Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Washington School Information Processing Cooperative

Snohomish County

For the period September 1, 2016 through August 31, 2017

Published June 21, 2018

Report No. 1021409

Office of the Washington State Auditor

Pat McCarthy

June 21, 2018

Board of Directors
Washington School Information Processing Cooperative
Everett, Washington

Report on Financial Statements

Please find attached our report on the Washington School Information Processing Cooperative's financial statements.

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (360) 902-0370 • Pat.McCarthy@sao.wa.gov

TABLE OF CONTENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Washington School Information Processing Cooperative
Snohomish County
September 1, 2016 through August 31, 2017

2017-001 The Cooperative did not report the liabilities related to its other postemployment benefits in accordance with governmental accounting standards.

Background

Cooperative board members, state and federal agencies, and the public rely on the information included in the financial statements and report to make decisions. Cooperative management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting.

With respect to reporting post-employment benefits in accordance with Governmental Accounting Standard Board (GASB) Statement No. 45, our audit identified a significant deficiency in internal controls over financial reporting that hindered the Cooperative's ability to produce reliable financial statements.

Description of Condition

The Cooperative did not report the liabilities related to other postemployment benefits in accordance with Governmental Accounting Standards Board (GASB) Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

Cause of Condition

The Cooperative did not believe it met the criteria that would require it to report other post-employment benefits described by GASB 45.

The Cooperative chose not to restate the financial statements to include other post-employment benefits for fiscal year 2017.

Effect of Condition

The Cooperative did not obtain an actuarial study to determine the amount of liabilities related to other post-employment benefits. Consequently, the Cooperative did not report this liability or present the note disclosures and other information required by generally accepted accounting principles (GAAP).

Recommendations

We recommend the Cooperative:

- Perform necessary research and obtain needed actuarial studies to correctly report other post-employment benefit liabilities on its financial statements.
- Establish a process for technical review of the financial statements by a person who understands generally accepted accounting principles (GAAP) and reporting requirements to ensure accurate preparation and reporting of the Cooperative's financial statements.

Cooperative's Response

WSIPC appreciates the opportunity to respond to the State Auditor's Office finding. WSIPC respectfully disagrees with the State Auditor's Office (SAO) finding related to the application of Government Accounting Standards Board Statement No. 45 (GASB 45) – Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions, to WSIPC's August 31, 2017 financial statements. WSIPC agrees with the State Auditor's Office finding that WSIPC did not obtain an actuarial study to determine other postemployment benefit (OPEB) liabilities.

A review and analysis of the underlying accounting pronouncements by a group of Accounting professionals from across the state resulted in recording activity for post-retirement benefits for employees offered through the Health Care Authority (HCA) as a cost-sharing plan under an arrangement equivalent to a trust. WSIPC's current relationship with the HCA consists of a monthly K-12 remittance related to our active employees. WSIPC does not make any payments to HCA for retiree healthcare and was unaware that funds paid into HCA were being used for this purpose.

All Educational Service District's (ESDs) in the state of Washington changed from modified accrual financial reporting to full accrual financial reporting in accordance with generally accepted accounting principles (GAAP) in the 2011-2012 school year. During the year of implementation, the ESD accounting manual went through a significant revision with consultation from OSPI and the State Auditor's Office, including a thorough technical review of all GAAP and GASB technical guidance. GASB 45 was in effect at the time the revised manual was adopted. WSIPC, a joint venture of the ESDs, follows the ESD accounting manual. Additionally, the State Auditor's Office conducts an annual audit of WSIPC and the implementation of GASB 45 has never been brought up as an issue in prior audits, and WSIPC has always received a clean audit opinion, with no findings, in the past.

In April of 2018, during the current financial statement audit cycle, the GASB 45 liability issue surfaced across the state and the State Auditor's Office determined that WSIPC, in addition to the ESDs, would receive a finding for not reporting a GASB 45 liability as the SAO did not accept the collaborative research and position of the nine ESD's in the application of GASB 45. Further communication indicated that even if WSIPC procured services for a professional actuarial study to calculate any GASB 45 liabilities that WSIPC would still receive a finding, but would receive a clean audit opinion.

WSIPC reviewed the GASB 45 options and audit implications with the Board of Directors at the April 2018 meeting and the Board was comfortable with our approach to not spend WSIPC resources on an actuarial study and the additional costs for SAO to audit the study in order to make adjustments to our 2016-17 financial statements related to an expiring GASB statement. GASB 45 will be replaced by Government Accounting Standards Board Statement No. 5 (GASB 75) – Accounting and Financial Reporting for Postemployment Benefits other than Pensions beginning with the 2017-2018 reporting year. WSIPC's position at this point is to focus time and resources on the implementation of GASB statements that are applicable effective with the 2017-18 year. Management's belief is that the 2016-17 financial statements, as reported, fairly reflects the financial position of WSIPC, and accurately provides information needed to make financial decisions, consistent with prior years. Unfortunately, this decision resulted in this audit finding, as well as a qualified opinion on the financial statements.

Auditor's Remarks

We appreciate the Cooperative's communication throughout the audit process. We reassert that Cooperative management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting, including compliance with Generally Accepted Accounting Principles (GAAP).

We look forward to working with the Cooperative again and reviewing the implementation of GASB 75 Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions during the next audit.

Applicable Laws and Regulations

Government Accounting Standards Board Statement No. 45

Government Auditing Standards, December 2011 Revision, paragraph 4.23

The American Institute of Certified Public Accountants Codification of Statements on Auditing Standards, section 115

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*

Washington School Information Processing Cooperative
Snohomish County
September 1, 2016 through August 31, 2017

Board of Directors
Washington School Information Processing Cooperative
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 the Washington School Information Processing Cooperative, Snohomish County, Washington, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated May 15, 2018. The Cooperative has omitted the management's discussion and analysis information that governmental 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.

The Cooperative did not report liabilities resulting from postemployment benefits as of August 31, 2017. Accordingly, our report was modified to reflect a qualified opinion on the fair presentation of the financial statements for this departure from accounting principles generally accepted in the United States of America.

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 preceding paragraph 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. We did identify certain deficiencies in internal control described in the accompanying Schedule of Audit Findings and Responses as Finding 2017-001 to be a significant deficiency.

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*.

COOPERATIVE'S RESPONSE TO FINDINGS

The Cooperative's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The Cooperative's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Pat McCarthy

State Auditor

Olympia, WA

May 15, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Washington School Information Processing Cooperative
Snohomish County
September 1, 2016 through August 31, 2017

Board of Directors
Washington School Information Processing Cooperative
Everett, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Washington School Information Processing Cooperative, Snohomish County, Washington, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed on page 13.

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 qualified audit opinion.

Basis for Qualified Opinion

The Cooperative reported total liabilities of $6,313,891 on the Statement of Net Position as of August 31, 2017. The Cooperative did not report liabilities resulting from postemployment benefits provided to its employees in accordance with Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Presentation of, and disclosures for, such liabilities is required by accounting principles generally accepted in the United States of America.

We were unable to obtain sufficient appropriate audit evidence about the liabilities as of August 31, 2017, because the District has not performed an actuarial study to calculate its liabilities resulting from these postemployment benefits. Consequently, the amounts by which this departure would affect the liabilities and net position amounts have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the Operating Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington Schools Information Processing Cooperative, as of August 31, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed on page 13 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 May 15, 2018 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.

Pat McCarthy

State Auditor

Olympia, WA

May 15, 2018

FINANCIAL SECTION

Washington School Information Processing Cooperative
Snohomish County
September 1, 2016 through August 31, 2017

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON SCHOOL INFORMATION PROCESSING COOPERATIVE
STATEMENT OF NET POSITION
AUGUST 31, 2017

ASSETS		
Current Assets		
Net Cash/Investments	Notes 1,2	5,856,104
Accounts Receivable	Note 1	390,269
Prepaid Expenses	Note 1	608,620
Total Current Assets		**6,854,993**
Noncurrent Assets		
Land		235,521
Buildings		2,462,987
Accumulated Depreciation-Bldg.		(1,363,994)
Furniture/Equipment		4,141,129
Accumulated Depreciation-F/E		(3,774,922)
Total Noncurrent Assets	Note 3	**1,700,721**
TOTAL ASSETS		**8,555,714**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Pensions		569,301
TOTAL DEFERRED OUTFLOWS OF RESOURCES	Notes 1,5	**569,301**
LIABILITIES		
Current Liabilities		
Accounts Payable		233,669
Salaries Payable		347
Payroll Deductions & Taxes Payable		99
Compensated Absences	Note 1	351,882
Deposits		63,617
Total Current Liabilities		**649,613**
Noncurrent Liabilities		
Compensated Absences	Notes 1,8	358,809
Net Pension Liability	Notes 5,8	5,305,469
Total Noncurrent Liabilities		**5,664,278**
TOTAL LIABILITIES		**6,313,891**
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Pensions		1,046,172
TOTAL DEFERRED INFLOWS OF RESOURCES	Notes 1,5	**1,046,172**
NET POSITION		
Net Investment in Capital Assets	Note 3	1,700,721
Unrestricted		64,231
TOTAL NET POSITION		**1,764,952**

The accompanying notes are an integral part of these financial statements.

WASHINGTON SCHOOL INFORMATION PROCESSING COOPERATIVE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2017

OPERATING REVENUES		
Member Contributions		14,482,772
Other Operating Revenue		7,940,027
TOTAL OPERATING REVENUES		**22,422,799**
OPERATING EXPENSES		
Membership Services		17,904,620
General and Administrative		2,074,312
Depreciation	Note 3	542,503
TOTAL OPERATING EXPENSES		**20,521,436**
OPERATING INCOME/(LOSS)		**1,901,363**
NONOPERATING REVENUES (EXPENSES)		
Interest Income		35,090
TOTAL NONOPERATING REVENUES (EXPENSES)		**35,090**
INCREASE (DECREASE) IN NET POSITION		**1,936,453**
NET POSITION - BEGINNING BALANCE		**(171,502)**
NET POSITION - ENDING BALANCE		**1,764,952**

The accompanying notes are an integral part of these financial statements.

WASHINGTON SCHOOL INFORMATION PROCESSING COOPERATIVE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers, etc.		22,339,637
Cash payments to suppliers for goods & services		(10,682,430)
Cash payments to employees for services		(9,384,063)
Net cash provided by operating activities		**2,273,144**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets - Net	Note 3	(222,108)
Net cash flows from capital and related financing activities		**(222,108)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments		35,090
Net cash flows from investing activities		**35,090**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,086,125**
CASH AND CASH EQUIVALENTS - BEGINNING		3,769,979
CASH AND CASH EQUIVALENTS - ENDING	Notes 1,2	**5,856,104**

The accompanying notes are an integral part of these financial statements.

WASHINGTON SCHOOL INFORMATION PROCESSING COOPERATIVE

Statement of Cash Flows for the Fiscal Year Ended August 31, 2017 (Cont.)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

OPERATING INCOME(LOSS):		**1,901,363**
Non-cash items:		
Depreciation expense	Note 3	542,503
Pension expense	Note 5	(272,749)
Total Non-cash items		**269,754**
Change in current accounts:		
(Increase)/Decrease in accounts receivable (operations)		(113,135)
(Increase)/Decrease in prepaid amounts		(12,441)
Increase/(Decrease) in accounts payable (operations)		101,078
Increase/(Decrease) in salaries payable		(500)
Increase/(Decrease) in payroll taxes payable		(11)
Increase/(Decrease) in compensated absences payable		7,338
Increase/(Decrease) in deposits		(5,016)
Change in noncurrent accounts:		
Increase/(Decrease) in compensated absences payable	Note 8	124,713
NET CASH PROVIDED/ (USED) BY OPERATING ACTIVITIES:		**2,273,144**

The accompanying notes are an integral part of these financial statements.

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 nine Educational Service Districts (ESDs) 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 school districts, educational service districts, and other educational entities. WSIPC is a non-profit public agency formed by mutual agreement of the nine ESDs, including Northeast Washington ESD 101, ESD 105, ESD 112, ESD 113, Olympic ESD 114, Puget Sound ESD 121, ESD 123, North Central ESD 171 and Northwest ESD 189, with an equal share of the investment in joint venture recorded on each of the ESD’s consolidated financial statements.

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 of Directors. ESD 123 is the fiscal agent of the joint venture, and reports directly to the WSIPC Board of Directors on financial matters. 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.

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.

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 WSIPC 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. These amounts are classified on the Statement of Net Position as Cash and Investments. See Note 2.

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, 2017, 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.

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, 2017, 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 conference attendee registrations attributable to the next fiscal year.

Deferred Outflows and Inflows of Resources:

WSIPC adopted GASB 68 at the year ended August 31, 2015. GASB 68 requires WSIPC to recognize as deferred outflows or inflows on the Statement of Net Position their proportionate share of the State Department of Retirement System's deferred income or expense items that will be recognized over a number of years. These items are presented on the Statement of Net Position and will impact the future calculations of the retirement system's pension funding status.

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, 2017, WSIPC had $5,856,104 in cash and investments. Of this amount, $5,843,646 was on deposit and in short-term residual investments of surplus cash with the Franklin County Treasurer and $12,458 was in imprest cash on bank deposit.

As of August 31, 2017, WSIPC had the following investments on deposit with the Franklin County Treasurer:

Investment	Maturity	Fair Value
Local Government Investment Pool	$5,846,737	$5,846,737
County Investment Pool		
Certificate of Deposit		
Money Market Account		
Total Investments	**$5,846,737**	**$5,846,737**

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 $5,856,104, $5,846,737 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, 2017, was as follows:

	Beginning Balance 9/1/2016	Increases	(Decreases)	Ending Balance 8/31/2017
Capital Assets not being depreciated:				
Land	$ 235,521			$ 235,521
Construction in Progress				
Total Capital Assets not being depreciated	**$ 235,521**			**$ 235,521**
Depreciable Capital Assets:				
Buildings	$2,462,987			$2,462,987
Furniture & Equipment	4,038,533	222,108	(119,512)	4,141,129
Total Depreciable Capital Assets	$6,501,520	$222,108	($119,512)	$6,604,116
Less Accumulated Depreciation for:				
Buildings	$1,289,150	74,844		$1,363,994
Furniture & Equipment	$3,426,775	467,659	(119,512)	$3,774,922
Total Accumulated Depreciation	$4,715,925	$542,503	($119,512)	$5,138,916
Total Depreciable Assets, net	**$1,785,595**	**($320,395)**	**$0**	**$1,465,200**
Total Capital Assets, net	**$2,021,116**	**($320,395)**	**$0**	**$1,700,721**

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, 2017, totaled $38,176. Future minimum rental commitments for these leases are as follows:

Fiscal Year Ending August 31	Amount
2018	$34,052
2019	$27,093
2020	$14,577
2021 & thereafter	$0

Note 5: PENSION PLANS

General Information

WSIPC, a cost-sharing, multi-employer, is required to provide retirement benefits for substantially all of its qualifying employees through the State of Washington State Department of Retirement System (DRS) plans as described below in Note 5.

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

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of pension plans administered by DRS and additions to/deductions from the plans' net position have been determined on the same basis as they are reported by the plans.

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

Membership Participation & Plan Benefits

The Public Employees' Retirement System (PERS) includes non-certificated staff of state, county, local government, and 295 public school district employers.

Membership participation by retirement plan as of June 30, 2017, was as follows:

Plan	Active Members	Inactive Vested Members	Retired Members
PERS 1	2,593	663	48,268
PERS 2	122,390	27,835	46,675
PERS 3	34,458	5,601	4,276

Plan 1 (employment on or before September 30, 1977) members of PERS are eligible to retire with full benefits after five 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 five 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.

Plan Contributions

Under current law the employer must contribute 100 percent of the employer-required contribution. The employee and employer contribution rates for Plans 1 and 2 for PERS are established by the Pension Funding Council based upon the rates set 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 six 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 are established under Chapters 41.34 and 41.40 RCW for PERS.

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.

The Employer and employee contribution rates for the PERS plan are effective as of July 1. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2016 and 2017 are listed below:

	7/1/17 Rate	7/1/16 Rate
PERS 1 Member Contribution Rate	6.00%	6.00%
PERS 1 Employer Contribution Rate	12.70%	11.18%
PERS 2 Member Contribution Rate	7.38%	6.12%
PERS 2 Employer Contribution Rate	12.70%	11.18%
PERS 3 Member Contribution Rate	varies	varies
PERS 3 Employer Contribution Rate	12.70%	11.18%

The Collective Net Pension Liability

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

The Net Pension Liability as of June 30, 2017		
Dollars in Thousands	PERS 1	PERS 2/3
Total Pension Liability	$12,241,998	$38,475,325
Plan Fiduciary Net Position	($7,496,920)	($35,000,803)
Participating employers' net pension liability	$4,745,078	$3,474,522
Plan fiduciary net position as a percentage of the total pension liability	61.24%	90.97%

WSIPC's Proportionate Share of the Net Pension Liability (NPL)

At June 30, 2017, WSIPC reported a total liability of $5,305,469 for its proportionate shares of the individual plans' collective net pension liability. WSIPC's proportionate share of the collective net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2017, WSIPC's proportionate share of each plan's net pension liability is reported below:

June 30, 2017	PERS 1	PERS 2/3
Annual Contributions	$351,359	$445,419
Proportionate Share of the Net Pension Liability	$2,771,665	$2,533,804

At June 30, 2017, WSIPC's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior year is illustrated below:

Allocation Percentages	PERS 1	PERS 2/3
Current year proportionate share of the Net Pension Liability	0.058411%	0.072925%
Prior year proportionate share of the Net Pension Liability	0.056059%	0.069807%
Net difference percentage	0.002352%	0.003118%

WSIPC has no independent ability to fund or satisfy this pension liability outside of Washington State's legislatively adopted contribution rates, as they currently exist, or may be adopted in the future. Assessments now and in the future are made based upon the annual qualified worker compensation and are paid by both WSIPC, as the employer, and its employees.

Actuarial Assumptions

Capital Market Assumptions (CMAs) and expected rates of return by asset class provided by the Washington State Investment Board. The Office of the State Actuary relied on the CMAs in the selection of the long-term expected rate of return for reporting purposes.

The total pension liabilities were determined by actuarial valuation as of June 30, 2016, with the results rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	3.0% total economic inflation, 3.75% salary inflation
Salary increases	In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.50%

Mortality Rates

Mortality rates used in the plans were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime. The actuarial assumptions used in the June 30, 2016, valuation were based on the results of *OSA's 2007–2012 Experience Study* and the *2015 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best-estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the Washington State Investment Board (WSIB). Those expected returns make up one component of WSIB's CMAs. 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 long-term expected rate of return of 7.50% percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen-year period, becomes amplified over a fifty-year measurement period.

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, 2017, are summarized in the following table:

PERS 1 and PERS 2/3		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20.00%	1.70%
Tangible Assets	5.00%	4.90%
Real Estate	15.00%	5.80%
Global Equity	37.00%	6.30%
Private Equity	23.00%	9.30%

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50 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. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, 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 7.50 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 table below presents WSIPCs proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate. Amounts are calculated by plan using WSIPC's allocation percentage.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS 1 NPL	$5,780,412,000	$4,745,078,000	$3,848,257,000
Allocation Percentage	0.058411%	0.058411%	0.058411%
Proportionate Share of Collective NPL	$3,376,418	$2,771,665	$2,247,820
PERS 2/3 NPL	$9,360,726,000	$3,474,522,000	($1,348,349,000)
Allocation Percentage	0.072925%	0.072925%	0.072925%
Proportionate Share of Collective NPL	$6,826,333	$2,533,804	($983,287)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Pension Plans reported collective Deferred Outflows of Resources and collective Deferred Inflows of Resources related to the individual plans. At August 31, 2017, WSIPC reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences		
Net difference between projected and actual earnings on pension plan investments		($103,431)
Changes in assumptions or other inputs		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	$62,334	
TOTAL	**$62,334**	**($103,431)**

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$256,734	($83,332)
Net difference between projected and actual earnings on pension plan investments		($675,451)
Changes in assumptions or other inputs	$26,914	
Changes in proportion and differences between contributions and proportionate share of contributions	$131,344	($183,958)
Contributions subsequent to the measurement date	$91,975	
TOTAL	**$506,967**	**($942,741)**

$154,309 reported as Deferred Outflows of Resources related to pensions resulting from WSIPC contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending August 31, 2018.

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

Year ended August 31	PERS 1	PERS 2/3
2018	($69,913)	($343,020)
2019	$22,072	$16,341
2020	($5,125)	($50,705)
2021	($50,466)	($250,820)
2022 & thereafter	-	100,455

Pension Expense

WSIPC recognizes a pension expense for its proportionate share of the collective pension expense. This is determined by using WSIPC's proportion share of the collective net pension liability. For the year ending August 31, 2017, WSIPC recognized a total pension expense as follows:

	PERS 1	PERS 2/3	**TOTAL**
Pension Expense	$292,358	$264,646	**$557,004**

Note 6: DEFINED CONTRIBUTIONS

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, 2017.

Note 7: RISK MANAGEMENT

WSIPC is a member of the **Southwest Washington Risk Management Insurance Cooperative** (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, 2017, 2016, and 2015.

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 $250,000. 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. The Cooperative provides privacy and network liability coverage with a $1,000,000 limit subject to a $1,000 member deductible, along with Terrorism/Bioterrorism coverage.

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 and disclosures of the Cooperative may be obtained from the following address:

Educational Service District 112
2500 NE 65th Avenue
Vancouver, WA 98661-6812

WSIPC is a member of the **Unemployment Compensation Pool** (Pool) administered by Northwest ESD 189. The purpose of this 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: CHANGES IN LONG-TERM LIABILITIES

WSIPC operates as a proprietary fund. Accordingly, long-term liabilities are classified as business-type activities. During the year that ended August 31, 2017, the following changes occurred in long-term liabilities:

Business-Type Activities:	Beginning Balance 9/1/2016	Additions	Reductions	Ending Balance 8/31/2017	Due Within One Year
Net Pension Liability	$6,525,369		$1,219,900	$5,305,469	
Compensated Absences	$578,640	$132,052		$710,691	$351,882
Business-Type activity long-term liabilities	$7,104,009	$132,052	$1,219,900	$6,016,160	$351,882

Note 9: SUBSEQUENT EVENTS

There have been no subsequent events that have materially impacted WSIPC's August 31, 2017 financial statements.

The Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, prepares a stand-alone comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each pension plan. The required supplementary information identified below is presented separately for each of the DRS plans that WSIPC participates in.

The amounts reported in the Schedules of WSIPC's Contributions are determined as of WSIPC's fiscal year ending August 31.

SCHEDULE OF WSIPC CONTRIBUTIONS Public Employees' Retirement System (PERS) Plan 1 *Last 10 Fiscal Years* (Dollar amounts in thousands)*			
	2015	2016	2017
Contractually required contribution	$289,999	$351,445	$355,565
Contributions in relation to the contractually required contributions	$289,999	$351,445	$355,565
Contribution deficiency (excess)	$ -	$ -	$ -
WSIPC's covered payroll	$6,865,668	$7,242,228	$7,256,660
Contribution as a percentage of covered-employee payroll	4.22%	4.85%	4.90%

**This schedule is to be built prospectively until it contains ten years of data.*

SCHEDULE OF WSIPC CONTRIBUTIONS Public Employees' Retirement System (PERS) Plan 2/3 *Last 10 Fiscal Years* (Dollar amounts in thousands)*			
	2015	2016	2017
Contractually required contribution	$364,791	$458,236	$474,234
Contributions in relation to the contractually required contributions	$364,791	$458,236	$474,234
Contribution deficiency (excess)	$ -	$ -	$ -
WSIPC's covered payroll	$6,751,189	$7,148,773	$7,162,216
Contribution as a percentage of covered-employee payroll	5.40%	6.41%	6.62%

**This schedule is to be built prospectively until it contains ten years of data.*

The amounts reported in the Schedules of WSIPC's Proportionate Share of Net Pension Liability are determined as of the June 30 measurement date of the collective net pension liability.

SCHEDULE OF WSIPC's PROPORTIONATE SHARE OF THE NET PENSION LIABILITY Public Employees' Retirement System (PERS) Plan 1 *Last 10 Fiscal Years* (Dollar amounts in thousands)*			
	2015	2016	2017
WSIPC PERS 1 employer's proportion of the net pension liability (percentage)	0.061455%	0.056059%	0.058411%
WSIPC PERS 1 employer's proportionate share of the net pension liability (amount)	$3,214,668	$3,010,632	$2,771,665
WSIPC PERS 1 employer's covered payroll	$6,892,412	$6,551,460	$7,243,446
WSIPC PERS 1 employer's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	46.64%	45.95%	38.26%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%

**This schedule is to be built prospectively until it contains ten years of data.*

SCHEDULE OF WSIPC's PROPORTIONATE SHARE OF THE NET PENSION LIABILITY			
Public Employees' Retirement System (PERS) Plan 2/3			
Last 10 Fiscal Years (Dollar amounts in thousands)*			
	2015	2016	2017
WSIPC PERS 2/3 employer's proportion of the net pension liability (percentage)	0.076314%	0.069807%	0.072925%
WSIPC PERS 2/3 employer's proportionate share of the net pension liability (amount)	$2,726,743	$3,514,737	$2,533,804
WSIPC PERS 2/3 employer's covered payroll	$6,771,600	$6,466,247	$7,149,596
WSIPC PERS 2/3 employer's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	40.27%	54.36%	35.44%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%

**This schedule is to be built prospectively until it contains ten years of data.*

The amounts reported in the Schedules of Investment Returns are determined as of the June 30 measurement date.

SCHEDULE OF INVESTMENT RETURNS			
Public Employees' Retirement System (PERS) Plan 1			
Last 10 Fiscal Years (Dollar amounts in thousands)*			
	2015	2016	2017
Annual money-weighted rate of return, net of investment expense	4.45%	2.19%	13.84%

**This schedule is to be built prospectively until it contains ten years of data.*

SCHEDULE OF INVESTMENT RETURNS			
Public Employees' Retirement System (PERS) Plan 2/3			
Last 10 Fiscal Years (Dollar amounts in thousands)*			
	2015	2016	2017
Annual money-weighted rate of return, net of investment expense	4.63%	2.47%	14.11%

**This schedule is to be built prospectively until it contains ten years of data.*

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Note 1: These schedules will be built prospectively until they contain ten years of data.

Note 2: CHANGES OF BENEFIT TERMS

There were no changes of benefit terms for the Pension Plans.

Note 3: CHANGES OF ASSUMPTIONS

There were no changes of assumptions for the Pension Plans.

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.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov