



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Spokane Conservation District

For the period January 1, 2021 through December 31, 2023

Published December 23, 2024

Report No. 1036384



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

December 23, 2024

Board of Supervisors
Spokane Conservation District
Spokane Valley, Washington

Report on Financial Statements

Please find attached our report on the Spokane Conservation District'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

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INDEPENDENT AUDITOR'S REPORT

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

Spokane Conservation District January 1, 2021 through December 31, 2023

Board of Supervisors
Spokane Conservation District
Spokane Valley, 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 the Spokane Conservation District, as of and for the years ended December 31, 2023, 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 December 17, 2024.

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 State Auditor's *Budgeting, Accounting and Reporting System* (BARS) 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

December 17, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Spokane Conservation District January 1, 2021 through December 31, 2023

Board of Supervisors
Spokane Conservation District
Spokane Valley, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the Spokane Conservation District, as of and for the years ended December 31, 2023, 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 (BARS 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 State Auditor's *Budgeting, Accounting and Reporting System* (BARS) 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 accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the Spokane Conservation District, and its changes in cash and investments, for the years ended December 31, 2023, 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 the Spokane Conservation District, as of December 31, 2023, 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 BARS 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 BARS 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:

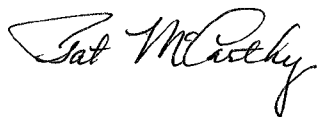
- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS 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 December 17, 2024 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 written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

December 17, 2024

**Spokane Conservation District
January 1, 2021 through December 31, 2023**

FINANCIAL STATEMENTS

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SUPPLEMENTARY AND OTHER INFORMATION

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Schedule of Liabilities – 2021

**Spokane Conservation District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023**

Beginning Cash and Investments

308	Beginning Cash and Investments	956,795
388 / 588	Net Adjustments	-

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	4,886,761
340	Charges for Goods and Services	145,010
350	Fines and Penalties	578
360	Miscellaneous Revenues	2,995,037
Total Revenues:		8,027,386

Expenditures

510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	4,694,427
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		4,694,427
Excess (Deficiency) Revenues over Expenditures:		3,332,959

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	2,694,321
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	1,038,987
Total Other Increases in Fund Resources:		3,733,308

Other Decreases in Fund Resources

594-595	Capital Expenditures	656,874
591-593, 599	Debt Service	1,101,137
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	2,751,179
Total Other Decreases in Fund Resources:		4,509,190

Increase (Decrease) in Cash and Investments: 2,557,077

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	2,737,012
50841	Committed	-
50851	Assigned	-
50891	Unassigned	776,863
Total Ending Cash and Investments		3,513,875

The accompanying notes are an integral part of this statement.

**Spokane Conservation District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022**

Beginning Cash and Investments

308	Beginning Cash and Investments	1,299,508
388 / 588	Net Adjustments	-

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	1,416,349
340	Charges for Goods and Services	182,744
350	Fines and Penalties	-
360	Miscellaneous Revenues	2,774,089
Total Revenues:		4,373,182

Expenditures

510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	3,667,089
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		3,667,089
Excess (Deficiency) Revenues over Expenditures:		706,093

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	4,990,655
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	726,978
Total Other Increases in Fund Resources:		5,717,633

Other Decreases in Fund Resources

594-595	Capital Expenditures	2,931,610
591-593, 599	Debt Service	1,093,504
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	2,741,326
Total Other Decreases in Fund Resources:		6,766,440

Increase (Decrease) in Cash and Investments: (342,714)

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	76,061
50841	Committed	-
50851	Assigned	-
50891	Unassigned	880,734
Total Ending Cash and Investments		956,795

The accompanying notes are an integral part of this statement.

**Spokane Conservation District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021**

Beginning Cash and Investments

308	Beginning Cash and Investments	1,371,900
388 / 588	Net Adjustments	-

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	1,428,331
340	Charges for Goods and Services	116,723
350	Fines and Penalties	-
360	Miscellaneous Revenues	2,458,600
Total Revenues:		4,003,654

Expenditures

510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	3,027,776
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		3,027,776
Excess (Deficiency) Revenues over Expenditures:		975,878

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	2,319,004
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	1,819,048
Total Other Increases in Fund Resources:		4,138,052

Other Decreases in Fund Resources

594-595	Capital Expenditures	3,382,282
591-593, 599	Debt Service	1,080,912
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	723,133
Total Other Decreases in Fund Resources:		5,186,327

Increase (Decrease) in Cash and Investments: (72,397)

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	68,254
50841	Committed	-
50851	Assigned	-
50891	Unassigned	1,231,254
Total Ending Cash and Investments		1,299,508

The accompanying notes are an integral part of this statement.

SPOKANE CONSERVATION DISTRICT
Notes to the Financial Statements
For the year ended December 31, 2023

Note 1 - Summary of Significant Accounting Policies

The Spokane Conservation District was incorporated on November 11, 1973, and operates under the laws of the state of Washington applicable to a Conservation District. The district is a special purpose local government and provides natural resource and conservation technical assistance to the general public and is supported primarily through user charges, grant funds and a special assessment authorized under RCW 89.08.

The district reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor’s Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government’s resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as “memo only” because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenditures are recognized when paid.

C. Cash and Investments

SPOKANE CONSERVATION DISTRICT
Notes to the Financial Statements
For the year ended December 31, 2023

See Note 2 - *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may be accumulated indefinitely. Upon separation or retirement employees receive payment for unused sick leave up to 640 hours at a rate of 25%. Payments are recognized as expenditures when paid.

The accompanying Schedule of Liabilities includes an additional 1.45% to adjust for Medicare taxes, 6.2% to adjust for American Funds contributions. The district's compensated absence balance as of December 31, 2023, was \$124,932.

F. Liabilities

See Note 4 – *Long-Term Liabilities (formerly Long-Term Debt)*.

See Note 5 – OPEB

See Note 6 - Pensions

G. Restricted Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by resolution. When expenditures that meet restrictions are incurred, the district intends to use the most restricted resources first.

Fund Name	Restricted Ending Balance	Reason for Restriction
General Fund	77,634	On-Septic System Loan Loss Reserve
General Fund	150,000	Committed Private Partner Contribution received from Four Roots, LLC to demonstrate their commitment to the Scale House Market development project. Required for application to WA Department of Commerce for \$1.2M Community Economic Revitalization Board construction loan.
General Fund	2,509,378	Hangman Creek Riparian Pilot Program Funds – Grant funds received from the WA Department of Ecology in advance. This balance represents funds obligated to nine 15-year contracts with producers.
Total Restricted Balance as of 12/31/2023	2,737,012	

SPOKANE CONSERVATION DISTRICT
Notes to the Financial Statements
For the year ended December 31, 2023

Note 2 – Deposits and Investments

Investments are reported at the original cost. Deposits and investments by type on December 31, 2023, are as follows:

Type of deposit or investment	District own deposits and investments
Bank deposits	-110,497
Local Government Investment Pool	5
Spokane County Investment Pool	107,688
Money Market Account	1,490,676
Certificate of Deposit	2,026,005
Total	\$3,513,877

It is the district’s policy to invest all temporary cash surpluses.

SCD’s Numerica Checking account is set to maintain a daily balance not to exceed \$400,000. Any excess funds are automatically transferred to the Numerica Money Market account. The Numerica checking bank balance was \$400,000 as of 12/31/2023; however, outstanding checks of \$511,687.15 offset this balance, resulting in a negative bank deposit of \$111,687.

Investments in the State Local Government Investment Pool (LGIP)

The district is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

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

Investments in Spokane County Investment Pool (SCIP)

The district is a voluntary participant in the Spokane County investment pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The district reports its investment in the pool at amortized cost, which is the same as the value of the pool per share. The pool

SPOKANE CONSERVATION DISTRICT
Notes to the Financial Statements
For the year ended December 31, 2023

does not impose liquidity fees or redemption gates on participant withdrawals/disclose any liquidity fees or redemption gates.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the district would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The district’s deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the district or its agent in the government’s name.

Note 3 – Leases (Lessees)

The district leases a copy machine from De Lage Landen for \$660 per month under a 5-year lease agreement. The lease was executed in October 2021, the first payment was made in November 2021 and the final payment is scheduled for January 2027.

The district leases a postage meter from Quadient Leasing with quarterly payments due in the amount of \$234, under a 5-year lease agreement. The lease was executed in October 2021, the first payment was made in June 2022 and the final payment is scheduled March 2027.

The total amount paid for leases in 2023 was \$7,983.72. As of December 31, 2023, the future lease payments are as follows:

Years	Principal
2024	7,983.72
2025	7,983.72
2026	7,983.72
2027	808.43
Totals	24,759.59

Note 4 – Long-Term Liabilities *(formerly Long-Term Debt)*

The following table provides details of the outstanding debt of the district and summarizes the district's debt transactions for year ended December 31, 2023.

The debt service requirements for the district’s State Revolving Fund loans, capital leases and construction loan are as follows:

SPOKANE CONSERVATION DISTRICT
Notes to the Financial Statements
For the year ended December 31, 2023

Years	Principal	Interest	Total
2024	1,208,363.89	416,880.99	1,625,244.88
2025	895,007.68	315,198.24	1,210,205.92
2026	916,140.48	294,065.44	1,210,205.92
2027	937,834.54	272,371.38	1,210,205.92
2028	898,774.93	250,099.58	1,148,874.51
2029-2033	5,889,954.90	559,428.46	6,449,383.36
2034-2038	1,527,717.99	131,206.72	1,658,924.71
2039-2043	912,425.74	35,099.76	947,525.50
Totals	13,186,220.15	2,274,350.57	15,460,570.72

Furniture Lease

The district purchased office furniture through an installment payment plan. A three-year installment plan was entered into in December 2020. The monthly payment amount is \$3,882.88. The first and last month's payments were collected upon execution of the agreement. Regular monthly payments started in February 2021, and the last payment was made in November 2023. Total payments in 2023 were \$42,711.68

Community Economic Revitalization Board Loan

Partnership Building

Effective September 15, 2021, SCD was awarded a \$3,446,080 loan from the WA Department of Commerce, Community Economic Revitalization Board. The loan was authorized for the construction of a 15,000 square foot building and underground utilities, to include water, sewer, storm water, telecommunications, broadband (fiber infrastructure), electrical, gas, and erosion control practices. The initial projected completion of this project was June 2022; however, due to severe delays in construction materials and changes with the committed private partner, the project was still in progress as of 12/31/2023. The anticipated project completion timeline is before 12/31/2024. The loan was awarded at a 2% interest rate with payments deferred until July 31, 2024. Due to the significant delays with this project CERB approved the first loan payment to July 31, 2026 and reduced the repayment term from 20 to 18 years as of July 7, 2023.

An amortized repayment schedule will be provided upon completion of the loan and loan payment deferral approval. **Therefore, repayment of this balance is not included in the table provided in Note 4 as the figures are not available at this time.**

Numerica Construction Loans

Partner Building Tenant Improvements

SCD secured a 5,320 sqft office lease with WSU Small Business Development Center in May 2023 and agreed to complete the tenant improvements. A commercial loan of up to \$475,000 was secured to

SPOKANE CONSERVATION DISTRICT
Notes to the Financial Statements
For the year ended December 31, 2023

complete the tenant improvements in the Partnership Building. The loan has a repayment period of 10 years and will be repaid with 7% interest. Tenant improvements were completed in August 2023. The commencement date of the lease was effective December 1, 2023. \$378,320 was drawn down from the \$475,000 authorization as of 12/31/2023.

An amortized repayment schedule will be provided upon completion of the loan, effective June 2024. **Therefore, repayment of this balance is not included in the table provided in Note 4 as the figures are not available at this time.**

SCD Office Building

In 2017, the district purchased a 50-acre parcel and 7,000sq ft. office building located at 4418 E. 8th Avenue. The SCD board approved a \$4,200,000 construction loan with Numerica Credit Union in January 2020. The interest rate on the loan is fixed at 4% for the first 5 years. At the end of the 5th year, 7/2025, the rate will be repriced at the prevailing 5-year FHLB index plus a margin of 2% for the remaining term of the loan.

Construction of the district’s new office building was completed in March 2021. Monthly interest-only payments began in August 2020 and continued through January 2022. Monthly principal and interest payments of \$.22,173.28 began in February 2022. The balance owed to Numerica as of December 31, 2023, was \$3,997,025.

Assets Pledged as Collateral for Debt

The following debt is secured by assets that are pledged as collateral:

Debt	Asset
SCD Office Building Loan – Numerica Credit Union	<ul style="list-style-type: none"> • All furniture, fixtures and equipment; whether any of the foregoing is owned now or acquired later; all accessions, additions, replacements and substitutions relating to any of the foregoing; all records of any kind relating to any of the foregoing. • Parcel No(s): 35233.0505, 35233.0513, 35233.0604, 35233.0605, 35233.0606, 35233.0607, 35233.0608, 35233.0609, 35233.0709, 35233.0710, 35233.9176, 35233.9191, 35233.9192
Partner Office Building Loan - Community Economic Revitalization Board	<ul style="list-style-type: none"> • The loan is secured by a general obligation pledge of the district’s rates and charges revenue.

Significant Debt Agreement Terms

The following financial instruments contain debt agreement terms with finance related consequences:

Debt	Clause
	<ul style="list-style-type: none"> • Prepayment Penalty if loan is paid off by another financial or lending institution.

SPOKANE CONSERVATION DISTRICT
Notes to the Financial Statements
For the year ended December 31, 2023

SCD Office Building Loan – Numerica Credit <i>Union</i>	
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Revolving Loan Programs

The district offers two unique loan programs. These include a Direct Seed Loan program and On-site Septic System Assistance program. Loans are made available by the Washington State Department of Ecology’s (DOE) Washington State Water Pollution Control Revolving Fund, the Environmental Protection Agency’s Capitalization Grants for Clean Water State Revolving Fund program and the district’s internal funds.

Direct Seed Loans

The Direct Seed loan program is the district’s longest running and largest loan program. The district has received several loans from DOE throughout the years with a focus on production agriculture. Each loan is awarded with a unique focus as detailed below. However, since 2004 the loans have had a general focus on direct seed/no-till farming equipment. The loan program offers low interest loans with a five-to-seven-year term. Throughout the years, the district has worked with neighboring conservation districts and the DOE to increase the geographical footprint of the program. Through interlocal cooperative agreements the district is able to offer the loan program to 17 conservation districts located within 14 counties in Eastern Washington and four counties in Idaho. Funding for loans in Idaho is offered through internal funds of the Spokane Conservation District.

L0400027

Loan L0400027 for \$2 million was awarded in March 2004. This loan, at 1.5 percent interest, was issued on a 20-year repayment schedule. The agreement allows SCD to loan to producers in Asotin and the four districts in Whitman County for the purpose of establishing an Eastern Washington Conservation Tillage Program. The contract was later amended to include Lincoln, Adams, Garfield, Walla Walla, and Grant Conservation Districts. The loan was fully disbursed to 49 producers at five percent interest. Bi-annual payments of \$61,331.26 started in June 2009 with the final payment due June 2028. The balance owed to DOE as of December 31, 2023, was \$588,680.

L0600017

Loan L0600017 for \$1.5 million was awarded in April 2006. With 1.5 percent interest on a 20-year repayment schedule, this loan allows loans to be made in Spokane, Whitman, Asotin, Garfield, Walla Walla, Stevens, Eastern Klickitat, Franklin, and Grant County Conservation Districts. Allowable expenses include direct seed equipment, both implements and attachments, or any other implement to facilitate implementation of a direct seed system within the geographic boundaries as established by contract. The loan was fully expended in 2008 to 31 producers at six percent interest on a five-year note. Bi-annual payments of \$45,317.85 started in September 2009 with the final payment due September 2028. The balance owed to DOE as of December 31, 2023, was \$434,977.

L0700020

Loan L0700020 for \$4 million was awarded in June 2007. Interest rate is 2.6 percent on a 20-year repayment schedule to the WA Department of Ecology. These loans will assist producers in counties including Spokane, Whitman, Walla Walla, Lincoln, Adams, Asotin, Columbia, Grant,

SPOKANE CONSERVATION DISTRICT

Notes to the Financial Statements

For the year ended December 31, 2023

and Garfield by obtaining low-interest loans for purchasing direct seeding and related conservation tillage equipment. With the economy in recession, interest rates were made adjustable depending on length of loan. The loan was fully expended in 2010. The first bi-annual payment of \$137,631.32 was made in October 2011 and the final payment is due October 2030. The balance owed to DOE as of December 31, 2023, was \$1,863,692.

L1200032

Loan 1200032 for \$8.3 million at 2.6% was awarded in 2012. However, the district requested a reduction to the award in the amount of \$3 million, effective June 30, 2015. These loans will be provided financial assistance to help farmers in 14 counties purchase direct seed equipment, making the transition to direct seed economically feasible. Interest rates for these loans vary between 3.5-5.5%. The district drew funds through 6/30/16 but was unable to spend the entire loan. The final loan amount was \$3,732,662.49. The first bi-annual payment of \$123,830.71 was made in June 2018 and the final payment is due June 2023. The balance owed to DOE as of December 31, 2023, was \$2,714,709.

WQC-2018-SpoCoD-00127

Loan WQC-2018-SpoCoD-00127 for \$3 million at 1.5% was awarded in May 2018. The district was able to draw funds from this balance through 10/31/2022 and will start the 20-year bi-annual repayments within one year of this date. These loans will make direct seed equipment more affordable and desirable through low-interest loans. Interest rates for these loans vary between 3.5-5.5%. As of December 31, 2023, the district received the full \$3,000,001 award of these funds from DOE and incurred \$183,515 of accrued interest during the draw period. This balance was added to the principal and amortized over the life of the loan. The first bi-annual payment of \$92,245.67 was made in January 2024 and the final payment is due April 2043. The balance owed to DOE as of December 31, 2023, was 3,183,516.

WQC-2021-SpoCoD-00178

Loan WQC-2021-SpoCoD-00178 for \$3 million at 0.8% was awarded in July 2020. An additionally \$2 million was amended to the agreement in November 2022 and another \$1 million amended in June 2023. The district is authorized to draw funds from this balance through 6/30/2024 and will start the 20-year bi-annual repayments within one year of this date. These loans will reduce soil erosion from agricultural tillage practices by providing a low-cost loan program for farmers in 14 eastern Washington counties to purchase direct seed equipment. Interest rates for these loans vary between 3-3.5%. As of December 31, 2023, the district received \$4,440,736 of these funds from DOE. ***Repayment of this balance is not included in the table provided in Note 4.***

WQC-2021-SpoCoD-00198

Loan WQC-2021-SpoCoD-00198 for \$1,000,000 at 0.8% was awarded in September 2020. The district is authorized to draw funds from this balance through 03/31/2024 and will start the 20-year bi-annual repayments within one year of this date. These loans will provide Hangman watershed producers in priority water quality areas with a funding option to purchase large conservation equipment. As of December 31, 2023, the district received \$496,572 of these loan funds from DOE. ***Repayment of this balance is not included in the table provided in Note 4.***

On-Site Septic System Assistance

SPOKANE CONSERVATION DISTRICT
Notes to the Financial Statements
For the year ended December 31, 2023

The district was awarded a combination of grant and loan funds in July 2013 which allowed for the development of the On-Site Septic System (OSS) Assistance program. The program offers financial assistance to property owners in Spokane County in need of funding to replace or repair a failing on-site septic system or connection to the main sewer line. Five-year loans are offered with interest rates ranging between 3.6-5.6%.

L1400027

Loan L1400027 was awarded by DOE in the amount of \$500,000. The agreement included a \$50,000 forgivable principal subsidy and a loan for \$450,000 with an interest rate of 1.1%. DOE subsidizes 10% of each OSS loan with the forgivable principal subsidy. The loan agreement does not require any additional conditions to be met with these funds. The district drew funds through 7/10/18 but was unable to spend the entire loan award. The final loan amount was \$394,689 and the final forgivable loan subsidy was \$42,726. The district carried the full forgivable subsidy (L14S0027) on the Schedule of Liabilities through its final payment. The first bi-annual loan payment of \$45,180.76 was due 6/30/19 and the final payment was made June 2023. As of December 31, 2023, this loan has been repaid in full and the forgivable principal balance removed from the schedule of liabilities.

WQC-2018-SpoCoD-00066

Loan WQC-2018-SpoCoD-00066 for \$500,000 at 1.5% was awarded in May 2018. The district will be able to draw funds from this balance through 4/30/2023 and will start the 20-year bi-annual repayments within one year of this date. These loans will provide a funding option to county residents for the repair, replacement, or connection to sewer of failing septic systems.

As of December 31, 2023, the district received \$387,578 of loan funds from DOE and incurred \$16,043 of accrued interest during the draw period. This balance was added to the principal and amortized over the life of the loan. The first bi-annual payment of \$11,731.43 is due 4/30/2024 and the final payment is due 10/30/2043. The balance owed to DOE as of December 31, 2023, was 403,621.

Compensated Absences

During the year ended December 31, 2023, the following changes occurred in compensated absences:

	Beginning Balance	Additions	Reductions	Ending Balance 12/31/2023
Compensated Absences*	\$131,903	-	\$6,971	\$124,932

* reductions are reported as a net change

Note 5 – OPEB Plans

The district is a participating employer in the state’s Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-

SPOKANE CONSERVATION DISTRICT
Notes to the Financial Statements
For the year ended December 31, 2023

as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The district had 17 active plan members and two retired plan members as of December 31, 2023. As of December 31, 2023, the district’s total OPEB liability was \$538,994 as calculated using the alternative measurement method. The district contributed \$259,425 to the plan for the year ending December 31, 2023.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the district’s full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Public Employees’ Retirement System (PERS).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2023 (the measurement date of the plans), the district’s proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plans with Net Pension Liabilities	Employer Contributions	Allocation %	Ending Balance as of 12/31/23
PERS 1	47,992	.007043%	160,773
		Net Pension Liability	160,773

Plans with Net Pension Assets	Employer Contributions	Allocation %	Ending Balance as of 12/31/23
PERS 2/3	79,983	.009097%	(372,857)

SPOKANE CONSERVATION DISTRICT
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For the year ended December 31, 2023

		Net Pension	(372,857)
		Asset	

Only the net pension liabilities are reported on the Schedule 09.

Note 7 - Assessments

Special assessments are authorized by RCW 89.08.400 to be imposed for conservation districts. Activities and programs to conserve natural resources, including soil and water, are of special benefit to lands and may be used as the basis upon which special assessments are imposed. As an alternative to special assessments RCW 89.08.405 allows county legislative authority to approve revenues to a conservation district by fixing rates and charges.

Rates and charges are applied to all lands in Spokane County, except within the City of Deer Park. Rates and charges are applied at \$10.00 per parcel plus an additional \$.10 per acre for property with a Class 1 land classification: \$10.00 per parcel, plus an additional \$.05 per acre for property with a Class 2 land classification and no rates and charges for any land falling within a Class 3 land classification. Collection of the 2023 rates and charges totaled \$2,099,876. Additionally, the State of Washington Department of Natural Resources is assessed \$.05 per acre for undeveloped land including forested areas and was assessed \$1,378 in 2023. However, these funds weren't receipted until February 2024.

Note 8 – Risk Management

Spokane Conservation District is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and contract for risk management, claims, and administrative services. The Pool was formed on July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2023, there were 518 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris program provides various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement policy. Pollution and Cyber coverage are provided on a claims-made coverage form. Crime coverage is provided on a discovery form. All other coverage is provided on an occurrence coverage form.

SPOKANE CONSERVATION DISTRICT
Notes to the Financial Statements
For the year ended December 31, 2023

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that apply to them. In certain cases, the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables below reflect the Pool's SIR, reinsurance limits, and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Liability:				
General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 - \$100,000
Terrorism Liability ⁽²⁾	Per Occurrence Pool Aggregate	\$500,000 \$1 million	None	\$1,000 - \$100,000
Employment Practices Liability	Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay ⁽³⁾

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible
(2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.
(3) Members pay a 20% co-pay of costs. By meeting established guidelines, the co-pay may be waived.

SPOKANE CONSERVATION DISTRICT
Notes to the Financial Statements
For the year ended December 31, 2023

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Property ⁽²⁾:				
Buildings and Contents	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Boiler and Machinery ⁽³⁾	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) ⁽⁴⁾	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
Sublimit ⁽⁵⁾:				
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5% of indemnity, subject to a \$250,000 minimum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million per occurrence \$200 million aggregate	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/ Pool aggregate \$1.1 billion/ per occurrence APIP program \$1.4 billion/ APIP program aggregate	\$0
Automobile Physical Damage ⁽⁶⁾	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles; \$250,000 for Emergency Vehicles valued >\$750,000	\$1 billion	\$250 - \$1,000
Crime Blanket ⁽⁷⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position ⁽⁸⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber ⁽⁹⁾	Each Claim APIP Aggregate	\$100,000	\$2 million \$40 million	20% Copay
Identity Fraud Expense Reimbursement ⁽¹⁰⁾	Member Aggregate	\$0	\$25,000	\$0

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
- (2) Property coverage for each member is based on a detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement according to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$1 billion except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- (3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
- (4) Business Interruption/ Extra expense coverage is based on scheduled revenue-generating locations/operations. A limited number of members are scheduled, and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
- (5) This sub-limit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
- (6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detailed vehicle schedule.
- (7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Members may elect to "buy up" the level of coverage from \$5,000 to \$2 million.
- (8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.
- (9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/member's property TIV with an 8-hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
- (10) Enduris purchases Identity Fraud Expense Reimbursement coverage. Member claims do not have a deductible. There is a \$25,000 limit per member.

SPOKANE CONSERVATION DISTRICT
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For the year ended December 31, 2023

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements above the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year. They must give notice 60 days before renewal to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contributing to Enduris for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Its member participants fully fund Enduris. Members file claims with the Pool, which determines coverage and administers the claims.

The Pool is governed by a Board of Directors comprising seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

Spokane Conservation District
Notes to the Financial Statements
For the year ended December 31, 2022

Note 1 - Summary of Significant Accounting Policies

The Spokane Conservation District was incorporated on November 11, 1973, and operates under the laws of the state of Washington applicable to a Conservation District. The district is a special purpose local government and provides natural resource and conservation technical assistance to the general public and is supported primarily through user charges, grant funds and a special assessment authorized under RCW 89.08.

The district reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System (BARS)* Manual prescribed by the State Auditor’s Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are presented using classifications that are similar to the ending balance classification in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government’s resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as “memo only” because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

C. Cash and Investments

See Note 2 - *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may be accumulated indefinitely. Upon separation or retirement employees receive payment for unused sick leave up to 640 hours at a rate of 25%. Payments are recognized as expenditures when paid. The accompanying Schedule of Liabilities includes an additional 1.45% to adjust for Medicare taxes, 6.2% to adjust for Social Security taxes where applicable, and 6.2% to adjust for American Funds contribution where applicable. The district's compensated absence balance as of December 31, 2022, was \$131,903.

F. Long-Term Debt

See Note 4 – *Long-term Debt*.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by resolution by the Board of Supervisors. When expenditures that meet restrictions are incurred, the district intends to use the most restricted resources first.

Restrictions of Ending Cash and Investments consist of loan loss reserve funds received from Department of Ecology for the On-site Septic System loan program. These funds are to be used by the discretion of the district to cover losses on delinquent loans or for the issuance of additional on-site sewage system repair or replacement loans. As of December 31, 2022, the District's reserved balance was \$76,061.

Note 2 – Deposits and Investments

Investments are reported at the original cost. Deposits and investments by type on December 31, 2022, are as follows:

Type of deposit or investment	District own deposits and investments
Bank deposits	330,519
Local Government Investment Pool	5
Spokane County Investment Pool	105,195
Money Market Account	521,078
Total	\$956,797

It is the district’s policy to invest all temporary cash surpluses.

Investments in the State Local Government Investment Pool (LGIP)

The district is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

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

Investments in Spokane County Investment Pool (SCIP)

The district is a voluntary participant in the Spokane County investment pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The district reports its investment in the pool at amortized cost, which is the same as the value of the pool per share. The pool does not impose liquidity fees or redemption gates on participant withdrawals/disclose any liquidity fees or redemption gates.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the district would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The district deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered, or held by the district or its agent in the government’s name.

Note 3 – Leases

During the year ended December 31, 2022, the district adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. This requirement resulted in the addition of a lease liability reported on the Schedule of Liabilities.

The district leases a copy machine from De Lage Landen for \$660 per month under a 5-year lease agreement. The lease was executed in October 2021, the first payment was made in November 2021 and the final payment is scheduled for January 2027.

The district leases a postage meter from Quadient Leasing with quarterly payments due in the amount of \$234, under a 5-year lease agreement. The lease was executed in October 2021, the first payment was made in June 2022 and the final payment is scheduled March 2027.

The total amount paid for leases in 2022 was \$7,769.04. As of December 31, 2022, the future lease payments are as follows:

Year	Total Payment
2023	7,983.72
2024	7,983.72
2025	7,983.72
2026	7,983.72
2027	808.43
Total	32,743.31

Note 4 – Long-Term Debt

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the district and summarizes the district's debt transactions for year ended December 31, 2022.

The debt service requirements for the district's State Revolving Fund loans, capital leases and construction loan are as follows:

Year	Principal	Interest	Total
2023	1,087,718.42	372,280.11	1,459,998.53
2024	718,742.62	283,509.10	1,002,251.72
2025	736,979.43	265,272.29	1,002,251.72
2026	755,725.96	246,525.76	1,002,251.72
2027	774,997.73	227,253.99	1,002,251.72
2028-2032	5,530,417.79	571,827.74	6,102,245.53
2033-2036	823,216.50	43,598.63	866,815.13
Totals	10,427,798.45	2,010,267.62	12,438,066.07

Furniture Lease

The district purchased office furniture through an installment payment plan. A three-year installment plan was entered into December 2020. The monthly payment amount is \$3,882.88. The first and last month payments were collected upon execution of the agreement. Regular monthly payments started in February 2021 and the last payment is scheduled to be due in November 2023. Total payments in 2022 were \$46,594.56.

Numerica Construction Loan

In 2017, the district purchased a 50-acre parcel and 7,000sq ft. office building located at 4418 E. 8th Avenue. The SCD board approved a \$4,200,000 construction loan with Numerica Credit Union in January 2020. The interest rate on the loan is fixed at 4% for the first 5 years. At the end of the 5th year, 7/2025, the rate will be repriced at the prevailing 5-year FHLB index plus a margin of 2% for the remaining term of the loan.

Construction of the district’s new office building was completed in March 2021. Monthly interest-only payments began in August 2020 and continued through January 2022. Monthly principal and interest payments of \$.22,173.28 began in February 2022. The balance owed to Numerica as of December 31, 2022, was \$4,100,377.

Community Economic Revitalization Board Loan

Effective September 15, 2021, SCD was awarded a \$3,446,080 loan from the WA Department of Commerce, Community Economic Revitalization Board. The loan was authorized for the construction of a 15,000 square foot building and underground utilities, to include water, sewer, storm water, telecommunications, broadband (fiber infrastructure), electrical, gas, and erosion control practices. The initial projected completion of this project was June 2022; however, due to severe delays in construction materials the project is anticipated to complete in the third quarter of 2023. The loan was awarded at a 2% interest rate with payments deferred until July 31, 2024.

An amortized repayment schedule will be provided upon completion of the loan and loan payment deferral approval. Therefore, repayment of this balance is not included in the table provided in Note 4 as the figures are not available at this time.

Assets Pledged as Collateral for Debt

The following debt is secured by assets that are pledged as collateral:

Debt	Asset
<p>SCD Office Building Loan – Numerica Credit Union</p>	<ul style="list-style-type: none"> • All furniture, fixtures and equipment; whether any of the foregoing is owned now or acquired later; all accessions, additions, replacements and substitutions relating to any of the foregoing; all records of any kind relating to any of the foregoing. • Parcel No(s): 35233.0505, 35233.0513, 35233.0604, 35233.0605, 35233.0606, 35233.0607, 35233.0608, 35233.0609, 35233.0709, 35233.0710, 35233.9176, 35233.9191, 35233.9192

Partner Office Building Loan - <i>Community Economic Revitalization Board</i>	<ul style="list-style-type: none"> The loan is secured by a general obligation pledge of the district's rates and charges revenue.
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Significant Debt Agreement Terms

The following financial instruments contain debt agreement terms with finance related consequences:

Debt	Clause
SCD Office Building Loan – <i>Numerica Credit Union</i>	<ul style="list-style-type: none"> Prepayment Penalty if loan is paid off by another financial or lending institution.

Note 5 – OPEB Plan

The district is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The district had 17 active plan members and two retired plan members as of December 31, 2022. As of December 31, 2022, the district's total OPEB liability was \$662,613 as calculated using the alternative measurement method. The district contributed \$223,816 to the plan for the year ending December 31, 2022.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all district full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Public Employees' Retirement System (PERS).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan.

The DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

On June 30, 2022 (the measurement date of the plans), the district’s proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plans with Net Pension Liabilities	Employer Contributions	Allocation %	Ending Balance as of 12/31/22
PERS 1	44,733	.007299%	203,231
		Net Pension Liability	203,231

Plans with Net Pension Assets	Employer Contributions	Allocation %	Ending Balance as of 12/31/22
PERS 2/3	76,313	.009499%	(352,297)
		Net Pension Asset	(352,297)

Only the net pension liabilities are reported on the Schedule 09.

Note 7 – Assessments

Special assessments are authorized by RCW 89.08.400 to be imposed for conservation districts. Activities and programs to conserve natural resources, including soil and water, are of special benefit to lands and may be used as the basis upon which special assessments are imposed. As an alternative to special assessments RCW 89.08.405 allows county legislative authority to approve revenues to a conservation district by fixing rates and charges.

Rates and charges are applied to all lands in Spokane County, except within the City of Deer Park. Rates and charges are applied at \$10.00 per parcel plus an additional \$.10 per acre for property with a Class 1 land classification: \$10.00 per parcel, plus an additional \$.05 per acre for property with a Class 2 land classification and no rates and charges for any land falling within a Class 3 land classification. Collection of the 2022 rates and charges totaled \$2,091,253. Additionally, the State of Washington Department of Natural Resources is assessed \$.05 per acre for undeveloped land including forested areas and was assessed \$1,378 in 2022. However, these funds weren’t received until January 2023.

Note 8 – Risk Management

Spokane Conservation District is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured

losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2022, there were 527 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement policy. Pollution and Cyber coverage are provided on a claims made coverage form. Crime coverage is provided on a discovery form. All other coverage is provided on an occurrence coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables below reflect the Pool's SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Liability:				
Comprehensive Liability	General Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 - \$100,000
Terrorism Liability ⁽²⁾	Per Occurrence Pool Aggregate	\$500,000 \$1 million	\$0 Fully funded by Pool	\$1,000 - \$100,000
Employment Liability	Practices Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay ⁽³⁾

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible

(2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.

(3) Members pay a 20% co-pay of costs. By meeting established guidelines, the co-pay may be waived.

Property⁽²⁾:

Buildings and Contents	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
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Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Mobile Equipment	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Boiler and Machinery ⁽³⁾	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) ⁽⁴⁾	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
Sublimit ⁽⁵⁾ :				
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5% of indemnity, subject to \$250,000 minimum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million per occurrence \$200 million aggregate	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/ Pool aggregate \$1.1 billion/ per occurrence APIP program \$1.4 billion/ APIP program aggregate	\$0
Automobile Physical Damage ⁽⁶⁾	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles; \$250,000 for Emergency Vehicles valued >\$750,000	\$1 billion	\$250 - \$1,000
Crime Blanket ⁽⁷⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position ⁽⁸⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber ⁽⁹⁾	Each Claim APIP Aggregate	\$100,000	\$2 million \$40 million	20% Copay
Identity Fraud Expense Reimbursement ⁽¹⁰⁾	Member Aggregate	\$0	\$25,000	\$0

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
(2)	Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$1 billion except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.			
(3)	Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.			
(4)	Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.			
(5)	This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.			
(6)	Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.			
(7)	Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from \$5,000 to \$2 million.			
(8)	Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.			
(9)	Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.			
(10)	Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.			

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is

responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

Note 9 - Other Disclosures

About the District's Revolving Loan Programs

The district offers two unique loan programs. These include a Direct Seed Loan program and On-site Septic System Assistance program. Loans are made available by the Washington State Department of Ecology's (DOE) Washington State Water Pollution Control Revolving Fund, the Environmental Protection Agency's Capitalization Grants for Clean Water State Revolving Fund program and the district's internal funds.

Direct Seed Loans

The Direct Seed loan program is the district's longest running and largest loan program. The district has received several loans from DOE throughout the years with a focus on production agriculture. Each loan is awarded with a unique focus as detailed below. However, since 2004 the loans have had a general focus on direct seed/no-till farming equipment. The loan program offers low interest loans with a five-to-seven-year term. Throughout the years, the district has worked with neighboring conservation districts and the DOE to increase the geographical footprint of the program. Through interlocal cooperative agreements the district is able to offer the loan program to 17 conservation districts located within 14 counties in Eastern Washington and four counties in Idaho. Funding for loans in Idaho is offered through internal funds of the Spokane Conservation District.

L0400027

Loan L0400027 for \$2 million was awarded in March 2004. This loan, at 1.5 percent interest, was issued on a 20-year repayment schedule. The agreement allows SCD to loan to producers in Asotin and the four districts in Whitman County for the purpose of establishing an Eastern Washington Conservation Tillage Program. The contract was later amended to include Lincoln, Adams, Garfield, Walla Walla, and Grant Conservation Districts. The loan was fully disbursed to 49 producers at five percent interest. Bi-annual payments of \$61,331.26 started in June 2009 with the final payment due June 2028. The balance owed to DOE as of December 31, 2022, was \$701,213.

L0600017

Loan L0600017 for \$1.5 million was awarded in April 2006. With 1.5 percent interest on a 20-year repayment schedule, this loan allows loans to be made in Spokane, Whitman, Asotin, Garfield, Walla Walla, Stevens, Eastern Klickitat, Franklin, and Grant County Conservation Districts. Allowable expenses include direct seed equipment, both implements and attachments, or any other implement to facilitate implementation of a direct seed system within the geographic boundaries as established by contract. The loan was fully expended in 2008 to 31 producers at six percent interest on a five-year note. Bi-annual payments of \$45,317.85 started in September 2009 with the final payment due September 2028. The balance owed to DOE as of December 31, 2022, was \$518,128.

L0700020

Loan L0700020 for \$4 million was awarded in June 2007. Interest rate is 2.6 percent on a 20-year repayment schedule to the WA Department of Ecology. These loans will assist producers in counties including Spokane, Whitman, Walla Walla, Lincoln, Adams, Asotin, Columbia, Grant,

and Garfield by obtaining low-interest loans for purchasing direct seeding and related conservation tillage equipment. With the economy in recession, interest rates were made adjustable depending on length of loan. The loan was fully expended in 2010. The first bi-annual payment of \$137,631.32 was made in October 2011 and the final payment is due October 2030. The balance owed to DOE as of December 31, 2022, was \$2,085,870.

L1200032

Loan 1200032 for \$8.3 million at 2.6% was awarded in 2012. However, the district requested a reduction to the award in the amount of \$3 million, effective June 30, 2015. These loans will be provided financial assistance to help farmers in 14 counties purchase direct seed equipment, making the transition to direct seed economically feasible. Interest rates for these loans vary between 3.5-5.5%. The district drew funds through 6/30/16 but was unable to spend the entire loan. The final loan amount was \$3,732,662.49. The first bi-annual payment of \$247,661.42 was made in June 2018 and the final payment is due June 2023. The balance owed to DOE as of December 31, 2022, was \$2,888,000.

WQC-2018-SpoCoD-00127

Loan WQC-2018-SpoCoD-00127 for \$3 million at 1.5% was awarded in May 2018. The district was able to draw funds from this balance through 10/31/2022 and will start the 20-year bi-annual repayments within one year of this date. These loans will make direct seed equipment more affordable and desirable through low-interest loans. Interest rates for these loans vary between 3.5-5.5%. As of December 31, 2022, the district received the full \$3,000,000 award of these funds from DOE. ***Repayment of this balance is not included in the table provided in Note 4 as a repayment schedule has not been received.***

WQC-2021-SpoCoD-00178

Loan WQC-2021-SpoCoD-00178 for \$3 million at 0.8% was awarded in July 2020. The district can draw funds from this balance through 6/30/2023 and will start the 20-year bi-annual repayments within one year of this date. These loans will reduce soil erosion from agricultural tillage practices by providing a low-cost loan program for farmers in 14 eastern Washington counties to purchase direct seed equipment. Interest rates for these loans vary between 3-3.5%. As of December 31, 2022, the district received \$2,734,651 of these funds from DOE. ***Repayment of this balance is not included in the table provided in Note 4.***

On-Site Septic System Assistance

The district was awarded a combination of grant and loan funds in July 2013 which allowed for the development of the On-Site Septic System (OSS) Assistance program. The program offers financial assistance to property owners in Spokane County in need of funding to replace or repair a failing on-site septic system or connection to the main sewer line. Five-year loans are offered with interest rates ranging between 3.6-5.6%.

L1400027

Loan L1400027 was awarded by DOE in the amount of \$500,000. The agreement included a \$50,000 forgivable principal subsidy and a loan for \$450,000 with an interest rate of 1.1%. DOE subsidizes 10% of each OSS loan with the forgivable principal subsidy. The loan agreement does not require any additional conditions to be met with these funds. The district drew funds through 7/10/18 but was unable to spend the entire loan award. The final loan amount was \$394,689 and the final forgivable loan subsidy was \$42,726. The district will carry the full forgivable subsidy (L14S0027) on the Schedule of Liabilities until the loan is fully paid. The first bi-annual loan

payment of \$45,180.76 was due 6/30/19 and the final payment is due June 2023. The balance owed to DOE as of December 31, 2022, was \$89,620.

WQC-2018-SpoCoD-00066

Loan WQC-2018-SpoCoD-00066 for \$500,000 at 1.5% was awarded in May 2018. The district will be able to draw funds from this balance through 4/30/2023 and will start the 20-year bi-annual repayments within one year of this date. These loans will provide a funding option to county residents for the repair, replacement, or connection to sewer of failing septic systems. As of December 31, 2022, the district received \$371,839 of these loan funds from DOE. ***Repayment of this balance is not included in the table provided in Note 4.***

Spokane Conservation District
Notes to the Financial Statements
For the year ended December 31, 2021

Note 1 - Summary of Significant Accounting Policies

The Spokane Conservation District was incorporated on November 11, 1973 and operates under the laws of the state of Washington applicable to a Conservation District. The district is a special purpose local government and provides natural resource and conservation technical assistance to the general public and is supported primarily through user charges, grant funds and a special assessment authorized under RCW 89.08.

The district reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System (BARS)* Manual prescribed by the State Auditor’s Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are presented using classifications that are similar to the ending balance classification in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government’s resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as “memo only” because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

C. Cash and Investments

See Note 3 - *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may be accumulated indefinitely. Upon separation or retirement employees receive payment for unused sick leave up to 640 hours at a rate of 25%. Payments are recognized as expenditures when paid. The accompanying Schedule of Liabilities includes an additional 1.45% to adjust for Medicare taxes, 6.2% to adjust for Social Security taxes where applicable, and 6.2% to adjust for American Funds contribution where applicable. The district's compensated absence balance as of December 31, 2021, was \$152,435.

F. Long-Term Debt

See Note 4 - *Debt Service Requirements*.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by resolution by the Board of Supervisors. When expenditures that meet restrictions are incurred, the district intends to use the most restricted resources first.

Restrictions of Ending Cash and Investments consist of loan loss reserve funds received from Department of Ecology for the On-site Septic System loan program. These funds are to be used by the discretion of the district to cover losses on delinquent loans or for the issuance of additional on-site sewage system repair or replacement loans. As of December 31, 2021, the District's reserved balance was \$68,254.

Note 2 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The district closed the office to the public beginning in March 2020. The office reopened in stages as the governor began lifting restrictions in 2021. Many district activities that were being done remotely began to phase back into the office. Some previously discontinued activities began to start up again late in the

year including K-12 education and other adult workshops. As a result of the reduced workload, hours were reduced for most district employees through September 4, 2021.

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

Note 3 – Deposits and Investments

Investments are reported at the original cost. Deposits and investments by type on December 31, 2021, are as follows:

Type of deposit or investment	District own deposits and investments
Bank deposits	994,513
Local Government Investment Pool	104,237
Money Market Account	200,759
Total	\$1,299,508

It is the district’s policy to invest all temporary cash surpluses.

Investments in the State Local Government Investment Pool (LGIP)

The district is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the district would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The district deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the district or its agent in the government’s name.

Note 4 – Long-Term Debt *(formerly Debt Service Requirements)*

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the district and summarizes the district’s debt transactions for year ended December 31, 2021.

The debt service requirements for the district’s State Revolving Fund loans, capital leases and construction loan are as follows:

Year	Principal	Interest	Total
2022	1,111,380.28	382,660.04	1,494,040.32
2023	797,646.53	301,283.09	1,098,929.63
2024	725,837.61	283,319.26	1,009,156.87
2025	744,047.35	265,109.52	1,009,156.87
2026	762,765.71	246,391.15	1,009,156.87
2027-2031	6,081,306.71	772,971.17	6,854,277.88
2032-2036	1,045,000.33	69,476.22	1,114,476.55
Totals	11,267,984.52	2,321,210.45	13,589,194.97

Numerica Construction Loan

In 2017, the district purchased a 50-acre parcel and 7,000sq ft. office building located at 4418 E. 8th Avenue. The SCD board approved a \$4,200,000 construction loan with Numerica Credit Union in January 2020. The interest rate on the loan is fixed at 4% for the first 5 years. At the end of the 5th year, 7/2025, the rate will be repriced at the prevailing 5-year FHLB index plus a margin of 2% for the remaining term of the loan.

Construction of the district’s new office building was completed in March 2021. Monthly interest-only payments began in August 2020 and continued through January 2022. Monthly principal and interest payments of \$22,173.28 began in February 2022. The balance owed to Numerica as of December 31, 2021, was \$4,185,732.

Community Economic Revitalization Board Loan

Effective September 15, 2021, SCD was awarded a \$3,446,080 loan from the WA Department of Commerce, Community Economic Revitalization Board. The loan was authorized for the construction of a 15,000 square foot building and underground utilities, to include water, sewer, storm water, telecommunications, broadband (fiber infrastructure), electrical, gas, and erosion control practices. The projected completion of this project is June 2022. The loan was awarded at a 2% interest rate with payments deferred until July 31, 2024.

An amortized repayment schedule will be provided upon completion of the loan and loan payment deferral approval. **Therefore, repayment of this balance is not included in the table provided in Note 4 as the figures are not available at this time.**

Assets Pledged as Collateral for Debt

The following debt is secured by assets that are pledged as collateral:

Debt	Asset
SCD Office Building Loan – Numerica Credit Union	<ul style="list-style-type: none"> All furniture, fixtures and equipment; whether any of the foregoing is owned now or acquired later; all accessions, additions, replacements and substitutions relating to any of the foregoing; all records of any kind relating to any of the foregoing Parcel No(s): 35233.0505, 35233.0513, 35233.0604, 35233.0605, 35233.0606, 35233.0607, 35233.0608, 35233.0609, 35233.0709, 35233.0710, 35233.9176, 35233.9191, 35233.9192
Partner Office Building Loan - Community Economic Revitalization Board	<ul style="list-style-type: none"> The loan is secured by a general obligation pledge of the district’s rates and charges revenue.

Significant Debt Agreement Terms

The following financial instruments contain debt agreement terms with finance related consequences:

Debt	Clause
SCD Office Building Loan – Numerica Credit Union	<ul style="list-style-type: none"> Prepayment Penalty if loan is paid off by another financial or lending institution.

Note 5 – OPEB Plan

The district is a participating employer in the state’s Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The district had 16 active plan members and two retired plan members as of December 31, 2021. As of December 31, 2021, the district’s total OPEB liability was \$815,725 as calculated using the alternative measurement method. The district contributed \$208,357 to the plan for the year ending December 31, 2021.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all district full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Public Employees’ Retirement System (PERS).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

On June 30, 2021 (the measurement date of the plans), the district’s proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan Type	Employer Contributions	Allocation Percentage	Net Pension Liability	Net Pension Asset
PERS 1 UAAL	51,813.31	0.00695600%	\$84,949	
PERS 2/3	84,747.57	0.00894600%		\$891,166
		<i>Totals</i>	\$84,949	\$891,166

Note 7 – Assessments

Special assessments are authorized by RCW 89.08.400 to be imposed for conservation districts. Activities and programs to conserve natural resources, including soil and water, are of special benefit to lands and may be used as the basis upon which special assessments are imposed. As an alternative to special assessments RCW 89.08.405 allows county legislative authority to approve revenues to a conservation district by fixing rates and charges. In 2019, the Spokane County’s Board of County Commissioners approved the SCD’s Rates and Charges system to start in 2020.

Rates and charges are applied to all lands in Spokane County, except within the City of Deer Park. Rates and charges are applied at \$10.00 per parcel plus an additional \$.10 per acre for property with a Class 1 land classification: \$10.00 per parcel, plus an additional \$.05 per acre for property with a Class 2 land classification and no rates and charges for any land falling within a Class 3 land classification. Collection

of the 2021 rates and charges totaled \$2,190,920. Additionally, the State of Washington Department of Natural Resources is assessed \$.05 per acre for undeveloped land including forested areas and was assessed \$1,378 in 2021.

Note 8 – Risk Management

Spokane Conservation District is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool’s fiscal year ending August 31, 2021, there were 539 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris’ program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials’ Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement program. Pollution coverage is provided on a “claims made” coverage form. All other coverage is provided on an “occurrence” coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases, the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool’s SIR up to the coverage maximum limit of liability. The tables below reflect the Pool’s SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Liability:				
Comprehensive General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 - \$100,000

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Terrorism Liability ⁽²⁾	Per Occurrence Pool Aggregate	\$500,000 \$1 million	\$0 Fully funded by Pool	\$1,000 - \$100,000
Employment Practices Liability	Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay ⁽³⁾

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible

(2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.

(3) Members pay a 20% co-pay of costs up to a maximum of \$100,000. By meeting established guidelines, the co-pay may be waived.

Property ⁽²⁾:

Buildings and Contents	Per Occurrence	\$250,000	\$800 million	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$800 million	\$1,000 - \$250,000
Boiler and Machinery ⁽³⁾	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) ⁽⁴⁾	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000

Sublimit ⁽⁵⁾:

Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5%; \$500,000 maximum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million/ Pool member \$200 million	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/Pool member \$1.2 billion/APIP \$1.4 billion/APIP	\$0

Automobile Physical Damage⁽⁶⁾	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles	\$800 million	\$250 - \$1,000
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Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Crime Blanket ⁽⁷⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position ⁽⁸⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber ⁽⁹⁾	Each Claim APIP Aggregate	\$100,000	\$2 million \$25 million	20% Copay
Identity Fraud Expense Reimbursement ⁽¹⁰⁾	Member Aggregate	\$0	\$25,000	\$0

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
- (2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$800 million except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- (3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
- (4) Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
- (5) This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
- (6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.
- (7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from \$5,000 to \$1 million.
- (8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.
- (9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
- (10) Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

Note 9 - Other Disclosures

About the District's Revolving Loan Programs

The district offers two unique loan programs. These include a Direct Seed Loan program and On-site Septic System Assistance program. Loans are made available by the Washington State Department of Ecology's (DOE) Washington State Water Pollution Control Revolving Fund, the Environmental Protection Agency's Capitalization Grants for Clean Water State Revolving Fund program and the district's internal funds.

Direct Seed Loans

The Direct Seed loan program is the district's longest running and largest loan program. The district has received several loans from DOE throughout the years with a focus on production agriculture. Each loan is awarded with a unique focus as detailed below. However, since 2004 the loans have had a general focus on direct seed/no-till farming equipment. The loan program offers low interest loans with a five-to-seven-year term. Throughout the years, the district has worked with neighboring conservation districts and the DOE to increase the geographical footprint of the program. Through interlocal cooperative agreements the district is able to offer the loan program to 17 conservation districts located within 14 counties in Eastern Washington and four counties in Idaho. Funding for loans in Idaho is offered through internal funds of the Spokane Conservation District.

L0000003

In October 1999, the district entered into agreement L0000003 with the WA Department of Ecology for a loan in the amount of \$1.5 million at 1.5 percent interest. The funds were specifically targeted to helping bluegrass seed producers implement the State of Washington certified alternative to burning grass straw after harvest. The partial removal of bluegrass straw by bailing is an approved Best Management Practice. The intent of the project was to prevent producers from taking bluegrass out of production which is an excellent crop for preventing soil erosion, sedimentation, and degradation of water quality. The funds were made available to remove and/or process grass straw and/or remove and store bluegrass straw until it was transported for processing. Twenty-two loans were made over the duration of the project, fully expending the \$1.5 million and carried a six percent interest rate to the borrowers. Bi-annual payments of \$45,579.72 started in May 2002 with the final payment due May 15, 2021. The balance on the loan to DOE as of December 31, 2021, was \$0.

L0200025

In April 2002, loan L0200025 for \$4 million was awarded at 1.5 percent interest. The loan term is 15 years. Funds were designated for improving watershed health and community stewardship in Spokane and Adams counties and later expanded to include Lincoln County. Borrowers were charged six percent interest with a five percent option. The project ended September 17, 2006. A cumulative amount of \$3,439,121.41 was loaned to producers. The balance of the loan, approximately \$700K, was not spent and was returned to the SRF pool for redistribution. A payment schedule was revised and bi-annual payments of \$132,152.95 started in September 2007. The last payment was due in September 2021. The balance owed to DOE as of December 31, 2021, was \$0.

L0400027

Loan L0400027 for \$2 million was awarded in March 2004. This loan, at 1.5 percent interest, was issued on a 20-year repayment schedule. The agreement allows SCD to loan to producers in Asotin and the four districts in Whitman County for the purpose of establishing an Eastern

Washington Conservation Tillage Program. The contract was later amended to include Lincoln, Adams, Garfield, Walla Walla, and Grant Conservation Districts. The loan was fully disbursed to 49 producers at five percent interest. Bi-annual payments of \$61,331.26 started in June 2009 with the final payment due June 2028. The balance owed to DOE as of December 31, 2021, was \$812,072.

L0600017

Loan L0600017 for \$1.5 million was awarded in April 2006. With 1.5 percent interest on a 20-year repayment schedule, this loan allows loans to be made in Spokane, Whitman, Asotin, Garfield, Walla Walla, Stevens, Eastern Klickitat, Franklin, and Grant County Conservation Districts. Allowable expenses include direct seed equipment, both implements and attachments, or any other implement to facilitate implementation of a direct seed system within the geographic boundaries as established by contract. The loan was fully expended in 2008 to 31 producers at six percent interest on a five-year note. Bi-annual payments of \$45,317.85 started in September 2009 with the final payment due September 2028. The balance owed to DOE as of December 31, 2021, was \$600,042.

L0700020

Loan L0700020 for \$4 million was awarded in June 2007. Interest rate is 2.6 percent on a 20-year repayment schedule to the WA Department of Ecology. These loans will assist producers in counties including Spokane, Whitman, Walla Walla, Lincoln, Adams, Asotin, Columbia, Grant, and Garfield by obtaining low-interest loans for purchasing direct seeding and related conservation tillage equipment. With the economy in recession, interest rates were made adjustable depending on length of loan. The loan was fully expended in 2010. The first bi-annual payment of \$137,631.32 was made in October 2011 and the final payment is due October 2030. The balance owed to DOE as of December 31, 2021, was \$2,302,351.

L1200032

Loan L1200032 for \$8.3 million at 2.6% was awarded in 2012. However, the district requested a reduction to the award in the amount of \$3 million, effective June 30, 2015. These loans will be provided financial assistance to help farmers in 14 counties purchase direct seed equipment, making the transition to direct seed economically feasible. Interest rates for these loans vary between 3.5-5.5%. The district drew funds through 6/30/16 but was unable to spend the entire loan. The final loan amount was \$3,732,662.49. The first bi-annual payment of \$247,661.42 was made in June 2018 and the final payment is due June 2023. The balance owed to DOE as of December 31, 2021, was \$3,056,848.

WQC-2018-SpoCoD-00127

Loan WQC-2018-SpoCoD-00127 for \$3 million at 1.5% was awarded in May 2018. The district was able to draw funds from this balance through 10/31/2022 and will start the 20-year bi-annual repayments within one year of this date. These loans will make direct seed equipment more affordable and desirable through low-interest loans. Interest rates for these loans vary between 3.5-5.5%. As of December 31, 2021, the district received the full \$3,000,001 award of these funds from DOE. ***Repayment of this balance is not included in the table provided in Note 4.***

WQC-2021-SpoCoD-00178

Loan WQC-2021-SpoCoD-00178 for \$3 million at 0.8% was awarded in July 2020. The district can draw funds from this balance through 6/30/2023 and will start the 20-year bi-annual repayments within one year of this date. These loans will reduce soil erosion from agricultural tillage practices by providing a low-cost loan program for farmers in 14 eastern Washington counties to purchase direct seed equipment. Interest rates for these loans vary between 3-3.5%.

As of December 31, 2021, the district received \$171,648 of these funds from DOE. ***Repayment of this balance is not included in the table provided in Note 4.***

On-Site Septic System Assistance

The district was awarded a combination of grant and loan funds in July 2013, which allowed for the development of the On-Site Septic System (OSS) Assistance program. After about a year of planning and preparation the district introduced the program in the summer of 2014. The program offers financial assistance to property owners in Spokane County in need of funding to replace or repair a failing on-site septic system or connection to the main sewer line. Five-year loans are offered with interest rates ranging between 3.6-5.6%.

L1400027

Loan L1400027 was awarded by DOE in the amount of \$500,000. The agreement included a \$50,000 forgivable principal subsidy and a loan for \$450,000 with an interest rate of 1.1%. DOE subsidizes 10% of each OSS loan with the forgivable principal subsidy. The loan agreement does not require any additional conditions to be met with these funds. The district drew funds through 7/10/18 but was unable to spend the entire loan award. The final loan amount was \$394,689 and the final forgivable loan subsidy was \$42,726. The district will carry the full forgivable subsidy (L14S0027) on the Schedule of Liabilities until the loan is fully paid. The first bi-annual loan payment of \$45,180.76 was due 6/30/19 and the final payment is due June 2023. The balance owed to DOE as of December 31, 2021, was \$178,259.

WQC-2018-SpoCoD-00066

Loan WQC-2018-SpoCoD-00066 for \$500,000 at 1.5% was awarded in May 2018. The district will be able to draw funds from this balance through 4/30/2023 and will start the 20-year bi-annual repayments within one year of this date. These loans will provide a funding option to county residents for the repair, replacement, or connection to sewer of failing septic systems. As of December 31, 2021, the district received \$293,722 of these loan funds from DOE. ***Repayment of this balance is not included in the table provided in Note 4.***

**Spokane Conservation District
Schedule of Liabilities
For the Year Ended December 31, 2023**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.57	Xerox DeLange Landen Copier Lease	1/31/2027	29,094	-	7,125	21,969
263.52	Marlin Furniture Lease	10/31/2023	42,712	-	42,712	-
263.57	Postage Meter N21102943	6/21/2027	3,650	-	859	2,791
263.61	Numerica Construction Loan - SCD Office	7/28/2030	4,100,376	-	103,351	3,997,025
263.61	CERB Loan Proceeds	7/31/2044	3,205,591	104,695	-	3,310,286
263.61	Numerica Construction Loan - Partnership Bldg	6/28/2033	-	378,320	-	378,320
263.83	WA SRF Loan No. L0400027	6/10/2028	701,213	-	112,533	588,680
263.83	WA SRF Loan No. L0600017	9/1/2028	518,128	-	83,151	434,977
263.83	WA SRF Loan No. L1200032	6/30/2036	2,888,000	-	173,291	2,714,709
263.83	WA SRF Loan No. L1400027	6/30/2023	89,620	-	89,620	-
263.83	WA SRF Loan No. L14S0027	6/30/2023	42,726	-	42,726	-
263.83	WA SRF Loan No. L0700020	10/31/2030	2,085,870	-	222,178	1,863,692
263.83	WQC-2018-SpoCoD-00127	4/30/2043	3,000,001	183,515	-	3,183,516
263.83	WQC-2018-SpoCoD-00066	10/30/2043	371,839	31,782	-	403,621
263.83	WQC-2021-SpoCoD-00178	6/30/2043	2,734,651	1,706,085	-	4,440,736
263.83	WQC-2021-SpoCoD-00198	3/14/2044	-	496,572	-	496,572
Total General Obligation Debt/Liabilities:			19,813,471	2,900,969	877,546	21,836,894
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		131,903	-	6,971	124,932
264.30	Pension Liability		203,231	-	42,458	160,773
264.40	OPEB Liability		662,613	-	123,619	538,994
Total Revenue and Other (non G.O.) Debt/Liabilities:			997,747	-	173,048	824,699
Total Liabilities:			20,811,218	2,900,969	1,050,594	22,661,593

**Spokane Conservation District
Schedule of Liabilities
For the Year Ended December 31, 2022**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.57	Xerox DeLange Landen Copier Lease	1/31/2027	36,219	-	7,125	29,094
263.52	Marlin Furniture Lease	10/31/2023	89,306		46,595	42,712
263.57	Postage Meter N21102943	6/21/2027	4,294	-	644	3,650
263.61	Numerica Construction Loan	7/28/2030	4,185,732	-	85,355	4,100,377
263.61	CERB Loan Proceeds	7/31/2044	856,006	2,349,585	-	3,205,591
263.83	WA SRF Loan No. L0400027	6/10/2028	812,072	-	110,859	701,213
263.83	WA SRF Loan No. L0600017	9/1/2028	600,042	-	81,914	518,128
263.83	WA SRF Loan No. L1200032	6/30/2036	3,056,848	-	168,848	2,888,000
263.83	WA SRF Loan No. L1400027	6/30/2023	178,260	-	88,640	89,620
263.83	WA SRF Loan No. L14S0027	6/30/2023	42,726	-	-	42,726
263.83	WA SRF Loan No. L0700020	10/31/2030	2,302,352	-	216,482	2,085,870
263.83	WQC-2018-SpoCoD-00127	4/30/2041	3,000,001	-	-	3,000,001
263.83	WQC-2018-SpoCoD-00066	4/30/2043	293,771	78,067	-	371,838
263.83	WQC-2021-SpoCoD-00178	6/30/2043	171,648	2,563,003	-	2,734,651
Total General Obligation Debt/Liabilities:			15,633,209	4,990,655	810,393	19,813,471
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		152,435	-	20,532	131,903
264.30	Pension Liability		84,949	118,282	-	203,231
264.40	OPEB Liability		815,725	-	153,112	662,613
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,053,109	118,282	173,644	997,747
Total Liabilities:			16,686,318	5,108,937	984,037	20,811,218

**Spokane Conservation District
Schedule of Liabilities
For the Year Ended December 31, 2021**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.52	DeLage Landen Copier Lease	11/22/2021	22,824	-	22,824	-
263.52	Xerox DeLange Landen Copier Lease	1/31/2027	-	40,733	1,291	39,442
263.52	Marlin Furniture Lease	10/31/2023	144,883	-	51,645	93,238
263.61	Numerica Construction Loan	7/28/2030	3,014,279	1,185,721	14,268	4,185,732
263.61	CERB Loan Proceeds	7/31/2044	-	856,006	-	856,006
263.83	WA SRF Loan No. L0000003	5/15/2021	45,241	-	45,241	-
263.83	WA SRF Loan No. L02000025	9/17/2021	261,362	-	261,362	-
263.83	WA SRF Loan No. L0400027	6/10/2028	866,881	-	54,809	812,072
263.83	WA SRF Loan No. L0600017	9/1/2028	680,737	-	80,695	600,042
263.83	WA SRF Loan No. L1200032	6/30/2036	3,139,642	-	82,794	3,056,848
263.83	WA SRF Loan No. L1400027	6/30/2023	222,215	-	43,956	178,259
263.83	WA SRF Loan No. L14S0027	6/30/2023	42,726	-	-	42,726
263.83	WA SRF Loan No. L0700020	10/31/2030	2,513,283	-	210,932	2,302,351
263.83	WQC-2018-SpoCoD-00127	4/30/2041	2,928,946	71,055	-	3,000,001
263.83	WQC-2018-SpoCoD-00066	4/30/2043	203,168	90,604	-	293,772
263.83	WQC-2021-SpoCoD-00178	6/30/2043	-	171,648	-	171,648
Total General Obligation Debt/Liabilities:			14,086,187	2,415,767	869,817	15,632,137
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		156,934	-	4,499	152,435
264.30	Pension Liability		412,098	-	327,149	84,949
264.40	OPEB Liability		1,034,357	-	218,632	815,725
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,603,389	-	550,280	1,053,109
Total Liabilities:			15,689,576	2,415,767	1,420,097	16,685,246

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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