



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Highline School District No. 401

For the period September 1, 2021 through August 31, 2022

Published November 6, 2023

Report No. 1033569



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

November 6, 2023

Board of Directors
Highline School District No. 401
Burien, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Highline School District No. 401's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Highline School District No. 401 September 1, 2021 through August 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Highline School District No. 401 are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
84.010	Title I Grants to Local Educational Agencies
84.027	Special Education Cluster (IDEA) - Special Education Grants to States
84.027	COVID-19 – Special Education Cluster (IDEA) - Special Education Grants to States
84.173	Special Education Cluster (IDEA) - Special Education Preschool Grants
84.173	COVID-19 – Special Education Cluster (IDEA) - Special Education Preschool Grants
84.425	COVID-19 – Education Stabilization Fund

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$1,420,918.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2022-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Highline School District No. 401 September 1, 2021 through August 31, 2022

2022-001 The District did not have adequate internal controls for ensuring compliance with federal wage rate requirements.

Assistance Listing Number and Title:	84.425, COVID-19 – Education Stabilization Fund
Federal Grantor Name:	U.S. Department of Education
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Office of Superintendent of Public Instruction
Pass-through Award/Contract Number:	COVID-19, 84.425W-0459544 COVID-19, 84.425W-0459014 COVID-19, 84.425U-0140613 COVID-19, 84.425U-0140072 COVID-19, 84.425U-0140021 COVID-19, 84.425D-0120523 COVID-19, 84.425D-0138183 COVID-19, 84.425D-0137204 COVID-19, 84.425D-0120128 COVID-19, 84.425U-0712015
Known Questioned Cost Amount:	\$0
Prior Year Audit Finding:	N/A

Background

The objectives of the Education Stabilization Fund (ESF) program are to prevent, prepare for, and respond to the COVID-19 pandemic. In fiscal year 2022, the District spent \$20,271,990 in federal funding under its ESF awards. This included \$20,191,081 in the Elementary and Secondary School Emergency Relief (ESSER II) Fund subprogram (84.425D), \$49,173 in the American Rescue Plan Elementary and School Emergency Relief (ARP ESSER/ESSER III) subprogram (84.425U), and \$31,736 in the American Rescue Plan Elementary and Secondary

School Emergency Relief – Homeless Children and Youth (ARP-HCY) subprogram (84.425W).

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

Under federal wage rate requirements, also known as the Davis-Bacon Act, contractors and subcontractors that work on projects financed with more than \$2,000 of federal money must pay laborers and mechanics wage rates that the U.S. Department of Labor considers being similar to what local workers have been paid for similar projects.

For construction contracts subject to these wage rate requirements, the District must include a provision that the contractors and subcontractors comply with those requirements and the Department of Labor's regulations. This includes a requirement for the contractor and its subcontractor to submit to the District weekly, for each week in which any contract work is performed, certified payroll reports. These reports must include a copy of the payroll and a signed statement of compliance.

Description of Condition

During the 2021–22 school year, the District paid \$3,073,462 from its ESSER II and ESSER III awards to one contractor. This contractor upgraded some of the District's antiquated heating, ventilation and air conditioning systems to improve air quality and circulation to prevent the spread of COVID-19.

Our audit found that the District did not have adequate internal controls for ensuring compliance with federal prevailing wage rate requirements. Specifically, the District did not collect and review weekly certified payroll reports from the contractor to confirm it paid laborers proper prevailing wages.

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

Cause of Condition

District staff were aware of state prevailing wage requirements. However, since this was the first construction project the District paid for with federal funds, staff were unaware of the federal requirement to obtain weekly certified payroll reports.

Effect of Condition

Without adequate internal controls that ensure it collects all weekly certified payroll reports, the District cannot demonstrate it complied with federal wage rate requirements. The District could be liable for paying any additional wages if the contractor and its subcontractors did not pay prevailing wage rates to laborers working on the contract.

During the audit period, the District was required to collect certified payroll reports from one contractor. We found that the District did not obtain any of the weekly certified payroll reports.

Recommendation

We recommend the District develop internal controls that ensure compliance with federal prevailing wage rate requirements. This should include implementing an effective monitoring process to collect and review all weekly certified payroll reports in a timely manner from contractors and subcontractors.

District's Response

The District stewards public resources carefully and takes pride in developing and maintaining strong internal controls. The District has already made adjustments in response to this finding to ensure compliance for Federally funded construction projects. Going forward, the District will also ensure staff are appropriately trained on these requirements.

The context of this finding is that the District had established internal controls to check for compliance with state prevailing wage requirements. Until 2021-22, the District very rarely utilized Federal funds for public works contracts, and thus the unique and complex nature of these Federal resources and the requirements around their use were unanticipated. When made aware of this oversight during the audit, the District took steps to review certified payroll documents from the beginning of the project to the current period, and to verify that contractors were in compliance with Federal prevailing wage rules.

The District respects and values the work of the State Auditor's Office in conducting their annual audit. However, given that numerous districts across the state were provided with one-time federal ESSER dollars to mitigate the impacts of a global pandemic, and that Federal funds are rarely used by districts to support public works projects, all districts would have benefited from clearer guidance and caution by supporting state agencies around these additional federal reporting requirements.

Auditor's Remarks

We appreciate the District's commitment to resolving the issue. We will review the condition during our next audit.

Applicable Laws and Regulations

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

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

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

Title 29 CFR, Section 3.3 – *Weekly statement with respect to payment of wages*, and Section 3.4 – *Submission of weekly statements and the preservation and inspection of weekly payroll records*, establishes requirements for contractor or subcontractor submission of weekly certified payroll reports.

Title 29 CFR, Section 5.5 – *Contract provisions and related matters* establishes the requirements for the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part with federal funds the clauses listed, which includes but is not limited to the minimum wages to be paid and payrolls and basic records to be maintained (submission of weekly certified payrolls).

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Highline School District No. 401 September 1, 2021 through August 31, 2022

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

Audit Period: September 1, 2020- August 31, 2021	Report Reference No.: 1031094	Finding Ref. No.: 2021-001	CFDA Number(s): 84.010
Federal Program Name and Granting Agency: Title I Grants to Local Education Agencies, U.S. Department of Education		Pass-Through Agency Name: Office of Superintendent of Public Instruction	
Finding Caption: The District did not have adequate internal controls for ensuring compliance with federal requirements for time-and-effort documentation.			
Background: During fiscal year 2020-21, the District relied on its electronic payroll timekeeping system for supporting payroll costs charged to the program for employees working on multiple activities or cost objectives. Although the system documented supervisor approval of staff hours worked, it did not require employees to certify their hours worked with a signature. By not keeping required time-and-effort records, the District did not demonstrate compliance with OSPI's documentation requirements to support payroll costs charged to the federal program.			
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"> <input checked="" type="checkbox"/> Fully Corrected </div> <div style="text-align: center;"> <input type="checkbox"/> Partially Corrected </div> <div style="text-align: center;"> <input type="checkbox"/> Not Corrected </div> <div style="text-align: center;"> <input type="checkbox"/> Finding is considered no longer valid </div> </div>			
Corrective Action Taken: <i>The district will review internal controls that are in place to ensure compliance with federal time-and-effort documentation requirements, as well as make additional improvements, which will include:</i> <ol style="list-style-type: none"> 1) Making substantive changes to the district's Timecard Online portal to allow staff to not only report, but also to certify the hours they work in federal programs 2) Onboarding a staff member in the new position of Assistant Director of Categorical Budgets, who will oversee time-and-effort compliance in Title I specifically 3) More broadly communicate to federally funded district staff, and their supervisors, the provisions of time-and-effort compliance requirements 			

INDEPENDENT AUDITOR'S REPORT

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

Highline School District No. 401 September 1, 2021 through August 31, 2022

Board of Directors
Highline School District No. 401
Burien, 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 Highline School District No. 401, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 30, 2023.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

October 30, 2023

INDEPENDENT AUDITOR'S REPORT

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

Highline School District No. 401 September 1, 2021 through August 31, 2022

Board of Directors
Highline School District No. 401
Burien, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of Highline School District No. 401, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2022. The District's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures also disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

District's Response to Findings

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2022-001, that we consider to be a material weakness.

District's Response to Findings

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

Purpose of this Report

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

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

Pat McCarthy, State Auditor

Olympia, WA

October 30, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Highline School District No. 401 September 1, 2021 through August 31, 2022

Board of Directors
Highline School District No. 401
Burien, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of Highline School District No. 401, as of and for the year ended August 31, 2022, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)

As described in Note 1 the District has prepared these financial statements to meet the financial reporting requirements of state law and the accounting practices prescribed by the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual). Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of Highline School District No. 401, as of the year ended August 31, 2022, and the regulatory basis of changes in financial position thereof for the year then ended, on the basis of accounting as described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Highline School District No. 401, as of August 31, 2022, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

Matter Giving Rise to Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the government-wide financial statements are prepared by the District in accordance with state law using accounting practices prescribed by the Accounting Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility 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 District's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Long-Term Liabilities is also presented for purposes of additional analysis, as required by the prescribed Accounting Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures,

including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

October 30, 2023

FINANCIAL SECTION

Highline School District No. 401 September 1, 2021 through August 31, 2022

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2022
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2022
Statement of Net Position – Fiduciary Funds – 2022
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2022
Notes to Financial Statements – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Long-Term Liabilities – 2022
Schedule of Expenditures of Federal Awards – 2022
Notes to the Schedule of Expenditures of Federal Awards – 2022

Highline School District No. 401
Balance Sheet - Governmental Funds
August 31, 2022

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Assets							
Cash and Cash Equivalents	38,107,073.38	1,118,679.72	8,695,831.11	74,052,302.17	1,042,524.65	0.00	123,016,411.03
Minus Warrants Outstanding	-4,095,953.44	-2,679.28	0.00	-35,250.11	0.00	0.00	-4,133,882.83
Taxes Receivable	24,656,805.65		21,033,861.12	7,935,683.70	0.00	0.00	53,626,350.47
Due From Other Funds	12,514,310.70	21,144.26	0.00	0.00	0.00	0.00	12,535,454.96
Due From Other Governmental Units	8,320,059.31	0.00	0.00	0.00	0.00	0.00	8,320,059.31
Accounts Receivable	1,737,627.50	0.00	0.00	0.00	0.00	0.00	1,737,627.50
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	146,450.68	0.00		0.00			146,450.68
Prepaid Items	33,436.72	0.00			0.00	0.00	33,436.72
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments/Cash With Trustee	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	81,419,810.50	1,137,144.70	29,729,692.23	81,952,735.76	1,042,524.65	0.00	195,281,907.84
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred Outflows of Resources - Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	81,482,617.76	1,137,144.70	29,729,692.23	81,952,735.76	1,042,524.65	0.00	195,344,715.10
LIABILITIES							
Accounts Payable	6,416,380.22	51,708.41	0.00	1,970,004.99	0.00	0.00	8,438,093.62
Contracts Payable Current	214,230.74	751.78		442,191.80	0.00	0.00	657,174.32
Accrued Interest Payable			0.00				0.00

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

Highline School District No. 401
Balance Sheet - Governmental Funds
August 31, 2022

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Accrued Salaries	663,918.16	0.00		0.00			663,918.16
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
LIABILITIES:							
Payroll Deductions and Taxes Payable	3,584,845.64	1,229.18		0.00			3,586,074.82
Due To Other Governmental Units	243,475.80	0.00		0.00	0.00	0.00	243,475.80
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	1,293,680.73						1,293,680.73
Due To Other Funds	21,144.26	-11.01	0.00	12,514,321.71	0.00	0.00	12,535,454.96
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Unearned Revenue	2,013,422.55	21,168.50	0.00	0.00	0.00		2,034,591.05
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
TOTAL LIABILITIES	14,451,098.10	74,846.86	0.00	14,926,518.50	0.00	0.00	29,452,463.46
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	0.00		0.00	0.00	0.00	0.00	0.00
Unavailable Revenue - Taxes Receivable	24,656,805.65		21,033,861.12	7,935,683.70	0.00		53,626,350.47
TOTAL DEFERRED INFLOWS OF RESOURCES	24,656,805.65	0.00	21,033,861.12	7,935,683.70	0.00	0.00	53,626,350.47
FUND BALANCE: Nonspendable							
Fund Balance	179,887.40	0.00	0.00	0.00	0.00	0.00	179,887.40
Restricted Fund Balance	7,900,459.05	1,062,297.84	8,695,831.11	2,737,550.38	1,042,524.65	0.00	21,438,663.03
Committed Fund Balance	0.00	0.00	0.00	11,122,521.59	0.00	0.00	11,122,521.59
Assigned Fund Balance	1,431,905.94	0.00	0.00	45,230,461.59	0.00	0.00	46,662,367.53

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

Highline School District No. 401
Balance Sheet - Governmental Funds

August 31, 2022

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Unassigned Fund Balance	32,799,654.36	0.00	0.00	0.00	0.00	0.00	32,799,654.36
TOTAL FUND BALANCE	42,311,906.75	1,062,297.84	8,695,831.11	59,090,533.56	1,042,524.65	0.00	112,203,093.91
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	81,419,810.50	1,137,144.70	29,729,692.23	81,952,735.76	1,042,524.65	0.00	195,281,907.84

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

Highline School District No. 401

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

For the Year Ended August 31, 2022

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	54,819,232.39	862,729.45	42,450,149.42	16,558,510.40	7,239.59		114,697,861.25
State	241,702,265.06		0.00	12,953,909.44	706,227.25		255,362,401.75
Federal	48,941,041.25		0.00	10,483,839.02	0.00		59,424,880.27
Other	4,439,414.64			0.00	0.00	0.00	4,439,414.64
TOTAL REVENUES	349,901,953.34	862,729.45	42,450,149.42	39,996,258.86	713,466.84	0.00	433,924,557.91
EXPENDITURES:							
CURRENT:							
Regular Instruction	167,065,290.15						167,065,290.15
Special Education	50,368,645.56						50,368,645.56
Vocational Education	7,677,575.64						7,677,575.64
Skill Center	4,754,752.24						4,754,752.24
Compensatory Programs	38,574,972.70						38,574,972.70
Other Instructional Programs	2,223,691.70						2,223,691.70
Federal Stimulus COVID-19	26,361,701.24						26,361,701.24
Community Services	3,336,378.12						3,336,378.12
Support Services	54,717,216.60						54,717,216.60
Student Activities/Other		718,721.60				0.00	718,721.60
CAPITAL OUTLAY:							
Sites				2,317,818.79			2,317,818.79
Building				20,443,129.10			20,443,129.10
Equipment				5,097.64			5,097.64
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					1,154,898.00		1,154,898.00
Sales and Lease				305.69			305.69
Other	348,174.47						348,174.47
DEBT SERVICE:							
Principal	149,613.03		32,900,000.00	0.00	0.00		33,049,613.03

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

Highline School District No. 401

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

For the Year Ended August 31, 2022

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Interest and Other Charges	11,386.97		17,077,280.70	0.00	0.00		17,088,667.67
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	355,589,398.42	718,721.60	49,977,280.70	22,766,351.22	1,154,898.00	0.00	430,206,649.94
REVENUES OVER (UNDER) EXPENDITURES	-5,624,637.82	144,007.85	-7,527,131.28	17,229,907.64	-441,431.16	0.00	3,780,715.23
OTHER FINANCING SOURCES (USES) :							
Bond Sales & Refunding Bond Sales	0.00		34,978,642.10	0.00	0.00		34,978,642.10
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	12,513,970.24		0.00	0.00	0.00		12,513,970.24
Transfers Out (GL 536)	0.00		0.00	-12,513,970.24	0.00	0.00	-12,513,970.24
Other Financing Uses (GL 535)	0.00		-34,684,562.06	0.00	0.00		-34,684,562.06
Other	0.00		0.00	16,855,013.45	0.00		16,855,013.45
TOTAL OTHER FINANCING SOURCES (USES)	12,513,970.24		294,080.04	4,341,043.21	0.00	0.00	17,149,093.49
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	6,826,525.16	144,007.85	-7,233,051.24	21,570,950.85	-441,431.16	0.00	20,867,001.46
BEGINNING TOTAL FUND BALANCE	35,485,381.59	918,289.99	15,928,882.35	37,519,582.71	1,483,955.81	0.00	91,336,092.45
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	42,311,906.75	1,062,297.84	8,695,831.11	59,090,533.56	1,042,524.65	0.00	112,203,093.91

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

Highline School District No. 401
Statement of Fiduciary Net Position
August 31, 2022

	Custodial Funds	Private Purpose Trust
ASSETS:		
Imprest Cash	0.00	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	296,235.13	0.00
Minus Warrants Outstanding	-53,500.00	0.00
Due From Other Governmental Units	25,025.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	0.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	0.00
Capital Assets, Land	0.00	0.00
Capital Assets, Buildings	0.00	0.00
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	0.00
Accum Depreciation, Equipment	0.00	0.00
TOTAL ASSETS	267,760.13	0.00
LIABILITIES:		
Accounts Payable	40,577.30	0.00
Due To Other Governmental Units	0.00	0.00
TOTAL LIABILITIES	40,577.30	0.00
NET POSITION:		
Restricted for:		
Restricted For Intact Trust Principal	0.00	0.00
Restricted for Individuals, Organizations, and Other Governments - CF	227,182.83	0.00
Restricted for Individuals, Organizations, and Other Governments - PPT		0.00
Restricted For Other Purposes	0.00	0.00
TOTAL NET POSITION	227,182.83	0.00

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

Highline School District No. 401
Statement of Changes in Fiduciary Net Position
For the Year Ended August 31, 2022

	Custodial Funds	Private Purpose Trust
ADDITIONS:		
Contributions:		
Private Donations	260,925.00	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
TOTAL CONTRIBUTIONS	260,925.00	0.00
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	3,024.28	0.00
Less Investment Expenses	-18.10	0.00
Net Investment Income	3,006.18	0.00
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	263,931.18	0.00
DEDUCTIONS:		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	457,053.15	
Other	30,089.40	0.00
TOTAL DEDUCTIONS	487,142.55	0.00
Net Increase (Decrease)	-223,211.37	0.00
Net Position - Beginning Balance	414,201.04	0.00
Prior Year(s) Corrections or Restatements	36,193.16	0.00
NET POSITION--ENDING	227,182.83	0.00

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

Highline School District
Notes to the Financial Statements
September 1, 2021 through August 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fund Accounting

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

Governmental Funds

General Fund

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

Capital Projects Funds

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

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

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

Debt Service Fund

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

Special Revenue Fund

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

Fiduciary Funds

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

Private-Purpose Trust Fund

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

Custodial Funds

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the amount of the transaction can be readily determined. Revenues are considered "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are

collected within 60 days after year-end. Categorical program claims and interdistrict billings are measurable and available and are accrued. Property taxes not collected by the fiscal year end are measurable and recorded as a receivable, however the receivable is not considered available revenue accrual, and is recorded as a deferred inflow of resources.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which are recorded when due. Purchases of capital assets are expensed during the year of acquisition. For federal grants, the recognition of expenditures is dependent on the obligation date. (Obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.)

Budgets

Chapter 28A.505 RCW and Chapter 392-123 Washington Administrative Code (WAC) mandate school district budget policies and procedures. The board adopts annual appropriated budgets for all governmental funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Appropriations lapse at the end of the fiscal period.

Budgets are adopted on the same modified accrual basis as used for financial reporting. Fund balance is budgeted as available resources and, under statute, may not be negative, unless the District enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

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

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

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

The government's fund balance classifications policies and procedures.

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

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

Restricted Fund Balance. Amounts that are reported as Restricted are those resources of the District that have had a legal restriction placed on their use either from statute, WAC, or other legal requirements that are beyond the control of the board of directors. Restricted fund balance

includes anticipated recovery of revenues that have been received but are restricted as to their usage.

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

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

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

The Superintendent or financial designees are the only persons who have the authority to create Assignments of fund balance.

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

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

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

Cash and Cash Equivalents

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

Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. A portion of fund balance, representing inventory, is considered Nonspendable. (Such reserves for inventory indicate that a portion of net current assets is set aside to replace or increase the inventory.) USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

Accounting and Reporting Changes

LEASES

For the year ended August 31, 2022, the district implemented guidance for the presentation and disclosures of leases, as required by the School District Accounting Manual. These changes were in response to the provisions of GASB Statement No. 87. The District recognizes leases with total payments over the lease term of \$100,000 or greater, which is a common threshold for districts in the region.

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

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

NOTE 2: DEPOSITS AND INVESTMENTS

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

Statutes authorize the District to invest in (1) securities, certificates, notes, bonds, short-term securities, or other obligations of the United States, and (2) deposits in any state bank or trust company, national banking association, stock savings bank, mutual savings bank, savings and loan association, and any branch bank engaged in banking in the state in accordance with RCW 30.04.300 if the institution has been approved by the Public Deposit Protection Commission to hold public deposits and has segregated eligible collateral having a value of not less than its maximum liability.

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

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

The district's participation in the King County Investment Pool is voluntary and the pool does not have a credit rating. The district reports its investment in the pool at the fair value amount, which is not the same as the value of the pool per share. The fair value of the district's investment in the pool is measured using a net asset value (NAV) as determined by the pool. The pool maintains a (duration/weighted average maturity) of 1.09 years.

All of the District's investments during the year and at year-end were insured or registered and held by the District or its agent in the District's name.

Washington State statutes authorize the district to invest in the following types of securities:

- Certificates, notes, or bonds of the United States, its agencies, or any corporation wholly owned by the government of the United States,
- Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System,
- Bankers' acceptances purchased on the secondary market,
- Repurchase agreements for securities listed in the three items above, provided that the transaction is structured so that the public treasurer obtains control over the underlying securities,
- Investment deposits with qualified public depositories,
- Washington State Local Government Investment Pool, and
- County Treasurer Investment Pools.

The District's investments as of August 31, 2022, are as follows:

	Highline's own investments	Investments held by Highline as an agent for other organizations	Total
King County Investment Pool	\$111,009,328.23	\$410,723.45	\$111,420,051.68

Impaired Investments. As of August 31, 2022, all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The District's share of the impaired investment pool principal is \$99,632.32 and the District's fair value of these investments is \$58,382.02.

Interest Rate Risk. As of August 31, 2022, the Pool's average duration was 1.09 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk. As of August 31, 2022, the district's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, corporate notes (rated at least "A"), municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1"), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

NOTE 3: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

COVID-19 Pandemic

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

Following a year of remote and hybrid learning during the first year of the COVID-19 pandemic, the State made in-person learning a priority for the 2021-22 school year. This included indoor and outdoor mask mandates for staff and students, as well as mandatory COVID-19 vaccinations for all K-12 staff.

Due to the pandemic school closures in 2020, the District expanded its online school to include K-5. In March of 2021, the District pivoted to hybrid learning for the remainder of the 2020-21 school year. The District began the 2021-22 school year with in-person learning.

Some form of remote learning at the school level will need to be utilized if a student, or class of students, needs to quarantine. While this will have a short term impact on in-person learning, the goal continues to be focused on student achievement.

While the District experienced decreased enrollment in the 2020-2021 school year due to the pandemic, enrollment through the first half of the 2022-23 school year indicates the District will meet or exceed projections.

The District has been awarded an aggregate of \$84,725,150 in federal COVID-19 relief funding from the Elementary and Secondary School Emergency Relief Fund (“ESSER”), which includes \$6,218,479 of funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act (“ESSER I”), \$24,186,671 of funding from the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (“ESSER II”) and \$54,320,000 of funding from the American Rescue Plan Act (“ESSER III”).

Allowable uses of ESSER funding include purchasing personal protective equipment, addressing sanitization costs and air quality, supporting remote learning, maintaining staffing levels, and addressing student learning loss. Twenty percent of the ESSER III allocation must be used to address student learning loss. ESSER I funds are to be obligated by September 30, 2022. ESSER II funds are to be obligated by September 30, 2023, and ESSER III funds are to be obligated by September 30, 2024.

Beyond enrollment impacts, the District cannot predict what future federal, State, or local actions in response to the COVID-19 pandemic will have on the financial condition or operations of the District.

Refunded Debt: 2022B On June 22, 2022, the Board of Directors adopted Resolution 07-22 providing for the issuance and sale of new bonds to refund outstanding 2012B Unlimited Tax General Obligation Refunding Bonds. This resolution delegated to the District Administration the authority to determine the structure, interest rates, maturity dates, and principal maturities for

the bonds within the parameters set forth in the resolution. On August 16, 2022, the District Administration approved the sale of \$40,540,000 in general obligation bonds with interest rates ranging from 3.00% to 5.00%. The new refunding bonds closed September 13, 2022 and an escrow was established at that time to retire the 2012B bonds at their call date of December 1, 2022. The new bonds mature from December 1, 2022, through December 1, 2025. The refunding resulted in a net present value savings of \$2,534,023, which represents a net present value savings of 5.90% of the refunded bonds.

NOTE 4: PENSION PLANS

General Information

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

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

The Collective Net Pension Liability (Asset)

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

The Collective Net Pension Liability or (Asset) as of June 30, 2022				
	Total Pension Liability	Plan fiduciary net position	Participating employers' net pension liability or (Asset)	Plan fiduciary net position as a percentage of the total pension liability
PERS 1	11,877,621,000 ¹⁰	9,093,254,000	2,784,367,000	76.56%
SERS 2/3	8,478,821,000	8,747,471,000	(268,650,000)	103.17%
TRS 1	8,739,146,000	6,837,316,000	1,901,830,000	78.24%
TRS 2/3	22,946,845,000	23,143,631,000	(196,786,000)	100.86%

Detailed information about the pension plans' fiduciary net position is available in the separately issued DRS ACFR. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, P.O. Box 48380, Olympia, WA 98504-8380; or online [Annual Financial Reports](#) or <https://www.drs.wa.gov/wp-content/uploads/2021/06/2021-ACFR.pdf>

Membership Participation

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

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

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

Membership & Plan Benefits

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

TRS Plan Information

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

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

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

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

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

PERS Plan Information

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

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

SERS Plan Information

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

SERS is reported as two separate plans for accounting purposes: Plan 2/3 and Plan 3. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution

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

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

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

Plan Contributions

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The methods used to determine the contribution requirements are established under chapters 41.34 and 41.40 RCW for PERS, 41.34 and 41.35 RCW for SERS, and 41.32 and 41.34 RCW for TRS. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The employer and employee contribution rates for the PERS plan were effective as of September 1, 2021. PERS contribution rates changed on July 1, 2021. TRS and SERS plans will not have a contribution rate change until September 1, 2021. The pension plan contribution rates (expressed as a percentage of covered payroll) for fiscal year 2022 are listed below:

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

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

At June 30, 2022, the school district reported a total liability of \$44,000,175 for its proportionate shares of the individual plans' collective net pension liability and \$8,712,067 for its proportionate shares of net pension assets. Proportion of net amounts are based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2022, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2022	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	\$2,144,822	\$4,296,795	\$9,242,845	\$11,553,502
Proportionate Share of the Net Pension Liability (Assets)	\$9,744,388	(5,157,486)	\$34,255,786	(3,554,581)

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

Change in Proportionate Shares	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share	0.349968%	1.919779%	1.801201%	1.806318%
Prior year proportionate share	0.329374%	1.939616%	1.855573%	1.854069%
Net difference percentage	0.020594%	-0.019837%	-0.054372%	-0.047751%

Actuarial Assumptions

The total pension liabilities for TRS 1, TRS 2/3, PERS 1, and SERS 2/3 were determined by actuarial valuation as of June 30, 2021, with the results rolled forward to June 30, 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.75% total economic inflation, 3.25% salary inflation
Salary increases	In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.00%

Mortality Rates

Mortality rates used in the plans were developed using the Society of Actuaries' Pub.H-2010 Mortality rates, which vary by member status as the base table. OSA applies age offsets for each system to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale to project mortality rates for every year after the 2010 base table. The actuarial assumptions used in the June 30, 2021, valuation were based on the results of the *2013–2018 Demographic Experience Study Report and the 2021 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report.

Long-term Expected Rate of Return

OSA selected a 7.00% long-term expected rate of return on pension plan investments using a building-block method. In selecting the assumptions, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the Washington State Investment Board (WSIB) provided.

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

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

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2022, are summarized in the following table:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20.00%	1.50%
Tangible Assets	7.00%	4.70%
Real Estate	18.00%	5.40%
Global Equity	32.00%	5.90%
Private Equity	23.00%	8.90%

The inflation component used to create the above table is 2.20 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Based on the assumptions described in the DRS CAFR Certification Letter, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.

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

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

Sensitivity of the Net Pension Liability or Asset to Changes in the Discount Rate			
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
PERS 1	\$3,719,876,000	\$2,784,367,000	\$1,967,887,000
Allocation Percentage	0.349968%	0.349968%	0.349968%
Proportionate Share	\$13,018,369	\$9,744,388	\$6,886,971

Sensitivity of the Net Pension Liability or Asset to Changes in the Discount Rate			
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
SERS 2/3	\$929,172,000	(\$268,650,000)	(\$1,255,926,000)
Allocation Percentage	1.919779%	1.919779%	1.919779%
Proportionate Share	\$17,838,047	(\$5,157,486)	(\$24,111,001)
TRS 1	\$2,582,448,000	\$1,901,830,000	\$1,306,883,000
Allocation Percentage	1.801201%	1.801201%	1.801201%
Proportionate Share	\$46,515,086	\$34,255,786	\$23,539,593
TRS 2/3	3,565,129,000	(196,786,000)	(3,255,167,000)
Allocation Percentage	1.806318%	1.806318%	1.806318%
Proportionate Share	\$64,397,576	(\$3,554,581)	(\$58,798,676)

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

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

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

Employers participating in the PEBB plan include the state of Washington (which includes general government agencies and higher education institutions), political subdivisions, and tribal governments. Additionally, the PEBB plan is available to the retirees of K–12 school districts and ESDs. The District's retirees (approximately XXX) are eligible to participate in the PEBB plan under this arrangement.

Eligibility

District members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under PERS 1, 2, 3; TRS 1, 2, or 3; or SERS 2 and 3 plans.

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

Medical Benefits

Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 medical coverage for 2022.

Members not eligible for Medicare			
(or enrolled in Part A only)			
Descriptions	Type of Coverage		
	Employee	Employee & Spouse	Full Family
Kaiser Permanente NW Classic	\$768.23	\$1,531.47	\$2,103.90
Kaiser Permanente NW CDHP	\$643.88	\$1,277.21	\$1,708.47
Kaiser Permanente WA Classic	\$813.24	\$1,621.48	\$2,227.66
Kaiser Permanente WA CDHP	\$641.39	\$1,272.99	\$1,702.94
Kaiser Permanente WA Sound Choice	\$659.19	\$1,313.37	\$1,804.01
Kaiser Permanente WA Value	\$721.89	\$1,438.79	\$1,976.46

UMP Classic	\$718.68	\$1,432.35	\$1,967.61
UMP Select	\$647.73	\$1,290.45	\$1,772.50
UMP CDHP	\$638.69	\$1,270.29	\$1,700.24
UMP Plus-Puget Sound High Value Network	\$687.13	\$1,369.26	\$1,880.86
UMP Plus-UW Medicine Accountable Care Network	\$687.13	\$1,369.26	\$1,880.86

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

Members enrolled in Part A and B of Medicare	Type of Coverage		
	<u>Employee</u>	<u>Employee & Spouse¹</u>	<u>Full Family¹</u>
Kaiser Permanente NW Senior Advantage	\$172.79	\$340.58	\$913.01
Kaiser Permanente WA Medicare Plan	\$175.69	\$346.39	N/A
Kaiser Permanente WA Classic	N/A	N/A	\$952.57
Kaiser Permanente WA Sound Choice	N/A	N/A	\$837.03
Kaiser Permanente WA Value	N/A	N/A	\$884.06
UMP Classic	\$364.87	\$724.74	\$1,260.00
Note 1: Employee–Spouse and Full Family with two Medicare eligible subscribers.			

Funding Policy

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

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

For the fiscal year 2021-22, the Highline School District paid \$31,343,451.02 in total to HCA-SEBB.

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

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

NOTE 6: LEASES

The District is a lessee for another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Leases entered into after GASB Statement 87 implementation, September 1, 2021, are recognized as an expenditure and an Other Financing Source in the District's fund financial statements based on present value for the entire term of the lease. The District recognizes leases with total payments over the lease term of \$100,000 or greater, which is a common threshold for districts in the region. The District is currently committed under one copier lease that meets the requirements for recognition in the fund financial statements.

Copier Lease: The District's copier lease with Copiers Northwest is for a noncancellable term of 60 months, ending August 31, 2023. Present value is determined by the discount rate provided by the lessor.

Year Ended August 31	Principal	Interest	Total
2022	\$149,613	\$11,1867	\$160,800
2023	\$156,294	\$4,5056	\$160,800
Total	\$305,907	\$15,6923	\$321,600

Changes in lease liabilities are presented in the accompanying Schedule of Long-Term Liabilities.

The following leases do not qualify for recognition in the fund financials, as they do not meet the criteria of an exchange-like transaction. They are described below for informational purposes.

Raisbeck Aviation High School Ground Lease. On March 29, 2011 the District entered into a ground lease agreement with the Museum of Flight Foundation for the use of 41,500 square feet of building land to construct an educational facility. The facility is to be dedicated to educating secondary students with an emphasis on aeronautics and aviation.

In exchange for a reduction in the total rent the district will provide the Museum of Flight the right to use certain classroom and meeting areas during non-school hours and days. The base rent for the entire first ten-years was \$1,700,000, which is reduced to \$1,300,000 due to the above consideration. The \$1,300,000 adjusted rent has been paid through an in-kind donation from the Museum of Flight Foundation and its lender. The first amendment to the ground lease amends Section 3.1.1 Base Rent of the agreement per the following: "This section is amended in part to reflect that the Landlord, in consideration for the simultaneous forgiveness by its Lender of an equal amount of debt, agrees to forgive the Tenant's \$1,300,000 Rent payment for the initial ten (10) year lease Term."

This Lease agreement has four (4) ten-year renewal options for a total of fifty years. District liability for the first and second renewal terms is one dollar (\$1) each to exercise the renewal term. No additional rent shall be payable during either of these renewal periods.

The district liability for the third and fourth lease renewal terms is outlined in Section 4.3 of the agreement. Base monthly rent for the first lease year of the third and fourth renewal terms shall be calculated on the fair market rent for a ground lease of the building land without reference to any improvements. The fair market value will be determined for the first year of each renewal

term and will be subject to CPI adjustment the first day of each subsequent lease year. The base for computing any rent increase is the Consumer Price Index All Urban Consumers Seattle-Tacoma Metropolitan Area (1982-84=100), published by the United States Department of Labor, Bureau of Labor Statistics.

In addition, the District is responsible for, unless otherwise exempt, any real and personal property taxes, general and special assessments, and all other charges or taxes levied on or assessed against the building and the land.

Marine Technology Ground Lease. The District has leased from King County a parcel at Seahurst Park since November 25, 1970 and built on the property the Marine Technology facility, for instructional use by the Puget Sound Skills Center. In 1993, the City of Burien incorporated, and the park became city property. Since that time the lease has been between the City of Burien and the District.

The terms of the lease states, "The Lessee is hereby granted an irrevocable option to renew this lease for an extend terms of forty years, by written notice of renewal to the Lessor at least thirty days prior to the termination of the initial term thereof." The lease option was executed November 1, 2011 for an additional forty years, beginning November 26, 2010 through November 25, 2050. The lease rate is \$10 per year.

The District is a lessor of building and land considered excess capacity. None of the current building leases qualify for disclosure in the fund financials. They are described below for informational purposes.

North Shorewood Elementary School located at 1410 S. 200th Ave. SW; Seattle, WA 98146 Facility was leased to Westside School and Explorer West Middle School. This property was sold on July 1, 2022 for \$2,991,418.

Office Space at Educational Resource and Administrative Center located at 15675 Ambaum Boulevard SW, Burien, WA 98166
Office space is leased to the Highline Schools Foundation For Excellence. The terms of the lease is now month to month.

Puget Sound Skills Center located at 18010 Eighth Avenue South, Burien, Washington 98148 Space in the Health Science building is leased to Sea Mar Community Health Center. Initial lease expired on June 30, 2018 and automatically extends for a maximum of four (4) successive one (1) year terms, each commencing on July 1 immediately following the then-effective expiration date, and expiring on the following June 30, unless terminated by either Landlord or Tenant in writing not later than the March 31 immediately preceding the then-effective expiration date. The fourth auto-extended year of the lease expired June 30, 2022. The terms of the lease is now month to month.

NOTE 7: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$1,224,008,524 for fiscal year 2021-22. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

NOTE 8: LONG-TERM DEBT

Long-Term Debt

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

<u>Issue Name</u>	<u>Amount Authorized</u>	<u>Final Maturity</u>	<u>Interest Rate(s)</u>	<u>Amount Outstanding</u>
UTGO Refunding Bonds, 2012B	69,760,000	12/1/2025	0.35%-5.00%	50,305,000
UTGO Refunding Bonds, 2015	43,955,000	12/1/2026	4.00%-5.00%	43,955,000
UTGO Bonds, 2017	212,685,000	12/1/2036	3.125%-5.00%	204,555,000
UTGO Bonds, 2018	59,375,000	12/1/2035	3.00%-5.00%	31,875,000
UTGO Refunding Bonds, 2022A	33,920,000	6/1/2024	4%	33,920,000
Total General Obligation Bonds	\$419,695,000			\$364,610,000

The following is a summary of general obligation long-term debt transactions of the District for the fiscal year ended August 31, 2022:

Long-Term Debt Payable at 9/1/2021	\$397,465,000
New Issues	\$33,920,000
Debt Retired	\$66,775,000
Long-Term Debt Payable at 8/31/2022	\$364,610,000

The following is a schedule of annual requirements to amortize debt:

Fiscal Year	Principal	Interest	Total
2022-23	23,520,000	15,914,306	39,434,306
2023-24	29,730,000	14,876,325	44,606,325
2024-25	21,050,000	13,546,700	34,596,700
2025-26	34,965,000	12,205,050	47,170,050
2026-27	38,535,000	10,415,525	48,950,525

2027-2032	90,085,000	37,306,000	127,391,000
2032-2036	126,725,000	12,891,775	139,616,775
Total	364,610,000	117,155,681	481,765,681

At August 31, 2022, the District had \$8,695,831.11 available in the Debt Service Fund to service the general obligation bonds.

Refunded Debt

On April 26, 2022, the District approved the issuance of \$33,920,000 in general obligation bonds with a true interest cost of 2.0975% to refund \$33,875,000 of the District's outstanding 2011 Unlimited Tax General Obligation Refunding Bonds, and 2012 Unlimited Tax General Obligation Refunding Bonds, with an average interest rate of 4.78%. The net proceeds of \$34,684,560, including a deposit to the Debt Service Fund of \$6,163 and after payment of \$287,916 in underwriting fees and issuance cost, were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to retire the 2011 UTGO Refunding Bonds and the 2012 UTGO Refunding Bonds on their call date of June 1, 2022. As a result, the 2011 UTGO Refunding and 2012 UTGO Refunding Bonds are no longer outstanding.

The District refunded the 2011 UTGO Refunding Bonds and the 2012 UTGO Refunding Bonds to reduce its total debt service payments in years 2022 through 2024 by \$938,895 and to obtain an economic gain, (difference between the present values of the debt service payments on the old and new debt), of \$958,734.

Cash Flows Difference		
Old Debt Service Cash Flows	\$ 36,823,906	
New Debt Service Cash Flows		\$35,885,011
Total	\$ 36,823,906	\$35,885,011
Cash Flow Savings		\$938,895
Economic Gain		
Present Value of Cash Flows Savings		\$952,571
Refunding funds on hand		\$6,163
Net PV Savings		\$958,734

NOTE 9: INTERFUND BALANCES AND TRANSFERS

Interfund transfers consisted of reimbursements due to the General Fund for allowable instructional technology expenditures, from revenue originating from the capital (technology) levy deposited in the Capital Projects Fund.

The following table depicts interfund transfer activity:

Transferred From (Fund) 535 or 536	Transferred To (Fund) 965 9900 or 9901	Amount	Description
Capital Projects	General	\$12,513,970	Tech levy expenditures

NOTE 10: ENTITY RISK MANAGEMENT ACTIVITIES

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

Unemployment Insurance

In 1991, the District joined together with other school districts in the state to form the Puget Sound Educational Service District Unemployment Pool, a public entity risk pool currently operating as a common risk management and insurance program for unemployment insurance. This fund is operated for the District's benefit in lieu of the District having to make monthly premium payments to the State of Washington for unemployment insurance. This practice enables the District to pay unemployment benefits as they occur and minimizes the District's costs for the program. The following is a summary of activity:

2021-2022 Unemployment Pool Balance: \$1,856,107.17

The agreement for formation of the Puget Sound Educational Service District Unemployment Pool provides that the pool will be self-sustaining through member premiums.

Other Insurance

The Highline School District is a member of the Schools Insurance Association of Washington. 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, 1995, when seven mid-sized school districts in the State of Washington joined together by signing an Interlocal Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Membership as of August 31, 2022 includes 36 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 Act 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, Earthquake, General Liability, Auto Liability, Equipment Breakdown, Crime, Wrongful Acts Liability, Cyber Liability.

The program acquires Liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$350,000. Members are responsible for a standard deductible of 5,000 for each claim (some member deductibles vary), while the program is responsible for the \$350,000 SIR. Insurance carriers cover insured losses over \$355,000 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 \$8,170,808, which is fully funded in its annual budget.

Property insurance is subject to a per-occurrence SIR of \$350,000. Members are responsible for a \$10,000 deductible for each claim (some member deductibles vary), while the program is responsible for the \$350,000 SIR. Insurance carriers cover insured losses over \$360,000 to the limits of each policy. Equipment Breakdown insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the deductible amount of each claim.

Privacy, Security, and Technology (Cyber) insurance is subject to a per-occurrence SIR of \$250,000. Members are responsible for a \$25,000 deductible for each claim, while the program is responsible for the remaining \$225,000 SIR.

Members contract to remain in the program for one year and must give notice before December 31 to terminate participation the following September 1. Renewal of the Interlocal Agreement occurs 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 Interlocal 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 administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending August 31, 2022 were \$3,244,410.

A board of directors, consisting of eight members, is selected by the membership from the east and west side of the state 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.

Industrial Insurance

The District self-insures industrial insurance claims that do not exceed \$500,000 per occurrence. It reinsures claims of \$500,000 aggregate or more. After approval by the State of Washington Department of Labor and Industries, the District pays the claim of each eligible employee.

Claims management was assigned to Cannon Cochran Management Services, Inc., Illinois.

NOTE 11: PROPERTY TAXES

Property tax revenues are collected as the result of special levies passed by the voters in the District. Taxes are levied on January 1. The taxpayer has the obligation of paying all taxes on April 30 or one-half then and one-half on October 31. Typically, slightly more than half of the collections are made on the April 30 date. The tax collections occurring after the end of the fiscal period are unavailable for revenue accrual. Therefore, the fall portion of property taxes is not accrued as revenue. Instead, the property taxes due after the end of the fiscal period are recorded as a deferred inflow of resources.

NOTE 12: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The District is a member of the King County Directors' Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association by passing a Resolution in June, 1974 and has remained in the joint venture ever since. The District's current equity of \$353,751.78 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

NOTE 13: FUND BALANCE CLASSIFICATION DETAILS

The District's financial statements include the following amounts presented in the aggregate.

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items	\$179,887				
Restricted Fund Balance					
For Carryover	\$2,077,598				
For Fund Purpose		\$1,062,298			\$1,042,525
For Carryover of Skills Centers	\$3,309,347				
For Carryover of Food Service Revenue	\$2,013,515				
For Debt Service				\$8,695,831	
For Uninsured Risks	\$500,000				
For Other Proceeds			\$2,737,550		
Assigned Fund Balance					
Fund Purposes			\$45,230,461		
Other Purposes	\$1,431,906				
Committed from Levy Proceeds			\$11,122,522		
Unassigned Fund Balance	\$32,799,654				

The board of directors has established a minimum fund balance policy for the general fund to provide for financial stability and contingencies within the District. The policy is that the District

shall maintain an unassigned fund balance above 3% of the current year's expenditures attributable to basic education, special education, support services and transportation. Portions of fund balance that are set aside for the purpose of meeting this policy are recorded on the financial statements as a part of unassigned fund balance.

NOTE 14: DEFINED CONTRIBUTION PENSION AND OPEB PLANS

457 Plan – Deferred Compensation Plan

District employees have the option of participating in a deferred compensation plan as defined in §457 of the Internal Revenue Code that is administered by the District.

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

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years via an elective deferral (employee contribution).

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

NOTE 15: TERMINATION BENEFITS

Compensated Absences

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

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

Additionally, teachers are eligible to cash out sick leave balances at a rate of one day for each four days if they separate employment with the District and are at least 55 years of age and have a minimum of 10 years under the teachers' retirement system plan 3 or; are at least 55 years of age and have a minimum of 15 years under the teachers' retirement system plan 2.

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

NOTE 16: OTHER DISCLOSURES

Skills Center Core Campus Note

The District is the host district for the Puget Sound Skills Center, a regional program designed to provide career and technical education opportunities to students in participating districts. The purpose of a Skills Center is to enhance the career and technical education course offerings among districts by avoiding unnecessary duplication of courses.

The Puget Sound Skills Center was created through an agreement of the four member districts. The Skills Center is governed by an Administrative Council, comprised of the superintendents, or their appointed representatives, of all member districts. The Skills Center administration is handled through a director, employed by the District.

As host district, the District has the following responsibilities:

1. Employ staff of the Skills Center.
2. Act as fiscal agent for the Skills Center and maintain separate accounts and fund balances for each fund.
3. Review and adopt the Skills Center budget as a part of the District's overall budget.
4. Provide such services as may be mutually agreed upon by the District and the Skills Center.

Sources of Funding

The Skills Center is primarily funded by state apportionment, based on the number of students who attend the Skills Center. Other sources of income include federal grants from the Carl D. Perkins program, tuition, fees, and payments from member districts.

Capital Improvements

The District collects an annual fee from all participating districts for the Capital Projects Maintenance Fund.. These funds are used for maintenance and related improvements of Skill Center facilities. Fees are collected from each member district in accordance with the interlocal agreement signed by all member districts. Any amounts collected that have not been expended for such purposes are recorded as a restriction of the District's General Fund balance.

Unspent Funds

Any funds remaining at the end of the year from Skills Center operations are recorded as a restriction of the District's General Fund balance, and are to be used for financing future operations of the Skills Center. Member districts do not have claim to any unspent funds of the Skills Center.

The following districts are member districts of the Skills Center:

- Highline School District #401
- Federal Way School District #210
- Tahoma School District #409
- Tukwila School District #406

Highline School District No. 401

Schedule of Long-Term Liabilities

For the Year Ended August 31, 2022

Description	Beginning Outstanding Debt September 1, 2021	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2022	Amount Due Within One Year
Voted Debt					
Voted Bonds	397,465,000.00	33,920,000.00	66,775,000.00	364,610,000.00	23,520,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt and Liabilities					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Leases	305,907.05	0.00	149,613.03	156,294.02	156,294.02
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	5,990,099.19	1,281,047.17	0.00	7,271,146.36	2,001,000.00
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
Other Liabilities					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities:					
Net Pension Liabilities TRS 1	12,493,537.00	21,762,249.00	0.00	34,255,786.00	
Net Pension Liabilities TRS 2/3	0.00	0.00	0.00	0.00	
Net Pension Liabilities SERS 2/3	0.00	0.00	0.00	0.00	
Net Pension Liabilities PERS 1	4,022,428.00	5,721,960.00	0.00	9,744,388.00	
Total Long-Term Liabilities	420,276,971.24	62,685,256.17	66,924,613.03	416,037,614.38	25,677,294.02

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

Highline School District No. 401
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	School Breakfast Program	10.553	N/A	1,443,563	-	1,443,563	-	13
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	National School Lunch Program	10.555	N/A	7,486,625	-	7,486,625	-	13
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	National School Lunch Program	10.555	N/A	753,579	-	753,579	-	13
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	National School Lunch Program	10.555	N/A	16,947	-	16,947	-	13
			Total ALN 10.555:	8,257,151	-	8,257,151	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Summer Food Service Program for Children	10.559	N/A	65,551	-	65,551	-	13
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Fresh Fruit and Vegetable Program	10.582	N/A	65,290	-	65,290	-	13
			Total Child Nutrition Cluster:	9,831,555	-	9,831,555	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Child and Adult Care Food Program	10.558	N/A	9,655	-	9,655	-	13
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Team Nutrition Grants	10.574	0711002	7,255	-	7,255	-	123
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Team Nutrition Grants	10.574	0711009	2,352	-	2,352	-	123

The accompanying notes are an integral part of this schedule.

Highline School District No. 401
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
			Total ALN 10,574:	9,607	-	9,607	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	COVID 19 - Pandemic EBT Administrative Costs	10.649	N/A	5,814	-	5,814	-	13
Forest Service Schools and Roads Cluster								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Treasurer)	Schools and Roads - Grants to States	10.665	N/A	5,833	-	5,833	-	13
	Total Forest Service Schools and Roads Cluster:			5,833	-	5,833	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via OSPI)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	0714020	6,660	-	6,660	-	13
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	0270296	94,809	-	94,809	-	1235
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	0270588	21,301	-	21,301	-	1235
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	0270943	24,988	-	24,988	-	1235
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	0270944	21,518	-	21,518	-	1235

The accompanying notes are an integral part of this schedule.

Highline School District No. 401
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	0270950	25,000	-	25,000	-	1235
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	0203871	9,144,335	-	9,144,335	-	1235
Total ALN 84.010:				9,331,951	-	9,331,951	-	
Special Education Cluster (IDEA)								
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Special Education Grants to States	84.027	0312076	801,441	-	801,441	-	123
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	Special Education Grants to States	84.027	0338466	347,032	-	347,032	-	13
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	Special Education Grants to States	84.027	0307464	3,988,832	-	3,988,832	-	123
Total ALN 84.027:				5,137,305	-	5,137,305	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Special Education Preschool Grants	84.173	0371068	79,755	-	79,755	-	123

The accompanying notes are an integral part of this schedule.

Highline School District No. 401
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	Special Education Preschool Grants	84.173	0366838	88,256	-	-	123
			Total ALN 84.173:	168,011	-	-	
			Total Special Education Cluster (IDEA):	5,305,316	-	-	
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via OSPI)	Career and Technical Education -- Basic Grants to States	84.048	0174929	27,479	-	-	123
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via OSPI)	Career and Technical Education -- Basic Grants to States	84.048	0174977	83,468	-	-	123
			Total ALN 84.048:	110,947	-	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	Indian Education Grants to Local Educational Agencies	84.060		-	79,598	-	123
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	Indian Education Grants to Local Educational Agencies	84.060		-	13,821	-	123
			Total ALN 84.060:	-	93,419	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Education for Homeless Children and Youth	84.196	0457543	51,260	-	-	123
OFFICE OF POSTSECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		-	30,104	-	123

The accompanying notes are an integral part of this schedule.

Highline School District No. 401
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	English Language Acquisition State Grants	84.365	0403104	664,798	-	664,798	-	123
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	0525385	701,352	-	701,352	-	123
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	Student Support and Academic Enrichment Program	84.424	0431052	580,081	-	580,081	-	123
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425W- 0459544	2,106	-	2,106	-	123
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425W- 0459014	29,630	-	29,630	-	123
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U- 0140613	12,470	-	12,470	-	123
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U- 0140072	7,480	-	7,480	-	123
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U- 0140021	5,206	-	5,206	-	123
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D- 0120523	15,815,749	-	15,815,749	-	1235

The accompanying notes are an integral part of this schedule.

Highline School District No. 401
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D- 0138183	414,262	-	414,262	-	1235
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D- 0137204	3,944,839	-	3,944,839	-	1235
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D- 0120128	16,231	-	16,231	-	135
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U- 0712015	24,017	-	24,017	-	13
Total ALN 84.425:				20,271,990	-	20,271,990	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Schools Out Washington)	Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	N/A	112,500	-	112,500	-	13
Medicaid Cluster								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA HCA)	Medical Assistance Program	93.778	N/A	9,953	-	9,953	-	13
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA HCA)	Medical Assistance Program	93.778	N/A	168,335	-	168,335	-	13
Total Medicaid Cluster:				178,288	-	178,288	-	
Total Federal Awards Expended:				47,177,607	123,523	47,301,130	-	

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Include the following notes to the schedule either as an attachment to the schedule or on the face of the schedule (if space permits). The notes should disclose the basis of accounting, definitions of abbreviations, and any other information that might be needed by the reader. Each district should prepare notes that describe their programs and circumstances.

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 - FEDERAL INDIRECT RATE

The Highline Public Schools used the federal *restricted* rate of 4.11%, on most programs, when allowed, except for GEAR UP which allows an indirect rate of 8% and the indirect rate of 12.42% on Elementary and Secondary School Emergency Relief Fund, American Rescue Plan (ARP) – Elementary and Secondary School Emergency Relief Funds, and Beginning Educator Support Team ESA Grant. The Highline Public School's elected *not* to use the 10-percent de Minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the Highline Public School's local matching share, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, **or** the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 4 – NONCASH AWARDS

The number of commodities reported on the schedule is the value of commodities distributed by the Highline Public School's during the current year and priced as prescribed by Value of Commodities Shipped Report.

NOTE 5 – SCHOOLWIDE PROGRAMS

The Highline Public School's operates a "school wide program" in nineteen elementary and nineteen secondary schools. Using federal funding, school wide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the Highline Public Schools in its school wide program: Title I Part A (84.010) \$9,144,335.46; OSSI Comprehensive Schools (84.010) \$94,808.82; OSSI Targeted 3+ (84.010) \$71,506.22; OSSI Comprehensive - Low Graduation (84.010) \$21,300.84; ESSER I Grant (84.425D) \$16,231.34; Elementary and Secondary School Emergency Relief Fund – ESSER II (84.425D) \$15,815,748.74; American Rescue Plan (ARP) - Elementary and Secondary School Emergency Relief Fund – ESSER III (84.425D) \$414,262.27; American Rescue Plan (ARP) - Elementary and Secondary School Emergency Relief Fund – ESSER III – Learning Loss (84.425D) \$3,944,839.10.

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Highline School District No. 401 September 1, 2021 through August 31, 2022

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

Finding ref number: 2022-001	Finding caption: The District did not have adequate internal controls for ensuring compliance with federal wage requirements.
Name, address, and telephone of District contact person: Andrew Burgess, Controller 15675 Ambaum Blvd SW Burien, WA 98166 (206) 631-3201	
Corrective action the auditee plans to take in response to the finding: <i>For Federally funded public works contracts, the district will collect and review all weekly certified payroll reports from contractors and subcontractors to confirm laborers were paid proper prevailing wages</i> <i>Further, the district will ensure that staff (both current and future) that oversee and monitor the distribution and use of Federal funds are trained and made aware of this requirement, and the differences between prevailing wage requirements at the state versus the Federal level.</i>	
Anticipated date to complete the corrective action: August 31, 2024	

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.

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