Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Washington State School Directors' Association

For the period January 1, 2022 through December 31, 2023

Published January 23, 2025

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Office of the Washington State Auditor
Pat McCarthy

January 23, 2025

Board of Directors
Washington State School Directors' Association
Lacey, Washington

Report on Financial Statements

Please find attached our report on the Washington State School Directors' Association's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

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Washington State School Directors' Association
January 1, 2022 through December 31, 2023

Board of Directors
Washington State School Directors' Association
Lacey, 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 Washington State School Directors' Association, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated January 15, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Pat McCarthy, State Auditor

Olympia, WA

January 15, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Washington State School Directors' Association
January 1, 2022 through December 31, 2023

Board of Directors
Washington State School Directors' Association
Lacey, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the Washington State School Directors' Association, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Washington State School Directors' Association, as of December 31, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Association 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 Association'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 as a whole 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 Association'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 Association's ability to continue as a going concern for a reasonable period of time; and
- 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.

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2025 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association'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 Association's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

January 15, 2025

FINANCIAL SECTION

Washington State School Directors' Association
January 1, 2022 through December 31, 2023

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Washington State School Directors' Association
Management's Discussion and Analysis
For the Year Ended December 31, 2023

As management of the Washington State School Directors' Association (WSSDA), we offer this narrative overview and analysis of the financial activities of WSSDA for the year that ended December 31, 2023.

Overview of the Washington State School Directors' Association

Formed in 1922, WSSDA has grown to consist of 1,477 locally elected school board directors from across Washington. WSSDA operates under 28A.345 RCW, and it supports its members with research-based leadership development resources, policy, legal guidance, and legislative advocacy. This work is of critical importance because school board directors build the future of public education by setting the policy, governance, and budgetary priorities for all of Washington's 295 school districts serving approximately 1.1 million students.

WSSDA has six programs that constitute the overall operations. They are Association Services, Policy and Legal Services, Government Relations, Leadership Development Services, Annual Conference, and Communications and Marketing.

The largest revenue item for WSSDA is from annual dues from the 295 public school districts throughout the state of Washington. The voting directors at the annual Delegate Assembly determine the dues amount within the limits provided by law. The Board may approve additional revenue activities as permitted by WSSDA's enabling act. Several additional revenue activities contribute to the total revenue stream including subscription services like Policy and Legal News and Model Policy On-line, and fee-based services like policy consulting services and professional development for school board directors.

Financial Highlights

- WSSDA's net position grew to $4,826,310 at the end of 2023.
- In 2023, WSSDA's operating income was $617,686.
- WSSDA's maintained its level of member engagement, after seeing significant growth in 2022, with its events and services; and WSSDA continued to increase its investment in the products and services it provides to its members.

Overview of the Financial Statements

WSSDA's Financial Statements consist of two parts – Management's Discussion and Analysis (this section) and the Financial Statements. The Financial Statements include the government-wide Financial Statements and Notes to the Financial Statements. WSSDA is a stand-alone governmental entity engaged in business type activities.

The Financial Statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

- Statement of Net Position reports WSSDA's current financial resources (short-term spendable resources) with capital assets, deferred outflows of resources, current liabilities, long-term liabilities, deferred inflows of resources and net position are broken into the following two categories.
    - **Net investment in capital assets** consist of all capital assets, reduced by the outstanding balances of a mortgage or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
    - **Restricted** consists of the net pension asset offset by related deferred inflows and deferred outflows.
    - **Unrestricted** consists of unrestricted assets that do not meet the definition of net investment in capital assets.
- Statement of Revenues, Expenses, and Changes in Net Position reports WSSDA's operating and non-operating revenues by major source, along with operating and non- operating expenses.
- Statement of Cash Flows reports WSSDA's cash flows from operating, investing, and capital and related financing activities.
- Notes to the Financial Statements provide information that is essential to a full understanding of the data provided and are an integral part of the Financial Statements.

Financial Analysis of WSSDA

The following table below shows a condensed summary of WSSDA's net position on December 31, 2023 and 2022:

	2023	**2022**	**Amount Increase (Decrease)**
Assets			
Cash and Investments	$2,856,392	$2,710,183	$146,209
Other Current Assets	245,804	214,970	30,834
Capital Assets (Net of Depreciation)	4,402,427	4,528,144	(125,717)
Other Noncurrent Assets	456,126	388,384	67,742
Total Assets	**$7,960,749**	**$7,841,681**	**$119,068**
Deferred Outflow of Resources	**$382,874**	**$455,456**	**($72,582)**

Liabilities			
Current Liabilities	$262,458	$416,512	($154,054)
Long-Term Liabilities	3,017,341	3,266,976	(249,635)
Total Liabilities	**$3,279,799**	**$3,683,488**	**($403,689)**
Deferred Inflow of Resources	**$237,514**	**$406,509**	**($168,995)**
Net Position			
Net Investment in Capital Assets	$2,551,720	$2,641,642	($89,922)
Restricted Net Position - Pension	$550,203	$425,865	$124,338
Unrestricted	1,724,387	1,139,633	584,754
Total Net Position	**$4,826,310**	**$4,207,140**	**$619,170**

WSSDA's 2023 current assets exceed current liabilities by approximately $2.8 million, for a current ratio of 11.8. The current ratio is a measure of the ability to pay debts as they become due.

WSSDA’s total net position increased by $619,170, or 14.7%. This is primarily the result of activities related to pension plans and other post-employment benefits with the changes to deferred outflows and inflows of resources. Total assets increased by $119,068 in 2023. This is the result of all assets categories seeing an increase in value with the exception of depreciation on capital assets. The long-term liabilities decreased by $252,235, or -7.7%. This decrease is attributed to the liabilities related to a loan, pensions, and other post-employment benefits.

Current Liabilities decreased by $154,054, or 37.0%, mostly the result of accounts payable decreasing from $265,394 in 2022 to $114,840 in 2023. This decrease is likely the result of receiving the invoices timelier than in past years.

The following table below shows a condensed summary of the change in WSSDA’s net position on December 31, 2023 and 2022:

	2023	2022	Amount Increase (Decrease)
Operating Revenues			
Membership Dues	$2,260,000	$2,108,000	$152,000
Charges for Member Services	1,224,451	1,242,464	(18,013)
Events	868,594	841,937	26,657
Other Operating Revenue	50,531	63,062	(12,531)
Total Operating Revenues	**$4,403,576**	**$4,255,463**	**$148,113**
Nonoperating Revenues:			
Interest Income	$93,543	$19,644	$73,899
Total Revenues	**$4,497,119**	**$4,275,107**	**$222,012**

Operating Expenses			
General and Administrative	$2,492,223	$2,475,696	$16,972
Events	707,326	606,742	100,584
Operations and Maintenance	450,984	440,157	10,827
Depreciation Expense	125,717	127,113	(1,396)
Amortization Expense	9,640	-	9,640
Total Operating Expenses	**$3,785,890**	**$3,649,263**	**$136,627**
Nonoperating Expenses:			
Interest Expense	$92,059	$92,919	($860)
Total Expenses	**$3,877,949**	**$3,742,182**	**$135,767**
Change in Net Position	**$619,170**	**$532,925**	**$86,245**
Net Position, Beginning of the Year	$4,207,140	$3,674,215	$532,925
Net Position, End of year	**$4,826,310**	**$4,207,140**	**$619,170**

WSSDA's net position grew to $4,826,310 at the end of 2023. When compared to the 2022 ending balance of $4,207,140, this is an increase of $619,255, or 14.7%. This is primarily the result of effective development and monitoring of the association's budget to ensure revenues are sufficient to cover expenses.

WSSDA's operating revenues were $4,403,576 in 2023 and were $4,255,463 in 2022; this is an increase of $148,113, or 3.5%. The rise in revenues is primarily attributed to increases in membership dues revenue. This increase in dues revenue resulted from the funding formula's adjustment for inflation.

Operating expenses were $3,785,890 in 2023, and were $3,649,263 in 2022. This is an increase of $136,627 that can be mostly attributed to increase in the cost of putting on WSSDA events.

Capital Asset and Debt Administration

Capital Assets

WSSDA's investment in capital assets, net of accumulated depreciation) as of December 31, 2023, totaled $4,402,427. This investment in capital assets includes land, building, improvements, furnishings, and equipment.

During 2023, WSSDA's investment in capital assets, net of current year depreciation, decreased by $125,717 from the previous year-end due to depreciation of the assets.

Additional information on WSSDA's capital assets can be found in Note 4.

A summary of WSSDA's capital assets for the years ended December 31, 2023, and 2022, and the amount of change in relation to the prior year amounts, is shown below.

Capital Assets, Net of Depreciation	2023	2022	Amount Increase (Decrease)
Land	$368,700	$368,700	$0
Land Improvements, net	260,716	275,632	(14,916)
Building and Improvements, net	3,680,838	3,779,212	(98,374)
Furnishings and Equipment, net	92,173	104,600	(12,427)
Total Capital Assets, Net	**$4,402,427**	**4,528,144**	**$ (125,717)**

Long-Term Debt

WSSDA obtained a loan from Kitsap Bank in the amount of $1,955,000 to help finance the construction of the new headquarters building. WSSDA started drawing on the loan in 2020. At the beginning of 2021, WSSDA had drawn the full amount, and started making monthly payments toward the debt. The principal balance on the loan at the end of 2023 is $1,850,707.

Additional information on WSSDA's long-term debt can be found in Note 5.

Requests for Information

This financial report is designed to provide a general overview of WSSDA's finances for the year 2023. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Josh Collette
Chief Financial Officer
Washington State School Directors' Association
P.O. Box 4258
Lacey, Washington 98509
(360) 252-3012

Washington State School Directors' Association
Management's Discussion and Analysis
For the Year Ended December 31, 2022

As management of the Washington State School Directors' Association (WSSDA), we offer this narrative overview and analysis of the financial activities of WSSDA for the year that ended December 31, 2022.

Overview of the Washington State School Directors' Association

Formed in 1922, WSSDA has grown to consist of 1,477 locally elected school board directors from across Washington. WSSDA operates under 28A.345 RCW, and it supports its members with research-based leadership development resources, policy, legal guidance, and legislative advocacy. This work is of critical importance because school board directors build the future of public education by setting the policy, governance, and budgetary priorities for all of Washington's 295 school districts serving approximately 1.1 million students.

WSSDA has six programs that constitute the overall operations. They are Association Services, Policy and Legal Services, Government Relations, Leadership Development Services, Annual Conference, and Communications and Marketing.

The largest revenue item for WSSDA is from annual dues from the 295 public school districts throughout the state of Washington. The voting directors at the annual Delegate Assembly determine the dues amount within the limits provided by law. The Board may approve additional revenue activities as permitted by WSSDA's enabling act. Several additional revenue activities contribute to the total revenue stream including subscription services like Policy and Legal News and Model Policy On-line, and fee-based services like policy consulting services and professional development for school board directors.

Financial Highlights

- WSSDA's net position grew to $4,207,140 at the end of 2022.
- In 2022, WSSDA's operating income was $606,200.
- WSSDA's 2022 operating revenues grew due to increased member engagement with events and services; and WSSDA continued to increase its investment in the products and services it provides to its members.

Overview of the Financial Statements

WSSDA's Financial Statements consist of two parts – Management's Discussion and Analysis (this section) and the Financial Statements. The Financial Statements include the government-wide Financial Statements and Notes to the Financial Statements. WSSDA is a stand-alone governmental entity engaged in business type activities.

The Financial Statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

- Statement of Net Position reports WSSDA's current financial resources (short-term spendable resources) with capital assets, deferred outflows of resources, current liabilities, long-term liabilities, deferred inflows of resources and net position are broken into the following two categories.
    - **Net investment in capital assets** consist of all capital assets, reduced by the outstanding balances of a mortgage or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
    - **Restricted** consists of the net pension asset offset by related deferred inflows and deferred outflows.
    - **Unrestricted** consists of unrestricted assets that do not meet the definition of net investment in capital assets.
- Statement of Revenues, Expenses, and Changes in Net Position reports WSSDA's operating and non-operating revenues by major source, along with operating and non- operating expenses.
- Statement of Cash Flows reports WSSDA's cash flows from operating, investing, and capital and related financing activities.
- Notes to the Financial Statements provide information that is essential to a full understanding of the data provided and are an integral part of the Financial Statements.

Financial Analysis of WSSDA

The following table below shows a condensed summary of WSSDA's net position on December 31, 2022 and 2021:

	2022	2021	Amount Increase (Decrease)
Assets			
Cash and Investments	$2,710,183	$2,683,445	$26,738
Other Current Assets	214,970	210,566	4,404
Capital Assets (Net of Depreciation)	4,528,144	4,655,257	(127,113)
Net Pension Assets	388,384	1,171,585	(783,201)
Total Assets	**$7,841,681**	**$8,720,853**	**($879,172)**
Deferred Outflow of Resources	**$455,456**	**$195,905**	**$259,551**

Liabilities			
Current Liabilities	$416,512	$548,857	($132,345)
Long-Term Liabilities	3,266,976	3,470,994	(204,018)
Total Liabilities	**$3,683,488**	**$4,019,851**	**($336,363)**
Deferred Inflow of Resources	**$406,509**	**$1,222,692**	**($816,183)**
Net Position			
Net Investment in Capital Assets	$2,641,642	$2,733,819	($92,177)
Restricted Net Position - Pension	$425,865	$222,447	$203,418
Unrestricted	1,139,633	717,949	21,684
Total Net Position	**$4,207,140**	**$3,674,215**	**$532,925**

WSSDA's 2022 current assets exceed current liabilities by approximately $2.5 million, for a current ratio of 7.1. The current ratio is a measure of the ability to pay debts as they become due.

WSSDA’s total net position increased by $532,925, or 14.5%. This is primarily the result of activities related to pension plans and other post-employment benefits with the changes to deferred outflows and inflows of resources. Total assets decreased by $879,172 in 2022. This is primarily due to a reduction in the amount recognized for a net pension asset from Public Employee Retirement System (PERS) Plan 1 of $783,201. The long-term liabilities decreased by $204,018, or -5.9%. This decrease is attributed to the liabilities related to a loan, pensions, and other post-employment benefits.

Current Liabilities decreased by $132,345, or 24.1%, mostly the result of accounts payable decreasing from $505,166 in 2021 to $265,394 in 2022. This decrease is the result of receiving the invoices in time to make payment for WSSDA’s 2022 annual conference facilities costs in 2022. The invoices for WSSDA’s 2021 annual conference were received so late that payment could not be made until the start of the next year.

The following table below shows a condensed summary of the change in WSSDA’s net position on December 31, 2022 and 2021:

	2022	**2021**	**Amount Increase (Decrease)**
Operating Revenues			
Membership Dues	$2,108,000	$2,080,600	$27,400
Charges for Member Services	1,242,464	1,147,977	94,487
Events	841,937	738,809	103,128
Other Operating Revenue	63,062	58,473	4,589
Total Operating Revenues	**$4,255,463**	**$4,025,859**	**$229,604**
Nonoperating Revenues:			
Interest Income	$19,644	$1,502	$18,142
Total Revenues	**$4,275,107**	**$4,027,361**	**$247,746**

Operating Expenses			
General and Administrative	$2,475,251	$1,992,664	$482,587
Events	606,742	532,223	74,519
Operations and Maintenance	440,157	399,209	40,948
Depreciation Expense	127,113	74,785	52,328
Total Operating Expenses	**$3,649,263**	**$2,998,881**	**$650,382**
Nonoperating Expenses:			
Interest Expense	$92,919	$97,277	($4,358)
Total Expenses	**$3,742,182**	**$3,096,158**	**$646,024**
Change in Net Position	**$532,925**	**$931,203**	**($398,278)**
Net Position, Beginning of the Year	$3,674,215	$2,743,012	$931,203
Net Position, End of year	**$4,207,140**	**$3,674,215**	**$532,925**

WSSDA's net position grew to $4,207,140 at the end of 2022. When compared to the 2021 ending balance of $3,674,215, this is an increase of $532,925, or 14.5%. This is primarily the result of a large increase in operating revenue with little change in operating expenses.

WSSDA's operating revenues were $4,255,463 in 2022 and were $4,025,859 in 2021; this is an increase of $229,604, or 5.7%. The rise in revenues is primarily attributed to increases in member engagement in subscription services and WSSDA events. We also found that members engaged in more professional development opportunities like board workshops.

Operating expenses were $3,649,263 in 2022, and $2,998,881 in 2021. This is an increase of $650,382 that can be mostly attributed to increase in travel for the Board, committees, and staff with less travel restrictions, increased investment in the development and delivery of OnBoard curriculum, and an increase in costs for salaries benefits in accordance with a board-approved salary schedule.

Capital Asset and Debt Administration

Capital Assets

WSSDA's investment in capital assets, net of accumulated depreciation) as of December 31, 2022, totaled $4,528,144. This investment in capital assets includes land, building, improvements, furnishings, and equipment.

During 2022, WSSDA's investment in capital assets, net of current year depreciation, decreased by $127,113 from the previous year-end due to depreciation of the assets.

Additional information on WSSDA's capital assets can be found in Note 4.

A summary of WSSDA's capital assets for the years ended December 31, 2022, and 2021, and the amount of change in relation to the prior year amounts, is shown below.

Capital Assets, Net of Depreciation	**2022**	**2021**	**Amount Increase (Decrease)**
Land	$368,700	$368,700	$0
Land Improvements, net	275,632	290,547	(14,915)
Building and Improvements, net	3,779,212	3,877,586	(98,374)
Furnishings and Equipment, net	104,600	118,424	(13,824)
Total Capital Assets, Net	**$4,528,144**	**4,655,257**	**($127,113)**

Long-Term Debt

WSSDA obtained a loan from Kitsap Bank in the amount of $1,955,000 to help finance the construction of the new headquarters building. WSSDA started drawing on the loan in 2020. At the beginning of 2021, WSSDA had drawn the full amount, and started making monthly payments toward the debt. The principal balance on the loan at the end of 2022 is $1,886,502.

Additional information on WSSDA's long-term debt can be found in Note 5.

Requests for Information

This financial report is designed to provide a general overview of WSSDA's finances for the year 2021. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Josh Collette
Chief Financial Officer
Washington State School Directors' Association
P.O. Box 4258
Lacey, Washington 98509
(360) 252-3012

Washington State School Directors' Association
Statement of Net Position
December 31, 2023

Assets	
Current Assets	
Cash and Cash Equivalents (Note 2)	$60,306
Investments (Note 2)	2,796,086
Accounts Receivable (Note 3)	72,940
Prepaid Items	172,864
Total Current Assets	$3,102,196
Noncurrent Assets	
Capital Assets	
Land	$368,700
Land Improvements	298,305
Accumulated Depreciation on Land Improvements	(37,589)
Building:	3,934,971
Accumulated Depreciation on Building	(254,133)
Furniture and Equipment	124,278
Accumulated Depreciation on Furniture and Equipment	(32,105)
Total Capital Assets Net Accumulated Depreciation (Note 4)	4,402,427
Subscription Based Information Technology Agreement (SBITA)	38,560
Accumulated Amorization	(9,640)
Total SBITA Net Accumulated Amortization (Note 6)	28,920
Net Pension Assets (Note 7)	427,206
Total Noncurrent Assets	$4,858,553
Total Assets	**$7,960,749**
Deferred Outflows of Resources	
Deferred Outflows on Pensions (Note 7)	$360,511
Deferred Outflows on OPEB (Note 8)	22,363
Total Deferred Outflows of Resources	**$382,874**

Liabilities	
Current Liabilities	
Accounts Payable	$114,840
Sales Tax Payable	216
Current Portion of Compensated Absences	54,304
Current Portion of Loan Payable	34,615
Current Portion of SBITA Liability	9,756
Current Portion of Other Post Employment Benefit Liability (Note 8)	44,727
Unearned Revenues (Note 3)	4,000
Total Current Liabilities	$262,458
Long-Term Liabilities (Note 5)	
Compensated Absences	$82,376
Loan Payable (Net of Current Portion)	1,816,092
Net Pension Liability (Note 7)	$184,742
SBITA Liability (Net of Current Portion)	$18,804
Other Post Employment Benefit Liability (Net of Current Portion)	915,327
Total Long-Term Liabilities	$3,017,341
Total Liabilities	**$3,279,799**
Deferred Inflows of Resources	
Deferred Inflows on Pensions (Note 7)	$237,514
<u>Net Position</u>	
Investment in Capital Assets (Net of Related Debt)	$2,551,720
Restricted Net Position - Pension	$550,203
Unrestricted	1,724,387
Total Net Position	**$4,826,310**

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

Washington State School Directors' Association
Statement of Net Position
December 31, 2022

Assets	2,710,183
Current Assets	
Cash and Cash Equivalents (Note 2)	$192,939
Investments (Note 2)	2,517,244
Accounts Receivable (Note 3)	113,613
Prepaid Items	101,357
Total Current Assets	$2,925,153
Noncurrent Assets	
Capital Assets	
Land	$368,700
Land Improvements	298,305
Accumulated Depreciation on Land Improvements	(22,673)
Building:	3,934,971
Accumulated Depreciation on Building	(155,759)
Furniture and Equipment	141,025
Accumulated Depreciation on Furniture and Equipment	(36,425)
Total Capital Assets Net Accumulated Depreciation (Note 4)	4,528,144
Net Pension Assets (Note 7)	388,384
Total Noncurrent Assets	$4,916,528
Total Assets	**$7,841,681**
Deferred Outflows of Resources	
Deferred Outflows on Pensions (Note 7)	$433,899
Deferred Outflows on OPEB (Note 8)	21,557
Total Deferred Outflows of Resources	**$455,456**

Liabilities	
Current Liabilities	
Accounts Payable	$265,394
Sales Tax Payable	4,040
Benefits Payable	2,662
Current Portion of Compensated Absences	52,297
Current Portion of Loan Payable	35,795
Current Portion of Other Post Employment Benefit Liability	42,224
Unearned Revenues (Note 3)	14,100
Total Current Liabilities	$416,512
Long-Term Liabilities (Note 5)	
Compensated Absences	$72,476
Loan Payable (Net of Current Portion)	$1,850,707
Net Pension Liability (Note 7)	222,944
Other Post Employment Benefit Liability (Net of Current Portion)	1,120,849
Total Long-Term Liabilities	$3,266,976
Total Liabilities	**$3,683,488**
Deferred Inflows of Resources	
Deferred Inflows on Pensions (Note 7)	$406,509
Net Position	
Investment in Capital Assets (Net of Related Debt)	$2,641,642
Restricted Net Position - Pension	$425,865
Unrestricted	1,139,633
Total Net Position	**$4,207,140**

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

Washington State School Directors' Association
Statement of Revenues, Expenses and Change in Net Position
For the Year Ended December 31, 2023

Operating Revenues	
Membership Dues	$2,260,000
Subscription Services	1,106,315
Events	868,594
Fee Based Services	118,136
Other Operating Revenue	50,531
Total Operating Revenues	**$4,403,576**
Operating Expenses	
Salaries and Benefits	$1,558,802
Board, Committees, and Task Forces	95,985
Events	707,326
Contracted Services	837,436
Operations and Maintenance	450,984
Depreciation expense	125,717
Amortization expense	9,640
Total Operating Expenses	**$3,785,890**
Operating Income (Loss)	**$617,686**
Nonoperating Revenues (Expenses)	
Interest Income	$93,543
Interest Expense	($92,059)
Net Nonoperating Revenues (Expenses)	**$1,484**
Change in Net Position	**$619,170**
Net Position, Beginning	4,207,140
Net Position, Ending	**4,826,310**

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

Washington State School Directors' Association
Statement of Revenues, Expenses and Change in Net Position
For the Year Ended December 31, 2022

Operating Revenues	
Membership Dues	$2,108,000
Subscription Services	1,104,156
Events	841,937
Fee Based Services	138,308
Other Operating Revenue	63,062
Total Operating Revenues	**$4,255,463**
Operating Expenses	
Salaries and Benefits	$1,510,929
Board, Committees, and Task Forces	81,735
Events	606,742
Contracted Services	882,587
Operations and Maintenance	440,157
Depreciation expense	127,113
Total Operating Expenses	**$3,649,263**
Operating Income (Loss)	**$606,200**
Nonoperating Revenues (Expenses)	
Interest Income	$19,644
Interest Expense	($92,919)
Net Nonoperating Revenues (Expenses)	**($73,275)**
Change in Net Position	**$532,925**
Net Position, Beginning	3,674,215
Net Position, Ending	**4,207,140**

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

Washington State School Directors' Association
Statement of Cash Flows
For the Year Ended December 31, 2023

Cash flows from operating activities:		
Cash received from customers	$	4,424,426
Cash payments to suppliers for goods and services	$	(2,693,411)
Cash payments to employees for services	$	(1,555,695)
Other operating revenues	$	5,200
Net cash provided by operating activities	$	180,520
Cash flows from capital and related financing activities		
Principal paid on loan for construction of new WSSDA Headquarters	$	(35,795)
Interest paid on loan for construction of new WSSDA Headquarters	$	(92,059)
Net cash used for capital and related financing activities	$	(127,854)
Cash flows from investing activities		
Interest income	$	93,543
Net cash used in investing activities	$	93,543
Net increase (decrease) in cash and cash equivalents	$	146,209
Cash and cash equivalents, January 1, 2023	$	2,710,183
Cash and cash equivalents, December 31, 2023	$	2,856,392

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating Income (loss)			$	617,686
Adjustments to reconcile operating income to net Cash provided (used) by operating activities				
Depreciation Expense	$	125,717		
Amorization Expense	$	9,640		
Change in Assets and Liabilties				
Increase in Net Pension Asset		(38,822)		
Decrease in Receivables		40,673		
Increase in Prepaid Items		(71,507)		
Decrease in Accounts Payable		(150,554)		
Decrease in Other Payables		(6,486)		
Decrease in Unearned Revenue		(10,100)		
Increase in Compensated Absences		11,907		
Decrease in Subscription Based IT Agreement Liability		(10,000)		
Decrease in OPEB		(203,019)		
Decrease in Pension Liability		(38,202)		
Decrease in Deferred Inflows		(168,995)		
Decrease in Deferred Outflows		72,582	$	(437,166)
		-		
Net cash provided (used) by operating activities			**$**	**180,520**

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

Washington State School Directors' Association
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash flows from operating activities:		
Cash received from customers	$	4,253,432
Cash payments to suppliers for goods and services		(2,629,832)
Cash payments to employees for services		(1,493,751)
Other operating revenues		5,100
Net cash provided by operating activities	$	134,949.00
Cash flows from capital and related financing activities		
Principal paid on loan for construction of new WSSDA Headquarters	$	(34,936)
Interest paid on loan for construction of new WSSDA Headquarters	$	(92,919)
Net cash used for capital and related financing activities	$	(127,855)
Cash flows from investing activities		
Interest income	$	19,644
Net cash used in investing activities	$	19,644
Net increase (decrease) in cash and cash equivalents	$	26,738
Cash and cash equivalents, January 1, 2022	$	2,683,445
Cash and cash equivalents, December 31, 2022	$	2,710,183

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating Income (loss)			$	606,200
Adjustments to reconcile operating income to net Cash provided (used) by operating activities				
Depreciation expense	$	127,113		
Change in assets and liabilties				
Decrease in net pension asset		783,201		
Increase in receivables		(5,461)		
Decrease in prepaid items		1,057		
Decrease in accounts payables		(239,772)		
Increase in other payables		3,623		
Increase in unearned revenue		7,350		
Decrease in Compensated Absences		(17,982)		
Decrease in OPEB		(165,969)		
Increase in Pension		111,323		
Decrease in Deferred Inflows		(816,183)		
Increase in Deferred Outflows		(259,551)	$	(471,251)
Net cash provided (used) by operating activities			**$**	**134,949**

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

Washington State School Directors' Association
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Washington State School Directors' Association (WSSDA) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

1.A. Reporting Entity

WSSDA is a self-governed and self-funded state agency organized pursuant to Chapter 28A.345 Revised Code of Washington (RCW) for the purpose of providing leadership for the continual improvement of the public school system to assure effective learning for all students and that school board members develop their skills and acquire the knowledge necessary to fulfill their responsibilities. Oversight responsibility for WSSDA's operation is vested with the independently elected Board of Directors. Fiscal responsibility, including budget authority, also rests with the Board of Directors.

1.B. Basis of Presentation, Measurement Focus and Basis of Accounting

The accounting records of WSSDA are maintained and reported in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. WSSDA has elected to report as a single-enterprise proprietary fund and uses the accrual basis of accounting.

1.C. Measurement Focus and Basis of Accounting

WSSDA's financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows. The proprietary fund is composed of a number of programs. These programs are designed to provide school board directors the tools and skills to effectively govern and advocate for public education.

Proprietary funds are used to account for activities that are operated in a manner similar to private enterprise business. Under this method revenues are recognized when earned and expenses are recognized when incurred regardless of the timing of the cash flows. Capital asset purchases are capitalized, and long-term liabilities are accounted for in the fund.

1.D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1.D.1. Cash and investments of WSSDA are reported on the accompanying *Statement of Net Position* as “Cash and Investments.” WSSDA invests cash balances where funds can be disbursed at any time without prior notice or penalty. Additional disclosure describing investments is provided in Note 2.

1.D.2. Receivables are amounts owed to WSSDA consisting of outstanding invoices from school districts for membership dues, conference fees, workshops, and purchases of goods and services. Receivables are recorded when either the asset or revenue recognition criteria (refer to Note 1.C) have been met. All receivables are reported net of an allowance for accounts estimated to be uncollectible.

1.D.3. Prepaid items are those certain types of supplies and/or services (not inventory) that are acquired or purchased during an accounting period but not used or consumed during that accounting period. The portion of supplies or services consumed or used during a period is recorded as an expense. The balance that remains is reported as an asset until consumed or used.

1.D.4. Capital Assets are defined by WSSDA as assets with an initial individual cost of $5,000 or more and an estimated useful life of greater than one year. Such assets are recorded at historical cost if purchase or constructed, or estimated historical cost if actual cost is unknown. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

- Land………………………Not depreciated
- Land Improvements……..……10-25 years
- Building…………………………..50 years
- Building Improvements………10-25 years
- Furniture and fixtures…………….10 years
- Machinery and equipment……….6-7 years

1.D.5. Deferred Outflows/Inflows of Resources

In addition to assets, the *Statement of Net Position* reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund equity that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The category of deferred outflow of resources reported in the government-wide *Statement of Net Position* relates to pensions.

Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in WSSDA's proportionate share of the state's net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. WSSDA's contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

In addition to liabilities, the *Statement of Net Position* reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund equity that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported by WSSDA relate to pensions.

Deferred inflows on pensions are recorded when projected earnings on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in WSSDA's proportionate share of the state's net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

1.D.6. Compensated Absences is the cash value of the staff accrued vacation leave, accrued compensatory time, and accrued sick leave. The amount of the compensated absences liability is based on each employee's salary at the financial statement date.

- **Vacation Leave –** Employees accrue vested vacation leave at a variable rate based on years of service. In general, accrued vacation leave cannot exceed 240 hours at the employee's anniversary date. Employee vacation accrual is payable upon resignation, retirement, or death. Actual compensation is based upon the employee's salary at the time of separation.

- **Compensatory Time –** Employees not exempt from the Fair Labor Standards Act (FLSA) who work more than 40 hours in a week shall be paid at the rate of time and one-half. At the employee's election, compensatory time may be awarded in lieu of time and one-half pay.

- **Sick Leave –** Employees accrue sick leave at the rate of one day per month without limitation on the amount that can be accumulated. Sick leave is not vested, i.e., WSSDA does not pay employees for unused sick leave upon termination except upon the employee's death or retirement. At death or retirement, WSSDA is liable for 25 percent of the employee's accumulated sick leave.

  In addition, WSSDA has a sick leave buyout option in which, each January, employees who accumulate sick leave in excess of 480 hours may redeem sick leave earned but not taken during the previous year at the rate of one day's pay in exchange for each four days of sick leave.

  WSSDA reports compensated absences obligations as liabilities on the *Statement of Net Position*

1.D.7. Long-Term Liabilities

In the government-wide financial statements, long-term obligations of WSSDA are reported as liabilities on the *Statement of Net Position*.

See Note 5, Long-Term Liabilities for more information.

1.D.8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1.D.9. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

1.D.10. Unearned Revenue

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met.

1.D.11. Net Position Classification

For government-wide reporting, fund equity is called "net position." Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- **Net investment in capital assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

- **Restricted** net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

- **Unrestricted** net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is WSSDA's policy to use restricted resources first and then use unrestricted resources as they are needed.

1.E. Accounting Standards

Statement No. 96- Subscription-Based Information Technology
In fiscal year 2023, the Association implemented GASB 96, Subscription-Based Information Technology Arrangements, which provides guidance on accounting for Subscription-Based Information Technology Arrangements (SBITA) where the government contracts for the right to use another party's software. The standards for SBITAs are based on the standards established in GASB Statement No. 87, Leases. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. See Note 6 for more details.

1.F. Other Information

Risk Management. WSSDA is insured to cover losses, and such coverage is required by the Association's bylaws and operating policies. Insurance coverage includes the following:

- Surety Bonds for personnel designated to handle the funds of the Association.
- Liability insurance that supplements the self-insurance protection available through the state's insurance revolving fund.
- Insurance to cover the Board of Directors, officers, or employees related to the performance of or failure of performance of such director, officer, or employee.
- Property insurance for loss or damage to its real and personal property.

There have been no material claims made against WSSDA this past year.

Note 2 – Deposits and Investments

WSSDA's deposits and investments, as required by state law, are invested in accounts at WSSDA's custodial bank entirely covered by the Federal Deposit Insurance Corporation (FDIC) and held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission. This amount is classified as Cash, Cash Equivalents, and Investments on the *Statement of Net Position,* and as Cash and Investments on the *Balance Sheet*.

All deposits and investments are insured, registered, and held in WSSDA's name. The interest from the investments is reported as Interest Income under the General Revenues category on the *Statement of Activities* and the *Statement of Revenues, Expenses, and Changes in Fund Balance*.

As of December 31, 2023, WSSDA had the following deposits and investments:

Investment Type	Amortized Cost	Maturity
Bank Checking Account		$ 60,306
Money Market Account		2,796,086
Total Deposits and Investments		**$ 2,856,392**

Note 3 – Receivables and Unearned Revenues

3.A. Receivables

Receivables on December 31 consisted of the following:

Receivables	2023	2022	Amount Increase (Decrease)
Annual Conference	$ 22,995	$ 14,385	$ 8,610
Other Receivables	49,945	99,228	(49,283)
Total Receivables	**$ 72,940**	**$113,613**	**($ 40,693)**

3.B. Unearned Revenues

A breakdown of Unearned Revenues at December 31 is as follows:

Unearned Revenues	2023	2022	Amount Increase (Decrease)
Jack Kirk Program	$3,000	$3,000	$ 0
Prepaid exhibitor registration for Annual Conference	1,000	11,100	(10,100)
Total Unearned Revenues	**$4,000**	**$14,100**	**($10,100)**

Note 4 – Capital Assets

The following is a summary of capital asset activity for the year ended December 31, 2023:

Capital Assets	Jan. 1, 2023	Additions	Deletions	Dec. 31, 2023
Capital Assets, not being depreciated:				
Land (225 College St. NE)	$368,700			$368,700
Capital Assets, being depreciated:				
Land Improvements	298,305	-	-	298,305
Accumulated Depreciation	(22,673)	(14,915)	-	(37,588)
Net Land Improvements	275,632	(14,915)	-	260,717
Building (225 College St. NE)	3,934,971	-	-	3,934,971
Accumulated Depreciation	(155,759)	(98,375)	-	(254,134)
Net Building	3,779,212	(98,375)	-	3,680,837
Furnishings and Equipment	141,025	-	16,747	124,278
Accumulated Depreciation	(36,425)	(12,427)	(16,747)	(32,105)
Net Furnishings and Equipment	104,600	(12,427)	-	92,173
Total Capital Assets, being depreciated, net	4,159,444	(125,717)	-	4,033,727
Capital Assets, Net	**4,528,144**	**(125,717)**	**-**	**4,402,427**

Note 5 – Long-Term Liabilities

Long-term liability activity at December 31, 2023, as follows:

	Beginning Balance Jan. 1, 2023	Additions	Reductions	Ending Balance Dec. 31, 2023	Amount Due Within One Year
Compensated Absences	$ 124,773	$133,735	$121,828	$ 136,680	$ 54,304
Loan Payable	1,886,502		35,795	1,850,707	34,615
SBITA Liability	-	38,560	10,000	28,560	9,756
Net Pension Liability	222,944		38,202	184,742	-
OPEB Liability	1,163,073		203,019	960,054	44,727
Total Other Liabilities	**$3,397,292**	**$172,295**	**$408,844**	**$3,160,743**	**$143, 402**

The Association acquired a loan of $1,955,000 from Kitsap Bank to partially fund the construction of a new headquarters building. The maturity date of the loan will take place in March of 2051, and the interest rate on the loan is 5.04%. The loan is secured by the building and related real property. Upon an event of default, the lender may exercise the right to withhold further disbursement of loan funds, accelerate repayment of the loan, or acquire the real property through foreclosure process.

The Association was required to spend an amount equal to the loan on the project from its resources prior to drawing on the loan. In February 2021, the project was satisfactory complete, the final draw on the loan was made, the Association started making its monthly payments of $10,654.53 for next 360 months. The table below shows the repayment schedule for this loan.

Year(s) Ending	Principal	Interest	Total
2024	$34,615	$93,239	$127,854
2025	36,674	91,180	127,854
2026	38,573	89,281	127,854
2027	40,571	87,283	127,854
2028	42,428	85,426	127,854
2029-2033	248,593	390,679	639,272
2034-2038	320,013	319,259	639,272
2039-2043	411,955	227,317	639,272
2044-2048	530,284	108,988	639,272
2049-2050	147,001	7,542	154,543
	$1,850,707	$1,500,194	$3,350,901

Note 6 – Leases and Subscription Based Information Technology Agreements (SBITA)

A. Operating Leases
The Association leases one Ricoh copiers under a non-cancelable operating lease. Total cost for such leases was $7.996.23 for the year ended December 31, 2023. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2024	$2.340.36
2025	$2.340.36
2026	$2.340.36
2027	$975.15

B. Subscription Based Informationn Technology Agreements (SBITA)
Effective January 1, 2023, the Association entered into an agreement with Envise Inc. The contract gives access to an association management software-as-a-service offering in exchange for an annual subscription of $10,000. In addition to access to the association management software-as-a-service offering, the Association has access to 10 hours of technical support each year and customizations can be made at $250 per hour to develop these changes.

Envise Inc. has the right to increase the subscription fee each year, but is limited to 10% increase. Either party may terminate the agreement through a written notice of nonrenewal. The term of the agreement ends on December 31, 2026 if one of the parties provides a notice of non-renewal prior to December 31, 2024. As of December 31, 2023 the balance is as follows:

	Asset	**Accumulated Amortization**
Association Management Software	$38,560	$9,640

Note 7 – Pension Plans

The following table represents the aggregate pension amounts for all plans for the year 2023:

Aggregate Pension Amounts – All Plans	
Pension liabilities	($184,742)
Pension assets	$427,206
Deferred outflows of resources related to pensions	$360,511
Deferred inflows of resources related to pensions	($237,514)
Pension Expense/Expenditures	($37,375)

State Sponsored Pension Plans

Substantially all WSSDA's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), 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.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee**
January – June 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	**10.39%**	**6.00%**
July – August 2023		
PERS Plan 1	6.36%	6.00%

PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Total	**9.39%**	**6.00%**
September – December 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Total	**9.53%**	**6.00%**

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3.The rates are adopted by the Pension Funding Council, and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plan 2/3 defined benefit required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 2/3			
Actual Contribution Rates	**Employer 2/3**	**Employee 2***	**Employee 3****
January – June 2023			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	3.85%		
Administrative Fee	0.18%		
Total	**10.39%**	**6.36%**	

July – August 2023			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	2.85%		
Administrative Fee	0.18%		
Total	**9.39%**	**6.36%**	
September – December 2023			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	2.97%		
Administrative Fee	0.20%		
Total	**9.53%**	**6.36%**	

* For employees participating in JBM, the contribution rate was 15.90%.

** For employees participating in JBM, the minimum contribution rate was 7.50%.

WSSDA's actual PERS plan contributions were $47,566 to PERS Plan 1 UAAL and $89,849 to PERS Plan 2/3 for the year ended December 31, 2023.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases**: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increase.
- **Investment rate of return:** 7.00%

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

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR). OSA did make an assumption change to adjust TRS Plan 1 assets, LEOFF Plan 1/2 assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022 measurement date.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.00 percent was The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents WSSDA's proportionate share* of the net pension liability calculated using the discount rate of 7.0 percent, as well as what WSSDA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	258,098	184,742	120,719
PERS 2/3	464,637	(427,206)	(1,159,911)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, WSSDA's reported its proportionate share of the net pension liabilities as follows.

	Liability (or Asset)
PERS 1	$184,742
PERS 2/3	($427,206)

At June 30, WSSDA's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	0.008007%	0.008093%	0.000086%
PERS 2/3	0.010472%	0.010423%	- 0.000049%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for both PERS Plan 1 and Plan 2/3.

Pension Expense

For the year ended December 31, 2023, WSSDA recognized pension expense as follows:

	Pension Expense
PERS 1	$ 839
PERS 2/3	(38,215)
TOTAL	($37,375)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023, WSSDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$0	($20,840)
Contributions subsequent to the measurement date	19,272	0
TOTAL	$19,272	($20,840)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 87,021	($ 4,773)
Net difference between projected and actual investment earnings on pension plan investments	0	(160,997)
Changes of assumptions	179,356	(39,092)
Changes in proportion and differences between contributions and proportionate share of contributions	32,343	(11,812)
Contributions subsequent to the measurement date	42,519	0
TOTAL	$ 341,239	($216,675)

Total	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 87,021	($ 25,613)
Net difference between projected and actual investment earnings on pension plan investments	0	(160,997)
Changes of assumptions	179,356	(39,092)
Changes in proportion and differences between contributions and proportionate share of contributions	32,343	(11,812)
Contributions subsequent to the measurement date	61,791	0
TOTAL	$ 360,511	($237,515)

Deferred outflows of resources related to pensions resulting from WSSDA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3
2024	(14,178)	(70,719)
2025	(17,831)	(90,821)
2026	10,994	138,986
2027	175	54,255
2028	-	50,007
Thereafter	-	2,126
Total	**($20,840)**	**$83,832**

Note 8 – Other Post-Employment Benefits (OPEB) Plans

Background

Beginning in 2018, WSSDA implemented Governmental Accounting Standards Board (GASB) Statement No. 75 for other post-employment benefits (OPEB) offered to retirees. This standard addresses how WSSDA should account for and report their costs related to postemployment health care and other non-pension benefits. GASB 75 requires WSSDA to accrue the cost of the retiree health subsidy and other post-employment benefits during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on WSSDA.

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2023:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	$ 960,054
OPEB assets	-
Deferred outflows of resources	$ 22,363
Deferred inflows of resources	-
OPEB expenses/expenditures	$ 153,325

OPEB Plan Description

WSSDA provides medical benefits through the Public Employees Benefit Board (PEBB) administered by the Health Care Authority. The multi-employer plan provides healthcare insurance for eligible retirees and their dependents. The eligible retirees can choose to participate in the plan and pay 100% of the cost. Entities that belong to PEBB have an OPEB liability related to the implicit rate subsidy for insurance offered to retirees. WSSDA funds this subsidy on a pay-as-you-go basis and there are no assets accumulated.

Employees covered by benefit terms

At December 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	0
Active employees	14
Total	27

Actuarial Methods and Assumptions

WSSDA used the Alternative Measurement Method (AMM) permitted under GASB Statement No. 75, prepared by the Office of the State Actuary (OSA). The valuation and measurement date for the OPEB Actuarial Valuation is June 30, 2022.

A complete copy of the Other Post-Employment Benefits Actuarial Valuation report may be obtained by writing to: The Office of State Actuary, P.O. Box 40914, Olympia, WA 98504-0914; or it may be downloaded from the OSA website at www.osa.leg.wa.gov.

OSA used the following assumptions in developing the OPEB liability

- Inflation of 2.35%
- Healthcare cost trend initial rate ranges from 2% to 16%; reaching an ultimate rate of approximately 3.8% in 2075
- Projected salary changes are at 3.25% plus service-based increases
- Mortality rates are based on the PubG.H-2010 (General) with an age setback of 0 year, mortality improvements are based on MP-2017 Long Term Rates and a generational projection period.
- The discount rate at the beginning of the measurement year was 3.54% compared to the end of the measurement year of 3.65%
- Post-retirement participation percentage of 60%
- Percentage with spouse coverage of 45%

The Specific assumptions used for the AMM were reasonable and are as follows:

- 3/4 of members select a UMP plan and 1/4 select a Kaiser Permanente (KP) plan.
    - UMP pre- and post-Medicare costs and premiums are equal to the Uniform Medical Plan (UMP) Classic.
    - The KP pre-Medicare costs and premiums are a 40/60 blend of KP WA Classic and KP WA Value.
    - The KP post-Medicare costs and premiums are equal to KP WA Medicare.
- Estimated retirement service for each active cohort based on the average entry age of 35, with a minimum service of 1 year.
- Assumptions for retirement, disability, termination, and mortality are consistent with the most recent PEBB OPEB valuation as of the publication date of the PEBB – AAM Online tool. OSA made the following changes for simplicity:

    - Based on an average expected retirement age of 65, OSA applied active mortality rates for ages less than 65 and retiree mortality rates for ages 65+.
- Each cohort is assumed to be a 50/50 male/female split.
- OSA assumes 45% likelihood that current (and future) retirees cover a spouse.
    - OSA also assumes that eligible spouses are the same age as the primary retiree.
- Selected the age-based cohorts for the AMM tool based upon the overall distribution of State employees and retirees that participate in PEBB.
- Dental benefits were not included when calculating the Total OPEB Liability.

The following presents the total OPEB liability of WSSDA calculated using the current healthcare cost trend rate of 6.8 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8%) or 1-percentage point higher (7.8%) that the current rate.

	1% Decrease (5.8%)	Current Healthcare Cost Trend Rate (6.8%)	1% Increase (7.8%)
Total OPEB Liability	$842,928	$960,054	$1,106,150

The following presents the total OPEB liability of WSSDA calculated using the discount rate of 3.65 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1- percentage point lower (2.65%) or 1-percentage point higher (4.65%) that the current rate.

	1% Decrease (2.65%)	*Current Discount Rate (3.65%)*	*1% Increase (4.65%)*
Total OPEB Liability	$1,092,150	$960,054	$851,593

Changes in the Total OPEB Liability

Plan Name	
Total OPEB Liability at 01/01/2023	*$ 1,163,073*
Service cost	*22,130*
Interest	*41,084*
Changes of benefit terms	*-*
**Changes in Experience Data and Assumptions*	*(216,539)*
Benefit payments	*(49,694)*
Other changes	*-*
Total OPEB Liability at 12/31/2023	*$ 960,054*

The measurement and valuation date was June 30, 2023.

At December 31, 2023, WSSDA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	$ -	$ -
Payments subsequent to the measurement date	$ 22,363	$ -
TOTAL	$ 22,363	$

Note 9 – Risk Management

The Association is a member of United Schools Insurance Program. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1985, when 29 school districts in the state of Washington joined together by signing a Joint Purchasing Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. **Membership as of August 31, 2023 includes 157 school districts.**

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

Liability insurance is subject to a **self-insured retention of $500,000**. Members are responsible for a $1,000 deductible for each claim (member deductibles may vary), while the program is responsible for the **$500,000 self-insured retention** (SIR). Insurance carriers cover insured losses over **$501,000** to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the **$500,000 SIR**. The program also purchases a stop loss policy with an **attachment point of $3,502,652,** as an additional layer of protection for its members.

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

Privacy, Security, and Technology (Cyber) insurance is subject to a per occurrence **SIR of $250,000**. Members are responsible for a $10,000 deductible for each claim, while the program is responsible for the **remaining $240,000**.

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

The program is fully funded by its member participants. Claims are filed by members with Clear Risk Solutions, which has been contracted to perform program administration, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending **August 31, 2023, were $1,702,393.**

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

Washington State School Directors' Association
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Washington State School Directors' Association (WSSDA) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

1.A. Reporting Entity

WSSDA is a self-governed and self-funded state agency organized pursuant to Chapter 28A.345 Revised Code of Washington (RCW) for the purpose of providing leadership for the continual improvement of the public school system to assure effective learning for all students and that school board members develop their skills and acquire the knowledge necessary to fulfill their responsibilities. Oversight responsibility for WSSDA's operation is vested with the independently elected Board of Directors. Fiscal responsibility, including budget authority, also rests with the Board of Directors.

1.B. Basis of Presentation, Measurement Focus and Basis of Accounting

The accounting records of WSSDA are maintained and reported in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. WSSDA has elected to report as a single-enterprise proprietary fund and uses the accrual basis of accounting.

1.C. Measurement Focus and Basis of Accounting

WSSDA's financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.
The proprietary fund is composed of a number of programs. These programs are designed to provide school board directors with the tools and skills to effectively govern and advocate for public education.

Proprietary funds are used to account for activities that are operated in a manner similar to private enterprise business. Under this method revenues are recognized when earned and expenses are recognized when incurred regardless of the timing of the cash flows. Capital asset purchases are capitalized, and long-term liabilities are accounted for in the fund.

1.D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1.D.1. Cash and investments of WSSDA are reported on the accompanying *Statement of Net Position* as "Cash and Investments." WSSDA invests cash balances where funds can be disbursed at any time without prior notice or penalty. Additional disclosure describing investments is provided in Note 2.

1.D.2. Receivables are amounts owed to WSSDA consisting of outstanding invoices from school districts for membership dues, conference fees, workshops, and purchases of goods and services. Receivables are recorded when either the asset or revenue recognition criteria (refer to Note 1.C) have been met. All receivables are reported net of an allowance for accounts estimated to be uncollectible.

1.D.3. Prepaid items are those certain types of supplies and/or services (not inventory) that are acquired or purchased during an accounting period but not used or consumed during that accounting period. The portion of supplies or services consumed or used during a period is recorded as an expense. The balance that remains is reported as an asset until consumed or used.

1.D.4. Capital Assets are defined by WSSDA as assets with an initial individual cost of $5,000 or more and an estimated useful life of greater than one year. Such assets are recorded at historical cost if purchase or constructed, or estimated historical cost if actual cost is unknown. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

- Land………………………Not depreciated
- Land Improvements……..……10-25 years
- Building…………………………..50 years
- Building Improvements………10-25 years
- Furniture and fixtures…………….10 years
- Machinery and equipment……….6-7 years

1.D.5. Deferred Outflows/Inflows of Resources

In addition to assets, the *Statement of Net Position* reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund equity that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The category of deferred outflow of resources reported in the government-wide *Statement of Net Position* relates to pensions.

Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in WSSDA's proportionate share of the state's net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. WSSDA's contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

In addition to liabilities, the *Statement of Net Position* reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund equity that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported by WSSDA relate to pensions.

Deferred inflows on pensions are recorded when projected earnings on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in WSSDA's proportionate share of the state's net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

1.D.6. Compensated Absences is the cash value of the staff accrued vacation leave, accrued compensatory time, and accrued sick leave. The amount of the compensated absences liability is based on each employee's salary at the financial statement date.

- **Vacation Leave –** Employees accrue vested vacation leave at a variable rate based on years of service. In general, accrued vacation leave cannot exceed 240 hours at the employee's anniversary date. Employee vacation accrual is payable upon resignation, retirement, or death. Actual compensation is based upon the employee's salary at the time of separation.

- **Compensatory Time –** Employees not exempt from the Fair Labor Standards Act (FLSA) who work more than 40 hours in a week shall be paid at the rate of time and one-half. At the employee's election, compensatory time may be awarded in lieu of time and one-half pay.

- **Sick Leave –** Employees accrue sick leave at the rate of one day per month without limitation on the amount that can be accumulated. Sick leave is not vested, i.e., WSSDA does not pay employees for unused sick leave upon termination except upon the employee's death or retirement. At death or retirement, WSSDA is liable for 25 percent of the employee's accumulated sick leave.

In addition, WSSDA has a sick leave buyout option in which, each January, employees who accumulate sick leave in excess of 480 hours may redeem sick leave earned but not taken during the previous year at the rate of one day's pay in exchange for each four days of sick leave.

WSSDA reports compensated absences obligations as liabilities on the *Statement of Net Position*

1.D.7. Long-Term Liabilities

In the government-wide financial statements, long-term obligations of WSSDA are reported as liabilities on the *Statement of Net Position*.

See Note 5, Long-Term Liabilities for more information.

1.D.8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1.D.9. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

1.D.10. Unearned Revenue

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met.

1.D.11. Net Position Classification

For government-wide reporting, fund equity is called "net position." Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- **Net investment in capital assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

- **Restricted** net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

- **Unrestricted** net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is WSSDA's policy to use restricted resources first and then use unrestricted resources as they are needed.

1.E. Other Information

Risk Management. WSSDA is insured to cover losses, and such coverage is required by the Association's bylaws and operating policies. Insurance coverage includes the following:
- Surety Bonds for personnel designated to handle the funds of the Association.
- Liability insurance that supplements the self-insurance protection available through the state's insurance revolving fund.
- Insurance to cover the Board of Directors, officers, or employees related to the performance of or failure of performance of such director, officer, or employee.
- Property insurance for loss or damage to its real and personal property.

There have been no material claims made against WSSDA this past year.

Note 2 – Deposits and Investments

WSSDA's deposits and investments, as required by state law, are invested in accounts at WSSDA's custodial bank entirely covered by the Federal Deposit Insurance Corporation (FDIC) and held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission. This amount is classified as Cash, Cash Equivalents, and Investments on the *Statement of Net Position,* and as Cash and Investments on the *Balance Sheet*.

All deposits and investments are insured, registered, and held in WSSDA's name. The interest from the investments is reported as Interest Income under the General Revenues category on the *Statement of Activities* and the *Statement of Revenues, Expenses, and Changes in Fund Balance*.

As of December 31, 2022, WSSDA had the following deposits and investments:

Investment Type	Amortized Cost	Maturity
Bank Checking Account		$ 192,939
Money Market Account		2,517,244
Total Deposits and Investments		**$2,710,183**

Note 3 – Receivables and Unearned Revenues

3.A. Receivables

Receivables on December 31 consisted of the following:

Receivables	2022	2021	Amount Increase (Decrease)
Annual Conference	$ 14,385	$ 20,560	($ 6,175)
Other Receivables	99,228	87,591	11,637
Total Receivables	**$113,613**	**$108,151**	**($ 5,462)**

3.B. Unearned Revenues

A breakdown of Unearned Revenues at December 31 is as follows:

Unearned Revenues	2022	2021	Amount Increase (Decrease)
Jack Kirk Program	$3,000	$2,000	$1,000
Prepaid exhibitor registration for Annual Conference	11,100	4,750	6,350
Total Unearned Revenues	**$14,100**	**$6,750**	**$7,350**

Note 4 – Capital Assets

The following is a summary of capital asset activity for the year ended December 31, 2022:

Capital Assets	Jan. 1, 2022	Additions	Deletions	Dec. 31, 2022
Capital Assets, not being depreciated:				
Land (225 College St. NE)	$368,700			$368,700
Capital Assets, being depreciated:				
Land Improvements	298,305	-	-	298,305
Accumulated Depreciation	(7,758)	(14,915)	-	(22,673)
Net Land Improvements	290,547	(14,915)	-	275,632

Building (225 College St. NE)	3,934,971	-	-	3,934,971
Accumulated Depreciation	(57,385)	(98,374)	-	(155,759)
Net Building	3,877,586	(98,374)	-	3,779,212
Furnishings and Equipment	141,025	-	-	141,025
Accumulated Depreciation	(22,601)	(13,824)	-	(36,425)
Net Furnishings and Equipment	118,424	(13,824)	-	104,600
Total Capital Assets, being depreciated, net	4,286,577	(127,113)	-	4,159,444
Capital Assets, Net	**4,655,257**	**(127,113)**	**-**	**4,528,144**

Note 5 – Long-Term Liabilities

Long-term liability activity at December 31, 2022, as follows:

	Beginning Balance Jan. 1, 2022	Additions	Reductions	Ending Balance Dec. 31, 2022	Amount Due Within One Year
Compensated Absences	142,755	126,745	144,727	124,773	52,297
Loan Payable	1,921,438		34,936	1,886,502	35,795
Net Pension Liability	111,621	111,323		222,944	-
OPEB Liability	1,329,042		165,969	1,163,073	42,224
Total Other Liabilities	**3,504,856**	**238,068**	**345,632**	**3,397,292**	**130,316**

The Association acquired a loan of $1,955,000 from Kitsap Bank to partially fund the construction of a new headquarters building. The maturity date of the loan will take place in March of 2051, and the interest rate on the loan is 5.04%. The loan is secured by the building and related real property. Upon an event of default, the lender may exercise the right to withhold further disbursement of loan funds, accelerate repayment of the loan, or acquire the real property through foreclosure process.

The Association was required to spend an amount equal to the loan on the project from its resources prior to drawing on the loan. In February 2021, the project was satisfactory complete, the final draw on the loan was made, the Association started making its monthly payments of $10,654.53 for next 360 months. The table below shows the repayment schedule for this loan.

Year(s) Ending	Principal	Interest	Total
2023	$33,195	$97,034	$130,229
2024	34,615	93,239	127,854
2025	36,674	91,180	127,854
2026	38,573	89,281	127,854
2027	40,571	87,283	127,854
2028-2032	236,120	403,152	639,272
2033-2037	304,255	335,017	639,272
2038-2042	391,671	247,601	639,272
2043-2047	504,206	135,066	639,272
2048-2050	266,622	15,776	282,398
	$1,886,502	$1,594,629	$3,481,131

Note 6 – Leases

A. Operating Leases

The Association leases one Ricoh copier under a non-cancelable operating lease. Total cost for such leases was $10.336.59 for the year ended December 31, 2022. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2023	$2.340.36
2024	$2.340.36
2025	$2.340.36
2026	$2.340.36
2027	$975.15

Note 7 – Pension Plans

The following table represents the aggregate pension amounts for all plans for the year 2022:

Aggregate Pension Amounts – All Plans	
Pension liabilities	($222,944)
Pension assets	$388,384
Deferred outflows of resources related to pensions	$433,899
Deferred inflows of resources related to pensions	($406,509)
Pension Expense/Expenditures	($42,678)

State Sponsored Pension Plans

Substantially all WSSDA's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), 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.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee**
January – August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	**10.25%**	**6.00%**

September – December 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	**10.39%**	**6.00%**

PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

<u>Contributions</u>

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2 only**
January – August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**10.25%**	**6.36%**
September – December 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**10.39%**	**6.36%**

The employee contribution to Plan 3 varies depending on the contribution rate chosen by the employee.

WSSDA's actual PERS plan contributions were $51,561 to PERS Plan 1 UAAL and $87,255 to PERS Plan 2/3 for the year ended December 31, 2022.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation

- **Salary increases**: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.

- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.00 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.00 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.00 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents WSSDA's proportionate share* of the net pension liability calculated using the discount rate of 7.0 percent, as well as what WSSDA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	297,850	222,944	157,569
PERS 2/3	457,372	(388,384)	(1,083,226)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, WSSDA's reported its proportionate share of the net pension liabilities as follows.

	Liability (or Asset)
PERS 1	$222,944
PERS 2/3	($388,384)

At June 30, WSSDA's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	0.008007%	0.009140%	- 0.001133%
PERS 2/3	0.010472%	0.011761%	- 0.001289%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for both PERS Plan 1 and Plan 2/3.

Pension Expense

For the year ended December 31, 2022, WSSDA recognized pension expense as follows:

	Pension Expense
PERS 1	$73,269
PERS 2/3	(127, 631)
TOTAL	($54,362)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, WSSDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$0	($36,948)
Contributions subsequent to the measurement date	26,857	0
TOTAL	$26,857	($36,948)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 96,232	($ 8,792)
Net difference between projected and actual investment earnings on pension plan investments	0	(287,135)
Changes of assumptions	216,470	(56,680)
Changes in proportion and differences between contributions and proportionate share of contributions	49,359	(16,954)
Contributions subsequent to the measurement date	44,905	0
TOTAL	$ 406,966	($369,561)

Total	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 96,232	($ 8,792)
Net difference between projected and actual investment earnings on pension plan investments	0	(324,083)
Changes of assumptions	216,470	(56,680)
Changes in proportion and differences between contributions and proportionate share of contributions	49,359	(16,954)
Contributions subsequent to the measurement date	71,762	0
TOTAL	$ 433,823	($406,509)

Deferred outflows of resources related to pensions resulting from WSSDA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3
2022	(15,636)	(76,859)
2023	(14,201)	(73,532)
2024	(17,815)	(93,713)
2025	10,704)	137,149
2026	-	52,022
Thereafter	-	47,434
Total	**($36,948)**	**(7,500)**

Note 8 – Other Post-Employment Benefits (OPEB) Plans

Background

Beginning in 2018, WSSDA implemented Governmental Accounting Standards Board (GASB) Statement No. 75 for other post-employment benefits (OPEB) offered to retirees. This standard addresses how WSSDA should account for and report their costs related to postemployment health care and other non-pension benefits. GASB 75 requires WSSDA to accrue the cost of the retiree health subsidy and other post-employment benefits during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on WSSDA.

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2022:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	$ 1,163,073
OPEB assets	-
Deferred outflows of resources	$ 21,112
Deferred inflows of resources	-
OPEB expenses/expenditures	$ 129,387

OPEB Plan Description

WSSDA provides medical benefits through the Public Employees Benefit Board (PEBB) administered by the Health Care Authority. The single-employer plan provides healthcare insurance for eligible retirees and their dependents. The eligible retirees can choose to participate in the plan and pay 100% of the cost. Entities that belong to PEBB have an OPEB liability related to the implicit rate subsidy for insurance offered to retirees. WSSDA funds this subsidy on a pay-as-you-go basis and there are no assets accumulated.

Employees covered by benefit terms

At December 31, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	0
Active employees	16
Total	29

Actuarial Methods and Assumptions

WSSDA used the Alternative Measurement Method (AMM) permitted under GASB Statement No. 75, prepared by the Office of the State Actuary (OSA). The valuation and measurement date for the OPEB Actuarial Valuation is June 30, 2022.

A complete copy of the Other Post-Employment Benefits Actuarial Valuation report may be obtained by writing to: The Office of State Actuary, P.O. Box 40914, Olympia, WA 98504-0914; or it may be downloaded from the OSA website at www.osa.leg.wa.gov.

OSA used the following assumptions in developing the OPEB liability

- Inflation of 2.75%
- Healthcare cost trend initial rate is approximately 7% then trends down to about 5% in 2022
- Projected salary changes are at 3.5% plus service-based increases
- The implicit subsidy is based on claims experience for employees and non-Medicare eligible retirees being pooled when determining premiums.
- Mortality rates are based on the Healthy RP-2000 tables with an age setback of 1 year, mortality improvements of 100% Sale BB and generational projection period.
- The discount rate at the beginning of the measurement year was 3.50% compared to the end of the measurement year of 2.21%
- Post-retirement participation percentage of 65%
- Percentage with spouse coverage of 45%

The Specific assumptions used for the AMM were reasonable and are as follows:

- 2/3 of members select a UMP plan and 1/3 select a Kaiser Permanente (KP) plan.
    - UMP pre- and post-Medicare costs and premiums are equal to the Uniform Medical Plan (UMP) Classic.
    - The KP pre-Medicare costs and premiums are a 50/50 blend of KP WA Classic and KP WA Value.
    - The KP post-Medicare costs and premiums are equal to KP WA Medicare.
- Estimated retirement service for each active cohort based on the average entry age of 35, with a minimum service of 1 year.
- Assumptions for retirement, disability, termination, and mortality are consistent with the most recent PEBB OPEB valuation as of the publication date of the PEBB – AAM Online tool. OSA made the following changes for simplicity:
    - OSA assumed Plan 2 decrement rates.
    - OSA assumed all employees are retirement eligible at age 55, all employees retire at the age of 70.

    - Based on an average expected retirement age of 65, OSA applied active mortality rates for ages less than 65 and retiree mortality rates for ages 65+.
- Each cohort is assumed to be a 50/50 male/female split. Assumed that eligible spouses are the same age as the primary member.
- OSA assumes 45% likelihood that current (and future) retirees cover a spouse.
- Selected the age-based cohorts for the AMM tool based upon the overall distribution of State employees and retirees that participate in PEBB.
- Dental benefits were not included when calculating the Total OPEB Liability. Dental benefits represent less than two percent of the accrued benefit.

The following presents the total OPEB liability of WSSDA calculated using the current healthcare cost trend rate of 6.8 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8%) or 1-percentage point higher (7.8%) that the current rate.

	1% Decrease (5.8%)	Current Healthcare Cost Trend Rate (6.8%)	1% Increase (7.8%)
Total OPEB Liability	$1.004,177	$1,163,073	$1,364,395

The following presents the total OPEB liability of WSSDA calculated using the discount rate of 3.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1- percentage point lower (2.5%) or 1-percentage point higher (4.5%) that the current rate.

	1% Decrease (2.5%)	*Current Discount Rate (3.5%)*	*1% Increase (4.5%)*
Total OPEB Liability	$1,342,875	$1,163,073	$1,017,368

Changes in the Total OPEB Liability

Plan Name	
Total OPEB Liability at 01/01/2022	*$ 1,329,042*
Service cost	*41,537*
Interest	*29,212*
Changes of benefit terms	*-*
**Changes in Experience Data and Assumptions*	*(200,136)*
Benefit payments	*(36,582)*
Other changes	*-*
Total OPEB Liability at 12/31/2022	*$ 1,163,073*

The measurement and valuation date was June 30, 2022.

At December 31, 2022, WSSDA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	$ -	$ -
Payments subsequent to the measurement date	$ 21,557	$ -
TOTAL	$ 21,557	$

Note 9 – Risk Management

The Association is a member of United Schools Insurance Program. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1985, when 29 school districts in the state of Washington joined together by signing a Joint Purchasing Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. **Membership as of August 31, 2022 includes 157 school districts.**

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

Liability insurance is subject to a **self-insured retention of $350,000**. Members are responsible for a $1,000 deductible for each claim (member deductibles may vary), while the program is responsible for the **$350,000 self-insured retention** (SIR). Insurance carriers cover insured losses over **$351,000** to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the **$350,000 SIR**. The program also purchases a stop loss policy with an **attachment point of $3,198,245,** as an additional layer of protection for its members.

Property insurance is subject to a per-occurrence **SIR of $350,000**. Members are responsible for a $1,000 deductible for each claim (member deductibles may vary), while the program is responsible for the **$351,000 SIR**. Equipment Breakdown insurance is subject to a per-occurrence pool retention of $10,000. Members are responsible for a $2,500 deductible each claim, while the program is responsible for the remaining $7,500.

Privacy, Security, and Technology (Cyber) insurance is subject to a per occurrence **SIR of $250,000**. Members are responsible for a $10,000 deductible for each claim, while the program is responsible for the **remaining $240,000**.

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

The program is fully funded by its member participants. Claims are filed by members with Clear Risk Solutions, which has been contracted to perform program administration, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending **August 31, 2022, were $1,726,508.**

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

REQUIRED SUPPLEMENTARY INFORMATION

Washington State School Directors' Association
Schedule of Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Pension Plan 1
As of June 30 2023
Last 10 Fiscal Years*

		2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.008093%	0.008007%	0.009140%	0.007793%	0.008054%	0.875800%	0.010135%	0.008754%	0.008593%
Employer's proportionate share of the net pension liability	$	184,742	222,944	111,621	275,135	309,705	391,135	480,914	470,131	449,494
TOTAL	$	184,742	222,944	111,621	275,135	309,705	391,135	480,914	470,131	449,494
Covered payroll**	$	1,440,941	1,322,768	1,296,559	1,242,725	1,179,488	1,163,818	1,174,571	956,332	904,984
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	12.82%	16.85%	8.61%	22.14%	26.26%	33.61%	40.94%	49.16%	49.67%
Plan fiduciary net position as a percentage of the total pension liability	%	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

Notes to Schedule:
*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION

Washington State School Directors' Association
Schedule of Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Pension Plans 2 & 3
As of June 30 2023
Last 10 Fiscal Years*

		2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.010423%	0.010472%	0.011761%	0.010146%	0.010392%	0.011297%	0.011173%	0.009623%	0.009479%
Employer's proportionate share of the net pension liability	$	(427,206)	(388,384)	(1,171,585)	129,762	100,942	192,886	388,208	484,510	338,690
TOTAL	$	(427,206)	(388,384)	(1,171,585)	129,762	100,942	192,886	388,208	484,510	338,690
Covered payroll	$	1,440,941	1,322,768	1,296,559	1,242,725	1,179,488	1,163,818	1,095,356	891,736	840,948
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	-29.65%	-29.36%	-90.36%	10.44%	8.56%	16.57%	35.44%	54.33%	40.27%
Plan fiduciary net position as a percentage of the total pension liability	%	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:
*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION

Washington State School Directors' Association
Schedule of Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Pension Plan 1
As of June 30 2022
Last 10 Fiscal Years*

		2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.008007%	0.009140%	0.007793%	0.008054%	0.875800%	0.010135%	0.008754%	0.008593%
Employer's proportionate share of the net pension liability	$	222,944	111,621	275,135	309,705	391,135	480,914	470,131	449,494
TOTAL	$	222,944	111,621	275,135	309,705	391,135	480,914	470,131	449,494
Covered payroll**	$	1,322,768	1,296,559	1,242,725	1,179,488	1,163,818	1,174,571	956,332	904,984
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	16.85%	8.61%	22.14%	26.26%	33.61%	40.94%	49.16%	49.67%
Plan fiduciary net position as a percentage of the total pension liability	%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

Notes to Schedule:
*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION

Washington State School Directors' Association
Schedule of Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Pension Plans 2 & 3
As of June 30 2022
Last 10 Fiscal Years*

		2021	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.010472%	0.011761%	0.010146%	0.010392%	0.011297%	0.011173%	0.009623%	0.009479%
Employer's proportionate share of the net pension liability	$	(388,384)	(1,171,585)	129,762	100,942	192,886	388,208	484,510	338,690
TOTAL	$	(388,384)	(1,171,585)	129,762	100,942	192,886	388,208	484,510	338,690
Covered payroll	$	1,322,768	1,296,559	1,242,725	1,179,488	1,163,818	1,095,356	891,736	840,948
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	-29.36%	-90.36%	10.44%	8.56%	16.57%	35.44%	54.33%	40.27%
Plan fiduciary net position as a percentage of the total pension liability	%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:
*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION

Washington State School Directors' Association
Schedule of Employer Contributions
Public Employees' Retirement System (PERS) Pension Plan 1
For the year ended December 31, 2023
Last 10 Fiscal Years*

		2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$	47,566	51,561	56,684	61,384	60,377	58,741	60,655	54,972	44,094
Contributions in relation to the statutorily or contractually required contributions	$	(47,566)	(51,561)	(56,684)	(61,384)	(60,377)	(58,741)	(60,655)	(54,972)	(44,094)
Contribution deficiency (excess)	$	0	0	0	0	0	0	0	0	0
Covered payroll	$	1,396,208	1,371,927	1,294,216	1,279,451	1,221,437	1,160,181	1,181,891	1,064,307	924,796
Contributions as a percentage of covered payroll	%	3.41%	3.76%	4.38%	4.80%	4.94%	5.06%	5.13%	5.17%	4.77%

Notes to Schedule:
*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION

Washington State School Directors' Association
Schedule of Employer Contributions
Public Employees' Retirement System (PERS) Pension Plans 2 & 3
For the year ended December 31, 2023
Last 10 Fiscal Years*

		2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$	89,849	87,255	93,971	101,333	94,320	87,013	78,156	62,102	48,471
Contributions in relation to the statutorily or contractually required contributions	$	(89,849)	(87,255)	(93,971)	(101,333)	(94,320)	(87,013)	(78,156)	(62,102)	(48,471)
Contribution deficiency (excess)	$	0	0	0	0	0	0	0	0	0
Covered payroll	$	1,396,208	1,371,927	1,294,216	1,279,451	1,221,437	1,160,181	1,137,385	996,824	861,915
Contributions as a percentage of covered payroll	%	6.44%	6.36%	7.26%	7.92%	7.72%	7.50%	6.87%	6.23%	5.62%

Notes to Schedule:
*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION

Washington State School Directors' Association
Schedule of Employer Contributions
Public Employees' Retirement System (PERS) Pension Plan 1
For the year ended December 31, 2022
Last 10 Fiscal Years*

		2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$	51,561	56,684	61,384	60,377	58,741	60,655	54,972	44,094
Contributions in relation to the statutorily or contractually required contributions	$	(51,561)	(56,684)	(61,384)	(60,377)	(58,741)	(60,655)	(54,972)	(44,094)
Contribution deficiency (excess)	$	0	0	0	0	0	0	0	0
Covered payroll	$	1,371,927	1,294,216	1,279,451	1,221,437	1,160,181	1,181,891	1,064,307	924,796
Contributions as a percentage of covered payroll	%	3.76%	4.38%	4.80%	4.94%	5.06%	5.13%	5.17%	4.77%

Notes to Schedule:
*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION

Washington State School Directors' Association
Schedule of Employer Contributions
Public Employees' Retirement System (PERS) Pension Plans 2 & 3
For the year ended December 31, 2022
Last 10 Fiscal Years*

		2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$	87,255	93,971	101,333	94,320	87,013	78,156	62,102	48,471
Contributions in relation to the statutorily or contractually required contributions	$	(87,255)	(93,971)	(101,333)	(94,320)	(87,013)	(78,156)	(62,102)	(48,471)
Contribution deficiency (excess)	$	0	0	0	0	0	0	0	0
Covered payroll	$	1,371,927	1,294,216	1,279,451	1,221,437	1,160,181	1,137,385	996,824	861,915
Contributions as a percentage of covered payroll	%	6.36%	7.26%	7.92%	7.72%	7.50%	6.87%	6.23%	5.62%

Notes to Schedule:
*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION

Washington State School Directors' Association
Schedule of Changes in Total OPEB Liability and Related Ratios
Public Employees Benefits Board (PEBB) - Health Plan
For the year ended December 31, 2023
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning	$ 1,163,073	$ 1,329,042	$ 1,515,322	$ 1,316,859	$ 1,540,626	$ 1,560,845
Service cost	22,130	41,537	45,084	35,300	34,922	40,297
Interest	41,084	29,212	33,987	46,567	59,963	56,503
Changes in benefit terms	0	0	0	0	0	0
Differences between expected and actual experience	(216,539)	(200,136)	(220,035)	160,308	(265,924)	(70,933)
Changes of assumptions	0	0	0	0	0	0
Benefit payments	(49,694)	(36,582)	(45,316)	(43,712)	(52,728)	(46,086)
Other changes	0	0	0	0	0	0
Total OPEB liability - ending	960,054	1,163,073	1,329,042	1,515,322	1,316,859	1,540,626
Covered-employee payroll	1,396,208	1,371,927	1,294,216	1,279,451	1,221,437	1,160,181
Total OPEB liability as a % of covered payroll	68.76%	84.78%	102.69%	118.44%	107.81%	132.79%

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

REQUIRED SUPPLEMENTARY INFORMATION

Washington State School Directors' Association
Schedule of Changes in Total OPEB Liability and Related Ratios
Public Employees Benefits Board (PEBB) - Health Plan
For the year ended December 31, 2022
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018
Total OPEB liability - beginning	$ 1,329,042	$ 1,515,322	$ 1,316,859	$ 1,540,626	$ 1,560,845
Service cost	41,537	45,084	35,300	34,922	40,297
Interest	29,212	33,987	46,567	59,963	56,503
Changes in benefit terms	0	0	0	0	0
Differences between expected and actual experience	(200,136)	(220,035)	160,308	(265,924)	(70,933)
Changes of assumptions	0	0	0	0	0
Benefit payments	(36,582)	(45,316)	(43,712)	(52,728)	(46,086)
Other changes	0	0	0	0	0
Total OPEB liability - ending	1,163,073	1,329,042	1,515,322	1,316,859	1,540,626
Covered-employee payroll	1,371,927	1,294,216	1,279,451	1,221,437	1,160,181
Total OPEB liability as a % of covered payroll	84.78%	102.69%	118.44%	107.81%	132.79%

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

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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- Toll-free Citizen Hotline: (866) 902-3900
- Email: webmaster@sao.wa.gov