570.30
Federal Stimulus COVID-19	235,236.35						235,236.35
Community Services	2,898.15						2,898.15
Support Services	1,728,995.07						1,728,995.07
Student Activities/Other		1,930.18				0.00	1,930.18
<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					121,014.07		121,014.07
Sales and Lease				0.00			0.00
Other	23,254.99						23,254.99
<b>DEBT SERVICE:</b>							
Principal	0.00		325,000.00	0.00	0.00		325,000.00

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		66,500.00	0.00	0.00		66,500.00
Bond/Levy Issuance				0.00	0.00		0.00
<b>TOTAL EXPENDITURES</b>	<b>5,107,488.68</b>	<b>1,930.18</b>	<b>391,500.00</b>	<b>0.00</b>	<b>121,014.07</b>	<b>0.00</b>	<b>5,621,932.93</b>
REVENUES OVER (UNDER) EXPENDITURES	-54,788.94	-301.71	27,171.56	34,077.61	16,425.39	227.08	22,810.99
<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		0.00	0.12	0.00		0.12
Transfers Out (GL 536)	-0.12		0.00	0.00	0.00	0.00	-0.12
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	1,910.25		1,910.25
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0.12</b>		<b>0.00</b>	<b>0.12</b>	<b>1,910.25</b>	<b>0.00</b>	<b>1,910.25</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>-54,789.06</b>	<b>-301.71</b>	<b>27,171.56</b>	<b>34,077.73</b>	<b>18,335.64</b>	<b>227.08</b>	<b>24,721.24</b>
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>1,099,591.57</b>	<b>30,300.92</b>	<b>322,774.91</b>	<b>1.88</b>	<b>127,157.62</b>	<b>65,178.91</b>	<b>1,645,005.81</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>1,044,802.51</b>	<b>29,999.21</b>	<b>349,946.47</b>	<b>34,079.61</b>	<b>145,493.26</b>	<b>65,405.99</b>	<b>1,669,727.05</b>

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

Statement of Changes in Fiduciary Net Position  
For the Year Ended August 31, 2022

	Custodial Funds	Private Purpose Trust
<b>ADDITIONS:</b>		
<b>Contributions:</b>		
Private Donations	0.00	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
<b>TOTAL CONTRIBUTIONS</b>	<b>0.00</b>	<b>0.00</b>
<b>Investment Income:</b>		
Net Appreciation (Depreciation) in Fair Value		
Interest and Dividends	0.00	0.00
Less Investment Expenses	0.00	47.98
Net Investment Income	0.00	0.00
		47.98
<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>47.98</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	0.00
<b>TOTAL DEDUCTIONS</b>	<b>0.00</b>	<b>0.00</b>
Net Increase (Decrease)	0.00	47.98
Net Position - Beginning Balance	0.00	10,598.13
Prior Year(s) Corrections or Restatements	0.00	0.00
<b>NET POSITION--ENDING</b>	<b>0.00</b>	<b>10,646.11</b>

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



## 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	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
<b>TOTAL CONTRIBUTIONS</b>	<b>0.00</b>	<b>0.00</b>
<b>Investment Income:</b>		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	0.00	36.14
Less Investment Expenses	0.00	0.00
Net Investment Income	0.00	36.14
<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>36.14</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	0.00
<b>TOTAL DEDUCTIONS</b>	<b>0.00</b>	<b>0.00</b>
Net Increase (Decrease)	0.00	36.14
Net Position--Prior Year August Beginning	0.00	10,561.99
Prior Year F-196 Manual Revision	0.00	0.00
Net Position - Total	0.00	10,561.99
Prior Year(s) Corrections or Restatements	0.00	0.00
<b>NET POSITION--ENDING</b>	<b>0.00</b>	<b>10,598.13</b>

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

**LIND SCHOOL DISTRICT NO. 158**  
**Notes to the Financial Statements**  
**September 1, 2021 Through August 31, 2022**

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

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

The District presents governmental fund financial statements and related notes on the cash basis of accounting, except for the Debt Service Fund which is reported 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) Financial transactions are recognized on a cash basis of accounting as described below.
- (2) Districtwide statements, as defined in GAAP, are not presented.
- (3) A Schedule of Long-Term Liabilities is presented as supplementary information.
- (4) Supplementary information required by GAAP is not presented.

**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 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.

#### Permanent Funds

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

#### ***Fiduciary Funds***

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

#### Private-Purpose Trust Fund

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

#### Agency Funds

These funds are used to account for assets that the District holds on behalf of other agencies in a purely custodial capacity.

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

Governmental fund financial statements are reported using the cash basis of accounting and measurement focus. Revenues are recognized when they are received in cash and expenditures are recognized when warrants are issued. Purchases of capital assets are expensed during the year of acquisition.

## **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 cash basis as used for financial reporting, except for the Debt Service Fund which is accounted for on the modified accrual basis of accounting. Fund balance is budgeted as available resources and, under statute, may not be negative, unless the District enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

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

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

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

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

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

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

Restricted Fund Balance. Amounts that are reported as Restricted are those resources of the District that have had a legal restriction placed on their use either from statute, WAC, or other legal requirements that are beyond the control of the board of directors. Restricted fund balance includes anticipated recovery of revenues that have been received but are restricted as to their usage.

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

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

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

The Superintendent or Business Manager are the only persons who has the authority to create Assignments of fund balance.

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

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

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

## **Cash and Cash Equivalents**

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

## **Leases**

For the year ended August 31, 2022, the district implemented guidance for the presentation and disclosure of leases, as required by the School District Accounting Manual.

As a result, the impact to the district of the adoption of the new lease guidance includes:

- Beginning balances for lease liabilities presented on the Schedule of Long-Term Liabilities have been restated to reflect implementation of these requirements.

Information regarding the District's leases are presented in the Leases note, as applicable.

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

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

Statutes authorize the District to invest in (1) securities, certificates, notes, bonds, short-term securities, or other obligations of the United States, and (2) deposits in any state bank or trust

company, national banking association, stock savings bank, mutual savings bank, savings and loan association, and any branch bank engaged in banking in the state in accordance with RCW 30.04.300 if the institution has been approved by the Public Deposit Protection Commission to hold public deposits and has segregated eligible collateral having a value of not less than its maximum liability.

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

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

The district's participation in the Adams County Investment Pool is voluntary and the pool does not have a credit rating. The district reports its investment in the pool at the fair value amount, which is the same as the value of the pool per share. The fair value of the district's investment in the pool is measured using a net asset value (NAV) as determined by the pool. The pool maintains a duration of 30 days.

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, 2022, are as follows:

Type of Investment	(District's) own investments	Investments held by (district) as an agent for other organizations	Total
County Treasurer's Investment Pool	\$1,367,179.33	\$89,782.14	\$1,456,961.47
Total	\$1,367,179.33	\$89,782.14	\$1, 456,961.47

The district's participation in the Adams County Investment Pool is voluntary and the pool does not have a credit rating. The district reports its investment in the pool at the fair value amount, which is not the same as the value of the pool per share. The fair value of the district's investment in the pool is measured using a net asset value (NAV) as determined by the pool. The pool maintains a duration of 30 days.

### **NOTE 3: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

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

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

Many of the precautionary measures put in place during the 2019–20 school year remain in effect; and are affecting the district for the 2020–21 and into 2021-22 school years in new ways.

The direct and indirect impacts of operations of the district are summarized below:

Even though some activities have come back, the pandemic still has the possibility of continued financial impact. Some funding has been provided but the limited staffing resources and other needs still are to be determined. A good example of financial impact is our transportation funding. During the pandemic, we still managed routes and expenses yet the state limited funding as they determined it was unnecessary to provide the same amount as spending was cut. This however wasn't the case for Lind. We managed a budget of nearly 6% loss in transportation and we are now operating at 20% loss.

The district has maintained enrollment throughout the pandemic. Even through the pandemic, the district continued to increased salaries which is at a larger rate than what the allocation has been. The district is monitoring enrollment and the funding impact very closely and will make cuts accordingly, these maybe in the form of layoffs and cutting building budgets and spending.

### **NOTE 4: PENSION PLANS**

#### **General Information**

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

The school district is reporting the net pension liability in the notes and on the Schedule of Long-term Liabilities calculated as the district's proportionate allocation percentage multiplied by the

total plan collective net pension liability. The DRS total collective net pension liabilities for the pension plans school districts participate in are shown here.

## The Collective Net Pension Liability

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

The Collective Net Pension Liability as of June 30, 2022				
	Total Pension Liability	Plan fiduciary net position	Participating employers' net pension liability	Plan fiduciary net position as a percentage of the total pension liability
PERS 1	\$ 11,877,621,000	\$ 9,093,254,000	\$ 2,784,367,000	76.56%
SERS 2/3	\$ 8,478,821,000	\$ 8,747,471,000	\$ (266,650,000)	103.17%
TRS 1	\$ 8,739,146,000	\$ 6,837,316,000	\$ 1,901,830,000	78.24%
TRS 2/3	\$ 22,946,845,000	\$ 23,143,631,000	\$ (196,786,000)	100.86%

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

## Membership Participation

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

Membership participation by retirement plan as of June 30, 2022, was as follows:

Plan	Retirees and Beneficiaries Receiving Benefits	Inactive Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members
PERS 1	41,154	196	632
SERS 2	13,480	7,186	33,622
SERS 3	13,819	9,896	31,861
TRS 1	29,731	63	111
TRS 2	7,026	3,428	27,202
TRS 3	18,956	8,681	54,336

## 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, 2021. 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 2022 are listed below:

	<b>From this date</b>	<b>Through this date</b>	<b>Member rate</b>	<b>Employer rate</b>	
<b>PERS 1</b>	7/1/2021	8/31/2022	6.00%	10.25%	
<b>TRS 1</b>	9/1/2021	8/31/2022	6.00%	14.42%	
<b>TRS 2</b>	9/1/2021	8/31/2022	8.05%	14.42%	
<b>TRS 3</b>	9/1/2021	8/31/2022	*	14.42%	**
<b>SERS 2</b>	9/1/2021	8/31/2022	7.76%	11.65%	
<b>SERS 3</b>	9/1/2021	8/31/2022	*	11.65%	**
<i>Note: The Employer rates include .0018 DRS administrative expense.</i>					
* – TRS and SERS Plan 3 Employee Contribution Variable from 5% to 15% based on rate selected by the employee member.					
** – TRS and SERS Plan 2/3 Employer Contributions for defined benefit portion only.					

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

At June 30, 2022, the school district reported a total liability of \$597,660 for its proportionate shares of the individual plans' collective net pension liability. Proportion of net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2022, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2022	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	41,950	83,939	109,836	138,293
Proportionate Share of the Net Pension Liability	190,587	<b>(100,753)</b>	407,072	<b>(42,548)</b>

At June 30, 2022, the school district's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below.

Allocation percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.006845%	0.037504%	0.021040%	0.021621%
Prior year proportionate share of the Net Pension Liability	0.005918%	0.035623%	0.020618%	0.020705%
Net difference percentage	0.000926%	0.001881%	0.000787%	0.000916%

### 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, 2021, with the results rolled forward to June 30, 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.75% total economic inflation, 3.25% salary inflation
Salary increases	In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.20%

### 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, 2021, valuation were based on the results of the *2013–2018 Demographic Experience Study Report and the 2021 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report.

### Long-term Expected Rate of Return

OSA selected a 7.00% 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, 2022, 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%	1.50%
Tangible Assets	7.00%	4.70%
Real Estate	18.00%	5.40%
Global Equity	32.00%	5.90%
Private Equity	23.00%	8.90%

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 7.00%. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Based on the assumptions described in the DRS CAFR Certification Letter, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return, a 7.00% on pension plan investments was applied to determine the total pension liability.

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

The following table presents the Lind School District's proportionate share of the collective net pension liability (NPL) calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate. Amounts are calculated using the school district's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
<b>PERS 1 NPL</b>	\$2,080,441,000	\$1,221,234,000	\$471,917,000
Allocation Percentage	0.004922%	0.004922%	0.004922%
Proportionate Share of NPL	\$102,399	\$60,109	\$23,228
<b>SERS 2/3 NPL</b>	(\$11,793,000)	(\$1,073,697,000)	(\$1,952,101,000)
Allocation Percentage	0.029630%	0.029630%	0.029630%
Proportionate Share of NPL	(\$3,494)	(\$318,139)	(\$578,411)
<b>TRS 1 NPL</b>	\$1,290,542,000	\$673,298,000	\$134,647,000
Allocation Percentage	0.030379%	0.030379%	0.030379%
Proportionate Share of NPL	\$392,049	\$204,539	\$40,904
<b>TRS 2/3 NPL</b>	479,331,000	(2,748,807,000)	(5,382,150,000)
Allocation Percentage	0.030514%	0.030514%	0.030514%
Proportionate Share of NPL	\$146,263	(\$838,772)	(\$1,642,312)

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

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

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

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), 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 (we have none) 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 2022.

<b>Members not eligible for Medicare (or enrolled in Part A only)</b>			
<b>Descriptions</b>	<b>Type of Coverage</b>		
	<b>Employee</b>	<b>Employee &amp; Spouse</b>	<b>Full Family</b>
Kaiser Permanente NW Classic	\$768.23	\$1,531.47	\$2,103.90
Kaiser Permanente NW CDHP	\$643.88	\$1,277.21	\$1,708.47
Kaiser Permanente WA Classic	\$813.24	\$1,621.48	\$2,227.66
Kaiser Permanente WA CDHP	\$641.39	\$1,272.99	\$1,702.94
Kaiser Permanente WA Sound Choice	\$659.19	\$1,313.37	\$1,804.01
Kaiser Permanente WA Value	\$721.89	\$1,438.79	\$1,976.46
UMP Classic	\$718.68	\$1,432.35	\$1,967.61
UMP Select	\$647.73	\$1,290.45	\$1,772.50
UMP CDHP	\$638.69	\$1,270.29	\$1,700.24
UMP Plus-Puget Sound High Value Network	\$687.13	\$1,369.26	\$1,880.86
UMP Plus-UW Medicine Accountable Care Network	\$687.13	\$1,369.26	\$1,880.86

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	\$172.79	\$340.58	\$913.01
Kaiser Permanente WA Medicare Plan	\$175.69	\$346.39	N/A
Kaiser Permanente WA Classic	N/A	N/A	\$952.57
Kaiser Permanente WA Sound Choice	N/A	N/A	\$837.03
Kaiser Permanente WA Value	N/A	N/A	\$884.06
UMP Classic	\$364.87	\$724.74	\$1,260.00
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 2021-22, the Lind School District paid \$758,243.00 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 6: COMMITMENTS UNDER LEASES**

The total amount paid for leases during the school year was \$6,749. As of August 31, 2022, the future minimum lease payments are as follows:



Lessor	Amount	Annual Installment	Final Installment Date	Interest Rate	Balance
Lease-Purchase Commitments					
BIE	8,999	6,749	12/31/2022	0%	2,250
<i>Total Lease-Purchase Commitments</i>					2,250

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

The District's capital assets are insured in the amount of \$24,332,334 for fiscal year 2021-22. 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(s) ended August 31, 2022:

Governmental activities	Balance at Sept. 1, 2021	Increases	Decreases	Balance at Aug. 31, 2022	Due within One Year
General Obligation Bonds	2,210,000		335,000	1,875,000	345,000
Notes from Direct Borrowing and Direct Placement					
Total	2,210,000		335,000	1,875,000	345,000

Long-term debt at August 31, 2022, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
General Obligation Bonds					
	3,905,000	varies	12/1/2026	2%, 3%	1,875,000
Total	3,905,000	varies			1,875,000

Debt service requirements on long-term debt as of August 31, 2022, are as follows:

Years Ending 12/31	Principal	Interest	Total
2014	0.00	0.00	0.00

2015	210,000	147,957	357,965
2016	270,000	92,650	362,650
2017	285,000	87,250	372,250.00
2018	295,000	81,550	376,550.00
2019	310,000	75,650	385,650.00
2020	325,000	69,450	394,450.00
2021	335,000	62,950	397,950.00
2022	345,000	56,250	401,250.00
2023	360,000	45,900	405,900.00
2024	375,000	35,100	410,100.00
2025	390,000	23,850	413,850.00
2026	405,000	12,150	417,150.00
Total	3,905,000	790,707	4,695,715

At August 31, 2022, the District had \$365,762.34 available in the Debt Service Fund to service the general obligation bonds.

## **NOTE 9: ENTITY RISK MANAGEMENT ACTIVITIES**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint self-insuring to the same extent that they may individually self-insure. Separate agreements to form an unemployment pool and workers' compensation pool and unemployment pool were made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. Northeast Washington Educational Service District Workers' Compensation Pool was formed on July 1, 1983, when school districts and Northeast Washington Educational Service District (NEWESD) in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses. The NEWESD Unemployment Insurance Pool was created September 1, 2015, when school districts and NEWESD in the State of Washington joined together by signing an Agreement to pool their self-insured losses. Sixty school districts and NEWESD have joined the workers' compensation pool while forty-eight school districts and NEWESD have joined the unemployment pool.

These funds are operated for the Lind SD #158's benefit in lieu of the district having to make monthly premium payments to the State of Washington for unemployment and industrial insurance and unemployment. Membership automatically renews each year. Even after termination, members are still responsible for contributions for unresolved claims occurring during a period when the district was a member of the pools.

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

Each member's contributions to the pools are determined by an annual actuarial study. In fiscal year ending August 31, 2021, the District made payments totaling \$62,410.67 to the workers' compensation pool and \$1,034.96 to the unemployment insurance pool.

The Lind 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, 2022 includes 157 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 \$350,000. Members are responsible for a \$1,000 deductible for each claim (member deductibles may vary), while the program is responsible for the \$350,000 self-insured retention (SIR). Insurance carriers cover insured losses over \$351,000 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 \$350,000 SIR. The program also purchases a stop loss policy with an attachment point of \$3,198,245, as an additional layer of protection for its members.

Property insurance is subject to a per-occurrence deductible of \$350,000. Members are responsible for a \$1,000 deductible for each claim (Member deductibles may vary), while the program is responsible for the \$351,000 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 \$250,000. Members are responsible for a \$10,000 deductible for each claim, while the program is responsible for the remaining \$240,000.

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, 2022, were \$1,726,508.

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 10: 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 October 31 collection of property taxes will be recorded as revenue in the 2021-22 school year, consistent with the cash basis of accounting.

## **NOTE 11: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS**

The District is in a cooperative program for athletics and extra-curricular activities with Ritzville School District beginning fall of 2002. In the fiscal year 2010-11 Sprague and Lamont School Districts were added to the combine, Washtucna School District in 2017-18, Kahlotus School District in 2018-19 and Harrington joined the spring of 21-22.

The District is in a cooperative program to transport the District's students and those of Ritzville School District since 2011. These cooperative revenues and expenditures are included in the financial statements.

In February of 2011, the Boards of Directors of the Lind and Ritzville School Districts agreed to a joint cooperative program, which was implemented in the fall of 2012. The Lind/Ritzville cooperative program consists of an elementary school (P-5) and a middle school (6-8), located in Lind, and an elementary school (P-5) and a high school (9-12), and located in Ritzville. The middle school building in the Lind District is identified as Lind/Ritzville Middle School. The high school building in the Ritzville District is identified as Lind/Ritzville High School. The official name of our cooperative program is the Cooperative Schools of Lind and Ritzville. The Lind and Ritzville School Districts have formed this partnership for the following reasons:

- Provide the best possible educational program for the students in both districts
- Broaden and enrich the curricular offerings available to our students
- Utilize to a greater degree the strengths of our teachers and other staff members
- Utilize the facilities and resources of our districts to a greater efficiency

The school district is a member of the King County Directors' Association (KCDA). KCDA is a purchasing coop designed to pool the member districts' purchasing power. The Board authorized joining the association by signing the New Member Articles of Agreement on January 20, 1993 and has remained in the joint venture ever since. The district's current equity of \$3,784.94 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 applied against paid administrative fees. The district may withdraw from the joint venture and will receive its equity in has remained in the joint venture ever since.

## **NOTE 12: 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
Restricted Fund Balance					
For Fund Purpose		\$18,375.09			\$189,350.13
For Carryover of Restricted Revenues	\$12,937.73				
For Debt Service				\$366,020.48	
Fund Purposes Other Capital Projects			\$76,176.58		
Unassigned Fund Balance Other Purposes	\$724,452.55				

## **NOTE 13: DEFINED CONTRIBUTION PENSION**

### **457 Plan – Deferred Compensation Plan**

District employees have the option of participating in a deferred compensation plan as defined in §457 of the Internal Revenue Code that is administered by the state deferred compensation plan, or the District. The District does not make employer contributions to the plan.

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

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under two types of deferrals: elective deferrals (employee contribution) and non-elective contribution (employer matching) at {contribution rate in dollars or as a percentage of salary}. The employer contribution rate is set by {authority under which rates are established, such as the District's governing body or a union contract}.

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

## **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 termination payment method.

**LIND SCHOOL DISTRICT NO. 158**  
**Notes to the Financial Statements**  
**September 1, 2020 Through August 31, 2021**

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

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

The District presents governmental fund financial statements and related notes on the cash basis of accounting, except for the Debt Service Fund which is reported 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) Financial transactions are recognized on a cash basis of accounting as described below.
- (2) Districtwide statements, as defined in GAAP, are not presented.
- (3) A Schedule of Long-Term Liabilities is presented as supplementary information.
- (4) Supplementary information required by GAAP is not presented.

**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 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.

#### Permanent Funds

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

#### ***Fiduciary Funds***

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

#### Private-Purpose Trust Fund

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

#### Agency Funds

These funds are used to account for assets that the District holds on behalf of other agencies in a purely custodial capacity.

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

Governmental fund financial statements are reported using the cash basis of accounting and measurement focus. Revenues are recognized when they are received in cash and expenditures are recognized when warrants are issued. Purchases of capital assets are expensed during the year of acquisition.



## **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 cash basis as used for financial reporting, except for the Debt Service Fund which is accounted for on the modified accrual basis of accounting. Fund balance is budgeted as available resources and, under statute, may not be negative, unless the District enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

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

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

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

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

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

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

Restricted Fund Balance. Amounts that are reported as Restricted are those resources of the District that have had a legal restriction placed on their use either from statute, WAC, or other legal requirements that are beyond the control of the board of directors. Restricted fund balance includes anticipated recovery of revenues that have been received but are restricted as to their usage.

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

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

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

The Superintendent or Business Manager are the only persons who has the authority to create Assignments of fund balance.

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

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

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

## **Cash and Cash Equivalents**

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

## **Leases**

For the year ended August 31, 2021, the district implemented guidance for the presentation and disclosure of leases, as required by the School District Accounting Manual.

As a result, the impact to the district of the adoption of the new lease guidance includes:

- Beginning balances for lease liabilities presented on the Schedule of Long-Term Liabilities have been restated to reflect implementation of these requirements.

Information regarding the District's leases are presented in the Leases note, as applicable.

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

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

Statutes authorize the District to invest in (1) securities, certificates, notes, bonds, short-term securities, or other obligations of the United States, and (2) deposits in any state bank or trust

company, national banking association, stock savings bank, mutual savings bank, savings and loan association, and any branch bank engaged in banking in the state in accordance with RCW 30.04.300 if the institution has been approved by the Public Deposit Protection Commission to hold public deposits and has segregated eligible collateral having a value of not less than its maximum liability.

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

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

The district's participation in the Adams County Investment Pool is voluntary and the pool does not have a credit rating. The district reports its investment in the pool at the fair value amount, which is the same as the value of the pool per share. The fair value of the district's investment in the pool is measured using a net asset value (NAV) as determined by the pool. The pool maintains a duration of 30 days.

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
County Treasurer's Investment Pool	\$1,572,821.85	\$102,003.33	\$1,674,825.18
Total	\$1,572,821.85	\$102,003.33	\$1,674,825.18

The district's participation in the Adams County Investment Pool is voluntary and the pool does not have a credit rating. The district reports its investment in the pool at the fair value amount, which is not the same as the value of the pool per share. The fair value of the district's investment in the pool is measured using a net asset value (NAV) as determined by the pool. The pool maintains a duration of 30 days.

## **NOTE 3: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

### **COVID-19 Pandemic**

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

Many of the precautionary measures put in place during the 2019–20 school year remain in effect; and are affecting the district for the 2020–21 and into 2021-22 school years in new ways.

The direct and indirect impacts of operations of the district are summarized below:

Even though some activities have come back, the pandemic still has the possibility of continued financial impact. Some funding has been provided but the limited staffing resources and other needs still are to be determined.

The district has maintained enrollment throughout the pandemic. The district has increased salaries and added a principal. The district is monitoring enrollment and the funding impact very closely and will make cuts accordingly, these maybe in the form of layoffs and cutting building budgets and spending.

## **NOTE 4: PENSION PLANS**

### **General Information**

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

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

### **The Collective Net Pension Liability**

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

The Collective Net Pension Liability as of June 30, 2021				
	Total Pension Liability	Plan fiduciary net position	Participating employers' net pension liability	Plan fiduciary net position as a percentage of the total pension liability
PERS 1	\$ 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 CAFR. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, P.O. Box 48380, Olympia, WA 98504-8380; or online at [Annual Financial Reports](#) or <http://www.drs.wa.gov/administrations/annual-report>.

## Membership Participation

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

Membership participation by retirement plan as of June 30, 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. 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:

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

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

At June 30, 2021, the school district reported a total liability of \$362,111 for its proportionate shares of the individual plans' collective net pension liability. Proportion of net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 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	38,837	66,403	161,447	181,178
Proportionate Share of the Net Pension Liability	189,191	163,353	740,533	478,286

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

Allocation percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.004922%	0.029630%	0.030379%	0.030514%
Prior year proportionate share of the Net Pension Liability	0.005359%	0.030708%	0.030743%	0.031139%
Net difference percentage	-0.000437%	-0.001077%	-0.000364%	-0.000625%

### 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, 2019, valuation were based on the results of the *2013–2018 Demographic Experience Study Report and the 2019 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report.

### Long-term Expected Rate of Return

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

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

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

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 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 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

#### Discount Rate

The discount rate used to measure the total pension liability was 7.40 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Based on the assumptions described in the DRS CAFR Certification Letter, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return, a 7.40 percent on pension plan investments was applied to determine the total pension liability.

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

The following table presents the Ritzville School District's proportionate share of the collective net pension liability (NPL) calculated using the discount rate of 7.40 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.40 percent) or one percentage-point higher (8.40 percent) than the current rate. Amounts are calculated using the school district's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
<b>PERS 1 NPL</b>	\$2,080,441,000	\$1,221,234,000	\$471,917,000
Allocation Percentage	0.004922%	0.004922%	0.004922%
Proportionate Share of NPL	\$102,399	\$60,109	\$23,228
	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
<b>SERS 2/3 NPL</b>	(\$11,793,000)	(\$1,073,697,000)	(\$1,952,101,000)
Allocation Percentage	0.029630%	0.029630%	0.029630%
Proportionate Share of NPL	(\$3,494)	(\$318,139)	(\$578,411)
<b>TRS 1 NPL</b>	\$1,290,542,000	\$673,298,000	\$134,647,000
Allocation Percentage	0.030379%	0.030379%	0.030379%
Proportionate Share of NPL	\$392,049	\$204,539	\$40,904
<b>TRS 2/3 NPL</b>	479,331,000	(2,748,807,000)	(5,382,150,000)
Allocation Percentage	0.030514%	0.030514%	0.030514%
Proportionate Share of NPL	\$146,263	(\$838,772)	(\$1,642,312)

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

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

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

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

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), 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 (we have none) 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 (or enrolled in Part A only)</b>			
<b>Descriptions</b>	<b>Type of Coverage</b>		
	<b>Employee</b>	<b>Employee &amp; Spouse</b>	<b>Full Family</b>
Kaiser Permanente NW Classic	\$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>Descriptions</b>	<b>Type of Coverage</b>		
	<b>Employee</b>	<b>Employee &amp; Spouse<sup>1</sup></b>	<b>Full Family<sup>1</sup></b>

Kaiser Permanente NW Senior Advantage	\$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 Lind School District paid \$725,191.00 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 6: COMMITMENTS UNDER LEASES**

The total amount paid for leases during the school year was \$6,750. As of August 31, 2021, the future minimum lease payments are as follows:

Lessor	Amount	Annual Installment	Final Installment Date	Interest Rate	Balance
Lease-Purchase Commitments					
BIE	15,749	6,750	12/31/2022	0%	8,999
<i>Total Lease-Purchase Commitments</i>					8,999

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

The District's capital assets are insured in the amount of \$22,142,424 for fiscal year 2020-21. 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(s) 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	2,535,000		325,000	2,210,000	335,000
Notes from Direct Borrowing and Direct Placement					
Total	2,535,000		325,000	2,210,000	335,000

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					
	3,905,000	varies	12/1/2026	2%, 3%	2,210,000
Total	3,905,000	varies			2,210,000

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

Years Ending 12/31	Principal	Interest	Total
2014	0.00	0.00	0.00

2015	210,000	147,957	357,965
2016	270,000	92,650	362,650
2017	285,000	87,250	372,250.00
2018	295,000	81,550	376,550.00
2019	310,000	75,650	385,650.00
2020	325,000	69,450	394,450.00
2021	335,000	62,950	397,950.00
2022	345,000	56,250	401,250.00
2023	360,000	45,900	405,900.00
2024	375,000	35,100	410,100.00
2025	390,000	23,850	413,850.00
2026	405,000	12,150	417,150.00
Total	3,905,000	790,707	4,695,715

At August 31, 2021, the District had \$322,774.91 available in the Debt Service Fund to service the general obligation bonds.

## **NOTE 9: ENTITY RISK MANAGEMENT ACTIVITIES**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In June 1985 the district joined with other school districts in the state and the Educational Service District No 101 in unemployment compensation insurance cooperative. The purpose of the cooperative is to provide unemployment compensation insurance to eligible employees in an efficient and effective manner, in compliance with state laws regarding unemployment compensation insurance. The district pays assessments and administration fees to the ESD for services related to this unemployment compensation insurance. The assessment and fees are calculated on an annual basis and approved by the cooperative's advisory board.

In December 1983 the district joined with other school districts and Education Service District No. 101 to form Northeast Washington Workers' Compensation Cooperative, a public entity risk pool currently operating as a common risk management and insurance program for worker's compensation insurance. The district pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the Northeast Washington Workers' Compensation Cooperative provides that the pool will be self-sustaining through member premiums. Reinsurance, both specific and aggregate, is maintained. For the fiscal year ended August 31, 2010, the specific limit was \$300,000.00; and the annual stop loss attachment point (aggregate) was \$2,000,000.00.

The Lind 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, 2022 includes 157 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 deductible 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 10: 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 October 31 collection of property taxes will be recorded as revenue in the 2020-21 school year, consistent with the cash basis of accounting.

## **NOTE 11: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS**

The District is in a cooperative program for athletics and extra-curricular activities with Ritzville School District beginning fall of 2002. In the fiscal year 2010-11 Sprague and Lamont School Districts were added to the combine, Washtucna School District in 2017-18, and Kahlottus School District in 2018-19.

The District is in a cooperative program to transport the District's students and those of Ritzville School District since 2011. These cooperative revenues and expenditures are included in the financial statements.

In February of 2011, the Boards of Directors of the Lind and Ritzville School Districts agreed to a joint cooperative program, which was implemented in the fall of 2012. The Lind/Ritzville cooperative program consists of an elementary school (P-5) and a middle school (6-8), located in Lind, and an elementary school (P-5) and a high school (9-12), and located in Ritzville. The middle school building in the Lind District is identified as Lind/Ritzville Middle School. The high school building in the Ritzville District is identified as Lind/Ritzville High School. The official name of our cooperative program is the Cooperative Schools of Lind and Ritzville. The Lind and Ritzville School Districts have formed this partnership for the following reasons:

- Provide the best possible educational program for the students in both districts
- Broaden and enrich the curricular offerings available to our students
- Utilize to a greater degree the strengths of our teachers and other staff members
- Utilize the facilities and resources of our districts to a greater efficiency

The school district is a member of the King County Directors' Association (KCDA). KCDA is a purchasing coop designed to pool the member districts' purchasing power. The Board authorized joining the association by signing the New Member Articles of Agreement on January 20, 1993 and has remained in the joint venture ever since. The district's current equity of \$2,692.86 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 applied against paid administrative fees. The district may withdraw from the joint venture and will receive its equity in has remained in the joint venture ever since.

## **NOTE 12: 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
Restricted Fund Balance					
For Fund Purpose		\$30,300.92			\$122,157.62

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
For Carryover of Restricted Revenues	\$16,222.33				
For Debt Service				\$322,774.91	
Fund Purposes Other Capital Projects			\$1.88		
Unassigned Fund Balance Other Purposes	\$724,452.55				

## **NOTE 13: DEFINED CONTRIBUTION PENSION**

### **457 Plan – Deferred Compensation Plan**

District employees have the option of participating in a deferred compensation plan as defined in §457 of the Internal Revenue Code that is administered by the state deferred compensation plan, or the District. The District does not make employer contributions to the plan.

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

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under two types of deferrals: elective deferrals (employee contribution) and non-elective contribution (employer matching) at {contribution rate in dollars or as a percentage of salary}. The employer contribution rate is set by {authority under which rates are established, such as the District's governing body or a union contract}.

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

## **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 termination payment method.

## Schedule of Long-Term Liabilities

For the Year Ended August 31, 2022

Description	Beginning Outstanding Debt September 1, 2021	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2022	Amount Due Within One Year
<b>Voted Debt</b>					
Voted Bonds	2,210,000.00	0.00	335,000.00	1,875,000.00	345,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
<b>Non-Voted Debt and Liabilities</b>					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	8,332.80	0.00	8,332.80	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	95,811.79	58,498.00	0.00	154,309.79	24,678.00
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	138,817.00	268,225.00	0.00	407,042.00	
Net Pension Liabilities TRS 2/3	0.00	0.00	0.00	0.00	
Net Pension Liabilities SERS 2/3	0.00	0.00	0.00	0.00	
Net Pension Liabilities PERS 1	72,278.00	118,309.00	0.00	190,587.00	
<b>Total Long-Term Liabilities</b>	<b>2,525,239.59</b>	<b>445,032.00</b>	<b>343,332.80</b>	<b>2,626,938.79</b>	<b>369,678.00</b>

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

## 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	2,535,000.00	0.00	325,000.00	2,210,000.00	335,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
<b>Non-Voted Debt and Liabilities</b>					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	29,307.24	0.00	20,974.44	8,332.80	6,249.60
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	71,832.92	23,978.87	0.00	95,811.79	2,947.22
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	468,303.00	0.00	329,486.00	138,817.00	
Net Pension Liabilities TRS 2/3	302,121.00	0.00	302,121.00	0.00	
Net Pension Liabilities SERS 2/3	187,579.00	0.00	187,579.00	0.00	
Net Pension Liabilities PERS 1	217,030.00	0.00	144,752.00	72,278.00	
<b>Total Long-Term Liabilities</b>	<b>3,811,173.16</b>	<b>23,978.87</b>	<b>1,309,912.44</b>	<b>2,525,239.59</b>	<b>344,196.82</b>

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

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

### Stay connected at [sao.wa.gov](http://sao.wa.gov)

- [Find your audit team](#)
- [Request public records](#)
- Search BARS Manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

### Other ways to stay in touch

- Main telephone:  
(564) 999-0950
- Toll-free Citizen Hotline:  
(866) 902-3900
- Email:  
[webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov)