



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

**Financial Statements Audit Report**

**Washington School Information  
Processing Cooperative  
(WSIPC)**

**Snohomish County**

**For the period September 1, 2013 through August 31, 2014**

**Published December 29, 2014**

**Report No. 1013291**





**Washington State Auditor  
Troy Kelley**

December 29, 2014

Board of Directors  
WSIPC  
Everett, Washington

**Report on Financial Statements**

Please find attached our report on the WSIPC's financial statements.

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

Sincerely,

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**WSIPC  
Snohomish County  
September 1, 2013 through August 31, 2014**

Board of Directors  
WSIPC  
Everett, 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 WSIPC, Snohomish County, Washington, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated December 5, 2014. The Cooperative has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information. As discussed in Note 8 to the financial statements, during the year ended August 31, 2014, the Cooperative implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the Cooperative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative'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 Cooperative's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **COMPLIANCE AND OTHER MATTERS**

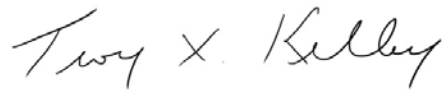
As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free from material misstatement, we performed tests of the Cooperative's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct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

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

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative'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 Cooperative'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 "Troy X. Kelley". The signature is written in a cursive style with a large, stylized "X" in the middle.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

December 5, 2014

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## WSIPC Snohomish County September 1, 2013 through August 31, 2014

Board of Directors  
WSIPC  
Everett, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of WSIPC, Snohomish County, Washington, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed on page 10.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the Cooperative's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the WSIPC, as of August 31, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note to the financial statements, in 2014, the Cooperative adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

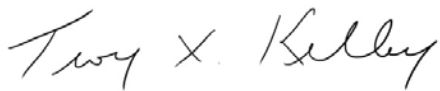
### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis information that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014 on our consideration of the Cooperative'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 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 Cooperative's internal control over financial reporting and compliance.



TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

December 5, 2014

## FINANCIAL SECTION

### **WSIPC Snohomish County September 1, 2013 through August 31, 2014**

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2014

Statement of Revenues, Expenses and Changes in Net Position – 2014

Statement of Cash Flows – 2014

Notes to Financial Statements – 2014

**WASHINGTON SCHOOL INFORMATION PROCESSING COOPERATIVE  
STATEMENT OF NET POSITION  
AUGUST 31, 2014**

**ASSETS:**

**Current Assets**

Net Cash/Investments	3,139,816
Accounts Receivable	435,567
Prepaid Expenses	326,500
Inventory	2,899

**Total Current Assets** 3,904,782

**Noncurrent Assets**

Land	235,521
Buildings	2,462,987
Accumulated Depreciation-Bldg.	(1,139,461)
Furniture/Equipment	4,622,848
Accumulated Depreciation-F/E	(3,851,382)

**Total Noncurrent Assets** 2,330,513

**TOTAL ASSETS** 6,235,295

**LIABILITIES**

**Current Liabilities**

Accounts Payable	166,137
Compensated Absences	372,424
Deposits	6,500

**Total Liabilities-Current** 545,061

**Noncurrent Liabilities**

Compensated Absences	125,074
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**Total Noncurrent Liabilities** 125,074

**TOTAL LIABILITIES** 670,135

**NET POSITION**

Invested in Capital Assets	2,330,513
Unrestricted	3,234,647

**TOTAL NET POSITION** 5,565,160

See accompanying notes.

**WASHINGTON SCHOOL INFORMATION PROCESSING COOPERATIVE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED AUGUST 31, 2014**

**OPERATING REVENUES**

Member Contributions	15,025,683
Other Operating Revenue	4,392,130
	<u>4,392,130</u>

**TOTAL OPERATING REVENUES** **19,417,813**

**OPERATING EXPENSES**

Membership Services	16,655,122
General and Administrative	2,217,718
Depreciation	481,672
	<u>481,672</u>

**TOTAL OPERATING EXPENSES** **19,354,512**

**OPERATING INCOME/(LOSS)** **63,301**

**NONOPERATING REVENUES (EXPENSES)**

Gain/(loss) on Disposal-Equip.	0
Interest Income	4,230
	<u>4,230</u>

**TOTAL NONOPERATING REVENUES (EXPENSES)** **4,230**

**INCREASE (DECREASE) IN NET POSITION** **67,531**

**NET POSITION - BEGINNING BALANCE** **5,497,629**

**NET POSITION - ENDING BALANCE** **5,565,160**

See accompanying notes.

**WASHINGTON SCHOOL INFORMATION PROCESSING COOPERATIVE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED AUGUST 31, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers, etc.	19,360,979
Cash payments to suppliers for goods & services	(10,407,992)
Cash payments to employees for services	(8,827,968)
Net cash provided by operating activities	<u>125,019</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition of Capital Assets - Net	(564,142)
Net cash flows from capital and related financing activities	<u>(564,142)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest and dividends on investments	4,312
Net cash flows from investing activities	<u>4,312</u>

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** **(434,811)**

**CASH AND CASH EQUIVALENTS - BEGINNING** 3,574,627

**CASH AND CASH EQUIVALENTS - ENDING** 3,139,816

See accompanying notes.

WASHINGTON SCHOOL INFORMATION PROCESSING COOPERATIVE

Statement of Cash Flows for the Fiscal Year Ended August 31, 2014 (Cont.)

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

<b>OPERATING INCOME(LOSS):</b>	<b>63,301</b>
<b>Non-cash items:</b>	
Depreciation expense	481,672
Loss of Fixed Asset Disposal	<u>-</u>
Total Non-cash items	<b>481,672</b>
<b>Change in current accounts:</b>	
(Increase)/Decrease in accounts receivable (operations)	(86,332)
(Increase)/Decrease in prepaid amounts	(80,118)
(Increase)/Decrease in inventory	3,194
Increase/(Decrease) in accounts payable (operations)	(335,464)
Increase/(Decrease) in compensated absences payable	83,127
Increase/(Decrease) in deposits	<u>(4,361)</u>
<b>NET CASH PROVIDED/ (USED) BY OPERATING ACTIVITIES:</b>	<b><u><u>125,019</u></u></b>

See accompanying notes.

# **NOTES TO THE FINANCIAL STATEMENTS**

## **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Washington School Information Processing Cooperative (“WSIPC”) were developed under authority of the Office of Superintendent of Public Instruction. Except where noted as exceptions, the rules of generally accepted accounting principles (GAAP) are the basis for accounting and financial reporting in WSIPC. The following summary of the more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

### ***Reporting Entity***

Washington School Information Processing Cooperative (“WSIPC”) is an interlocal cooperative formed by the Educational Service Districts of the State of Washington, pursuant to Title 39.34, *Revised Code of Washington (RCW)*, the Interlocal Cooperation Act, for the purpose of providing extensive information system services to local school districts, educational service districts and other educational entities.

As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. Based on the standards set by Governmental Accounting Standards Board (GASB) Statement 14, there were no component units of WSIPC. WSIPC is a separate legal entity and is fiscally independent from all other units of government.

Oversight responsibility for WSIPC's operations is vested with the Board of Directors who are appointed by the boards of directors of the nine educational service districts that are signatory to the Interlocal Cooperative Agreement, one from each educational service district. Management of WSIPC is appointed by and accountable to the Board of Directors. Fiscal responsibility, including budget authority, setting fees for services and issuing debt consistent with the provisions of state statutes, rests with the Board. For financial reporting purposes, WSIPC's financial statements include all fund entities that are controlled by WSIPC's Board of Directors and managed by the administrative staff, unless noted hereafter.

### ***Basis of Accounting and Reporting***

WSIPC's accounting policies, as reflected in the accompanying financial statements, conform to the *Accounting Manual for Educational Service Districts*, prescribed by the Office of Superintendent of Public Instruction (OSPI). This manual allows for a practice that differs from generally accepted accounting principles in the following manner: (1) The Management Discussion and Analysis is not required.

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. WSIPC reports as a stand-alone proprietary fund:

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. Operating expenses for proprietary funds include the cost of providing services, administrative expenses, depreciation on capital assets, and gain/loss on sale of assets. Grants used to finance operations and expenses not related to the provision of District services are reported as non-operating revenues and expenses.

## ***Assets, Liabilities, and Equity***

### Cash and Cash Equivalents

The Franklin County Treasurer is the ex-officio treasurer for WSIPC. In this capacity, the county treasurer receives daily deposits and transacts investments on behalf of WSIPC. On August 31, 2014, the treasurer was holding \$3,125,116 in deposits and short-term residual investments of surplus cash. \$14,700 in imprest cash was on bank deposit. These amounts are classified on the statement of net position as cash and cash equivalents.

For the purposes of the statement of cash flows, WSIPC considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

### Deposits and Investments – See Note 2

### Receivables

WSIPC's accounts and contracts receivable represent the value of goods and services provided and invoiced to clients at fiscal year-end. All receivables are shown net of an allowance for uncollectibles. On August 31, 2014, and there were no uncollectible accounts.

### Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

### Inventory

On August 31, 2014, WSIPC held a small inventory of software licenses on hand.

### Capital Assets and Depreciation – See Note 3

### Compensated Absences

Employees earn vacation leave at varying rates in accordance with WSIPC policy. A maximum of 30 accrued days' vacation leave is payable upon termination.

Employees earn sick leave at a rate of 12 days per year and may accumulate up to 180 days unused sick leave balance. Under the provisions of Chapter 28A.400.210 RCW, sick leave accumulated by employees is reimbursed at death or retirement at the rate of 1 day for each 4 days of accrued leave, limited to 180 accrued days. This chapter also provides employees who have accumulated in excess of 60 accrued days at the end of the calendar year an annual buy-back at the rate of 1 day for each 4 days of accrued leave, of an amount up to the maximum annual accumulations of 12 days. For buy-back purposes, employees may accumulate such leave to a maximum of 180 days, including annual accumulation, as of December 31 of each year.

The balances reported in the statement of net position as of August 31, 2014, represent the aggregate amount of unused vacation leave payable, and sick leave eligible for payout upon retirement for all eligible employees of WSIPC.

### Deposits

This account consists of deposits for vendor booths attributable to the next fiscal year.



## Note 2: DEPOSITS AND INVESTMENTS

All of WSIPC'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 WSIPC 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.

As of August 31, 2014, WSIPC had the following investments on deposit with the Franklin County Treasurer:

Investment	Maturity	Fair Value
Local Government Investment Pool	\$3,075,477	\$3,075,477
County Investment Pool		
Certificate of Deposit		
Money Market Account		
Total Investments	\$3,075,477	\$3,075,477

### **Credit Risk**

The Local Government Investment Pool (LGIP) is considered extremely low risk. The pool is operated in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The pool's portfolio is made up of high quality, highly liquid securities, and its relatively short average maturity reduces the pool's price sensitivity to market interest rate fluctuations. The pool also has a strong degree of asset diversification to minimize risk and maintain adequate rates of return.

The pool is not insured or guaranteed by any government; therefore, maintenance of principal is not fully insured. The LGIP does not have a credit rating.

The pool is managed and operated by the Office of the State Treasurer for the State of Washington. The LGIP publishes an annual report, which is on the Internet at the Treasurer's Web site (<http://tre.wa.gov>). As of the most recent report date, fair value equaled amortized cost. It is the policy of the LGIP to permit participants to withdraw their investments on a daily basis; therefore, WSIPC's investment balance in the pool is equal to fair value.

### **Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, WSIPC would not be able to recover the value of the investment or collateral securities. Of WSIPC's total cash and investment position of \$3,125,116, \$3,075,477 is exposed to custodial credit risk because the investments held by the LGIP are not insured or guaranteed by any government. WSIPC does not have a policy for custodial credit risk.

### **Concentration of Credit Risk**

WSIPC does not have investments in any one issuer that represents five percent or more of total investments.

### **Note 3: CAPITAL ASSETS**

Capital assets, which include property, facilities, and large equipment, are capitalized at total acquisition cost, provided such cost exceeds \$5,000 and has an expected useful life of three or more years. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives:

Asset	Years
Phone Systems, Vehicles	5
Computer Hardware & Equipment	3
Building	30
Furniture	10

Major expenses for capital assets, including capital leases and major repairs that extend the useful life of an asset are capitalized. Assets under the capitalization threshold, maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

Capital assets activity for the fiscal year ended August 31, 2014, was as follows:

	Beginning Balance 9/1/2013	Increases	Decreases	Ending Balance 8/31/2014
Capital assets not being depreciated:				
Land	\$ 235,521	0	0	\$ 235,521
Construction in Progress				
<b>Total capital assets not being depreciated</b>	<b>\$ 235,521</b>	<b>0</b>	<b>0</b>	<b>\$ 235,521</b>
Depreciable capital assets:				
Buildings	\$2,462,987	0	0	\$2,462,987
Furniture & Equipment	4,283,817	564,059	225,028	4,622,848
Other				
<b>Total depreciable capital assets</b>	<b>\$6,746,804</b>	<b>\$ 564,059</b>	<b>\$ 225,028</b>	<b>\$7,085,835</b>
Less accumulated depreciation for:				
Buildings	\$1,064,616	\$ 74,845	0	\$1,139,461
Furniture & Equipment	\$3,669,584	406,827	225,028	\$3,851,382
Other				
<b>Total accumulated depreciation</b>	<b>\$4,734,200</b>	<b>\$ 481,672</b>	<b>\$ 225,028</b>	<b>\$4,990,843</b>
<b>Total depreciable assets, net</b>	<b>\$2,012,604</b>	<b>\$ 82,387</b>	<b>\$ 0</b>	<b>\$2,094,992</b>
<b>Total assets, net</b>	<b>\$2,248,125</b>	<b>\$ 82,387</b>	<b>\$ 0</b>	<b>\$2,330,513</b>

#### Note 4: LEASES

##### *Operating Lease(s)*

WSIPC is committed under various leases for copy machines. All leases are considered operating leases for accounting purposes because WSIPC does not acquire interests in the property. Lease expenses for the year ended August 31, 2014, totaled \$42,062. Future minimum rental commitments for these leases are as follows:

Fiscal Year Ending August 31	Amount
2015	\$43,354
2016	\$43,354
2017	\$36,285
2018 – 2019	\$39,023

#### Note 5: PENSION PLANS

Substantially all of WSIPC's full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS) one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by the State of Washington Department of Retirement Systems (DRS).

The Public Employees' Retirement System (PERS) includes non-certificated staff of state, county, local government, and 295 public school district employers. It includes 263,347 active and inactive members, as reported in DRS' Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013.

The employee and employer contribution rates for Plans 1 and 2 for PERS are established each biennium by the Legislature. The employee contribution rate for Plan 2 is also determined by the Legislature. However, the employee contribution rate for Plan 1 is set by statute at 6 percent and does not vary from year to year. The employer and employee contribution rates for Plan 2 are developed by the state actuary to fully fund these plans. The employer rates for Plan 1 are not necessarily adequate to fully fund the level established by the Legislature. The methods used to determine the contribution requirements for PERS are established under Chapter 41.40 RCW.

Plan 3 is a combination defined benefit, defined contribution plan. Employer contribution rates are established each biennium by the Legislature. The state actuary calculates the rates, the economic revenue forecast council adopts the rates, and the Legislature enacts the rates for the defined benefit portion of the plan. Employee rates are established each biennium by the Legislature as well. These rates fund the defined contribution portion of the plan.

Employee contribution rates have been set at rates reflective of amounts that have been appropriated by the state Legislature.

WSIPC contribution represents its full liability under both systems, except that future rates may be adjusted to meet the system needs.

### ***General System Information by Internal Benefit Plans***

Plan 1 (employment on or before September 30, 1977) members of PERS are eligible to retire with full benefits after 5 years of credited service and attainment of age 60 or after 25 years of credited service and attainment of age 55 or after 30 years of credited service.

Plan 2 (employment on or after October 1, 1977) members of PERS are eligible to retire with full benefits after 5 years of credited service and attainment of age 65 or after 20 years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65.

Plan 3 (employment on or after July 1, 1996) members of PERS are eligible to retire with full benefits after 10 years of credited service and attainment of age 65 or after 10 years of credited service and attainment of age 55 with benefits actuarially reduced from age 65.

Average final compensation (AFC) of Plan 1 PERS members is the annual average of the greatest compensation earnable during any consecutive two-year period of service credit months for which service credit is allowed. For Plan 2 and 3 PERS members, it is the average compensation earnable of the highest consecutive sixty months of service credit months.

The retirement allowance of Plan 1 PERS members is the AFC multiplied by two percent per year of service capped at sixty percent. For Plan 2 PERS members it is the AFC multiplied by two percent per year of service with provision for a cost-of-living adjustment capped at three percent per year. For the defined benefit portion of Plan 3 PERS it is the AFC multiplied by one percent per year of service with provision for a cost-of-living adjustment.

## **Contributions**

Employee contribution rates effective September 1, 2013 through August 31, 2014:

Plan 1 PERS 6%

Plan 2 PERS 4.92% September 1, 2013 through August 31, 2014

Employer contribution rates effective for Plans 1, 2 and 3 PERS September 1, 2013 through August 31, 2014:

9.21% September 1, 2013 through August 31, 2014

The employer is required by law to contribute 100 percent of the employer-required contribution. Employer contribution in dollars as of August 31, 2014, 2013 and 2012 for Plans 1, 2 and 3 PERS were \$637,332, \$523,775 and \$505,269 respectively.

Historical trend information, showing TRS and PERS progress in accumulating sufficient assets to pay benefits when due, is presented in the State of Washington's June 30, 2013, comprehensive annual financial report. Refer to said report for detailed trend information. It is available from:

State of Washington  
Office of Financial Management  
300 Insurance Building  
P.O. Box 43113  
Olympia, WA 98504-3113

## **Note 6: OTHER POST EMPLOYMENT BENEFIT PLANS**

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

WSIPC employees have the option of participating in an IRC, Section 457, deferred compensation plan administered by the state retirement system. The plan assets and all related income are held in trust for the exclusive benefit of the participants and their beneficiaries.

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

WSIPC offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under the elective deferral (employee contribution method). WSIPC complies with IRS regulations that require school districts to have written plans to include participating investment companies, types of investments, loans, transfers, and various requirements. Plans are administered by third party administrators. The plan assets are assets of WSIPC employees, not WSIPC, and are therefore not reflected in these financial statements. WSIPC had no 403(b) participants as of the fiscal year ending August 31, 2014.

## **Note 7: RISK MANAGEMENT**

**WSIPC is a member of the Southwest Washington Risk Management Insurance Cooperative.** This *Cooperative* provides property and casualty insurance coverage for its membership as authorized by Chapter 48.62 RCW. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The *Cooperative* was formed in September 1986 to pool their self-insured losses and jointly purchase insurance and administrative services. WSIPC joined the *Cooperative* effective September 1, 2003. WSIPC had no insurance claim settlements, individually or in aggregate, that exceeded coverage for fiscal years ending August 31, 2014, 2013 and 2012.

The Cooperative purchases excess insurance coverage and provides related services, such as administration, risk management and claims administration. All coverage is on an occurrence basis. The Cooperative provides the following forms of group purchased insurance coverage for its members: Property, including owned buildings, automobiles and equipment, Equipment Breakdown, Commercial Crime, General Liability, Errors and Omissions Liability and Employment Practices Liability. Members are responsible for the first \$1,000 of all property claims and the Cooperative is responsible for the next \$249,000. There is no member deductible for liability claims. Excess insurance covers insured losses over \$250,000 up to the limits of each policy. The Cooperative is a member of Washington Schools Risk Management Pool to obtain this excess insurance.

The Cooperative also purchases additional excess crime coverage as well as required Public Official Bonds. The Commercial Crime coverage is subject to a per-occurrence deductible of \$5,000. Members are responsible for \$1,000 of that deductible amount for each claim.

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

The Cooperative is governed by a board of directors which is comprised of one designated representative from each participating member. A five member executive committee is responsible for conducting the business affairs of the Cooperative. The financial statements of the Cooperative may be obtained by contacting Educational Service District No. 112. Financial statements and disclosures for the *Cooperative* can be obtained from the following address:

Educational Service District 112  
2500 NE 65<sup>th</sup> Avenue  
Vancouver, WA 98661-6812

**WSIPC is a member of the Unemployment Compensation Pool administered by Northwest ESD 189.**

The purpose of the Pool is to share the risk of unemployment compensation claims arising from previous employees of its members. The Pool is fully funded by member participants. Member participants pay a percentage of their employees' wages. These contributions plus investment earnings pay for unemployment claims and for the administration of the fund. Financial statements and disclosures for the Pool can be obtained from the following address:

Northwest Educational Service District 189  
1601 R Avenue  
Anacortes, WA 98221

**Note 8: IMPLEMENTATION OF NEW ACCOUNTING PRINCIPALS**

Effective September 1, 2013, The Cooperative adopted the provisions of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. The objective of this statement is to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

<b>Contact information for the State Auditor's Office</b>	
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<b>Public Records requests</b>	(360) 725-5617
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>