Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

North Central Educational Service District No. 171

For the period September 1, 2019 through August 31, 2020

Published August 26, 2021

Report No. 1028955

Office of the Washington State Auditor
Pat McCarthy

August 26, 2021

Board of Directors
North Central Educational Service District No. 171
Wenatchee, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on North Central Educational Service District No. 171's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

North Central Educational Service District No. 171
September 1, 2019 through August 31, 2020

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of North Central Educational Service District No. 171 are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

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

CFDA No.	Program or Cluster Title
84.027	Special Education Cluster (IDEA) – Special Education Grants to States
84.173	Special Education Cluster (IDEA) – Special Education Preschool Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $750,000.

The District qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

North Central Educational Service District No. 171
September 1, 2019 through August 31, 2020

Board of Directors
North Central Educational Service District No. 171
Wenatchee, 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 each major fund and the aggregate remaining fund information of North Central Educational Service District No. 171, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 13, 2021.

The District has omitted the management's discussion and analysis information that governmental accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be a part of, the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

As discussed in Note 14 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 14.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described 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.

In addition, we noted certain matters that we will report to the management of the District in a separate letter dated August 16, 2021.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District'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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy, State Auditor

Olympia, WA

August 13, 2021

INDEPENDENT AUDITOR'S REPORT

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

North Central Educational Service District No. 171
September 1, 2019 through August 31, 2020

Board of Directors
North Central Educational Service District No. 171
Wenatchee, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of North Central Educational Service District No. 171, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2020. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

Pat McCarthy, State Auditor

Olympia, WA

August 13, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

North Central Educational Service District No. 171
September 1, 2019 through August 31, 2020

Board of Directors
North Central Educational Service District No. 171
Wenatchee, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of North Central Educational Service District No. 171, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 16.

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 opinions 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 District'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 District'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of North Central Educational Service District No. 171, as of August 31, 2020, and the respective changes in financial position and, where applicable, 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 14 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 14. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed on page 16 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

August 13, 2021

FINANCIAL SECTION

North Central Educational Service District No. 171
September 1, 2019 through August 31, 2020

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY AND OTHER INFORMATION

Educational Service District #171
STATEMENT OF NET POSITION - ALL FUNDS
August 31, 2020

	NOTE REF	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	Note 1	$ 30,858.69	$ 580,299.59	$ 3,834.15	$ 614,992.43
Investments	Note 1	$ 2,551,863.35	$ 12,077,087.82	$ 2,295,714.92	$ 16,924,666.09
Accounts Receivable (net of uncollectible allowance)	Note 1	$ 1,585,305.34			$ 1,585,305.34
Member Assessments/Contributions	Note 1		$ 197,317.74	$ 36,451.77	$ 233,769.51
Prepaids	Note 1	$ 152,286.47			$ 152,286.47
TOTAL CURRENT ASSETS		$ 4,320,313.85	$ 12,854,705.15	$ 2,336,000.84	$ 19,511,019.84
NONCURRENT ASSETS					
Capital Assets					
Land and Land Improvements		$ 1,277,756.00			$ 1,277,756.00
Building		$ 5,670,554.29			$ 5,670,554.29
Less: Accumulated Depreciation		$ (2,586,558.00)			$ (2,586,558.00)
Net Capital Assets	Note 3	$ 4,361,752.29	$ -	$ -	$ 4,361,752.29
Net Cash/Investments Held for Compensated Absences	Note 11	$ 550,249.78			$ 550,249.78
Investment in Joint Venture	Note 12	$ (31,623.00)			$ (31,623.00)
TOTAL NONCURRENT ASSETS		$ 4,880,379.07	$ -	$ -	$ 4,880,379.07
TOTAL ASSETS		$ 9,200,692.92	$ 12,854,705.15	$ 2,336,000.84	$ 24,391,398.91

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

Educational Service District #171
STATEMENT OF NET POSITION - ALL FUNDS
August 31, 2020

	NOTE REF	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
DEFERRED OUTFLOWS OF RESOURCES					
Deferred OutFlows Related to Pensions	Notes 1,6	$ 1,419,564.00			$ 1,419,564.00
Deferred OutFlows Related to OPEB	Notes 1,7	$ 1,105,215.00			$ 1,105,215.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES		$ 2,524,779.00	$ -	$ -	$ 2,524,779.00
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	Note 1	$ 239,465.43	$ 288,525.43	$ 355,375.26	$ 883,366.12
Accrued Interest Payable	Note 3	$ 117,082.56			$ 117,082.56
Payroll Deductions & Taxes Payable	Note 4	$ 4,686.00			$ 4,686.00
Compensated Absences	Note 1	$ 102,715.57			$ 102,715.57
Total OPEB Liability	Notes 4,7	$ 127,419.00			$ 127,419.00
Bonds Payable	Note 4	$ 311,933.79			$ 311,933.79
Claim Reserves					
IBNR	Notes 4,9		$ 558,989.00	$ 565,745.00	$ 1,124,734.00
Open Claims	Notes 4,9		$ 377,911.00		$ 377,911.00
Unallocated Loss Adjustment Expenses	Notes 4,9		$ 178,000.00	$ 30,000.00	$ 208,000.00
Deposits	Note 1	$ 467.32			$ 467.32
TOTAL CURRENT LIABILITIES		$ 903,769.67	$ 1,403,425.43	$ 951,120.26	$ 3,258,315.36

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

Educational Service District #171
STATEMENT OF NET POSITION - ALL FUNDS
August 31, 2020

	NOTE REF	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
NONCURRENT LIABILITIES					
Compensated Absences	Notes 1,4	$ 436,687.43			$ 436,687.43
Claim Reserves					
IBNR	Notes 4,9		$ 936,171.00		$ 936,171.00
Open Claims	Notes 4,9		$ 377,016.00		$ 377,016.00
Future L&I Assessments	Notes 4,9		$ 286,919.00		$ 286,919.00
Net Pension Liability	Note 4,6	$ 3,874,852.00			$ 3,874,852.00
Total OPEB Liability	Notes 4,7	$ 4,825,425.00			$ 4,825,425.00
Bonds Payable	Note 4	$ 3,091,584.04			$ 3,091,584.04
TOTAL NONCURRENT LIABILITIES		$ 12,228,548.47	$ 1,600,106.00	$ -	$ 13,828,654.47
TOTAL LIABILITIES		$ 13,132,318.14	$ 3,003,531.43	$ 951,120.26	$ 17,086,969.83
DEFERRED INFLOWS OF RESOURCES					
Deferred InFlows Related to Pensions	Notes 1,6	$ 459,728.00			$ 459,728.00
Deferred InFlows Related to OPEB	Notes 1,7	$ 231,920.00			$ 231,920.00
TOTAL DEFERRED INFLOWS OF RESOURCES		$ 691,648.00	$ -	$ -	$ 691,648.00
NET POSITION					
Net Investment in Capital Assets		$ 958,235.00	$ -	$ -	$ 958,235.00
Restricted	Note 10	$ 532,763.01	$ -	$ -	$ 532,763.01
Unrestricted	Note 10	$ (3,589,492.23)	$ 9,851,173.72	$ 1,384,880.58	$ 7,646,562.07
TOTAL NET POSITION		$ (2,098,494.22)	$ 9,851,173.72	$ 1,384,880.58	$ 9,137,560.08

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

Educational Service District #171
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2020

	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
OPERATING REVENUES				
Local Sources	$ 365,778.75			$ 365,778.75
State Sources	$ 2,729,115.06			$ 2,729,115.06
Allotment	$ 831,759.42			$ 831,759.42
Federal Sources	$ 1,325,810.06			$ 1,325,810.06
Cooperative Programs	$ 2,741,136.96			$ 2,741,136.96
Other Programs	$ 10,559,515.08			$ 10,559,515.08
Member Assessments/Contributions		$ 4,563,109.21	$ 505,681.36	$ 5,068,790.57
TOTAL OPERATING REVENUE	$ 18,553,115.33	$ 4,563,109.21	$ 505,681.36	$ 23,621,905.90
OPERATING EXPENSES				
General Operations and Administration	$ 2,009,046.50			$ 2,009,046.50
Instructional Support Programs	$ 12,264,955.59			$ 12,264,955.59
Non Instructional Support Programs	$ 3,171,134.54			$ 3,171,134.54
Incurred Loss/Loss Adjustment Expenses				
Paid on Current Losses		$ 1,423,994.32	$ 505,284.66	$ 1,929,278.98
Change in Loss Reserves		$ (452,730.00)	$ 520,365.65	$ 67,635.65
Unallocated Loss Adjustment Expenses				
Change in Unallocated Loss Reserves		$ (8,000.00)	$ 30,000.00	$ 22,000.00
Excess/Reinsurance Premiums		$ 125,476.00		$ 125,476.00
Professional Fees		$ 295,933.15	$ 92,530.14	$ 388,463.29
Labor & Industries Assessments		$ 1,268,978.93		$ 1,268,978.93
Depreciation/Depletion	$ 133,271.00			$ 133,271.00
Other Operating Expenses		$ 575,211.87	$ 80,150.98	$ 655,362.85
TOTAL OPERATING EXPENSES	$ 17,578,407.63	$ 3,228,864.27	$ 1,228,331.43	$ 22,035,603.33
OPERATING INCOME (LOSS)	$ 974,707.70	$ 1,334,244.94	$ (722,650.07)	$ 1,586,302.57

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

Educational Service District #171
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2020

	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	$ 19,193.51	$ 139,335.50	$ 26,298.38	$ 184,827.39
Interest Expense and Related Charges	$ (117,082.56)			$ (117,082.56)
Lease Income	$ 21,010.56			$ 21,010.56
Change in Joint Venture	$ 61,292.00			$ 61,292.00
Other Nonoperating Revenues	$ 6,306.95			$ 6,306.95
Other Nonoperating Expenses	$ 91,916.33			$ 91,916.33
TOTAL NONOPERATING REVENUES (EXPENSES)	$ 82,636.79	$ 139,335.50	$ 26,298.38	$ 248,270.67
INCOME (LOSS) BEFORE OTHER ITEMS	$ 1,057,344.49	$ 1,473,580.44	$ (696,351.69)	$ 1,834,573.24
INCREASE (DECREASE) IN NET POSITION	$ 1,057,344.49	$ 1,473,580.44	$ (696,351.69)	$ 1,834,573.24
NET POSITION - BEGINNING BALANCE	$ (3,155,838.71)	$ 8,377,593.28	$ 2,081,232.27	$ 7,302,986.84
NET POSITION - ENDING BALANCE	$ (2,098,494.22)	$ 9,851,173.72	$ 1,384,880.58	$ 9,137,560.08

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

Educational Service District #171
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2020

	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
CASH FLOW FROM OPERATING ACTIVITIES				
Cash Received from Customers	$ 14,407,383.03			$ 14,407,383.03
Cash Received from State and Federal Sources	$ 5,421,272.98			$ 5,421,272.98
Cash Received from Members		$ 4,626,982.71	$ 506,455.17	$ 5,133,437.88
Payments to Suppliers for Goods and Services	$ (5,388,668.04)			$ (5,388,668.04)
Payments to Employees for Services	$ (6,482,570.79)			$ (6,482,570.79)
Cash Paid for Benefits/Claims	$ (6,478,013.10)	$ (1,469,228.52)	$ (185,931.76)	$ (8,133,173.38)
Cash Paid for Labor and Industries Assessments		$ (1,272,020.91)		$ (1,272,020.91)
Cash Paid for Professional Services		$ (283,374.58)	$ (101,147.22)	$ (384,521.80)
Cash Paid for Other Operating Expense		$ (557,824.22)	$ (79,036.71)	$ (636,860.93)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 1,479,404.08	$ 919,058.48	$ 140,339.48	$ 2,538,802.04
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	$ (627,138.00)			$ (627,138.00)
Principal and Interest Paid on Capital Debt	$ (443,582.98)			$ (443,582.98)
Lease Income	$ 21,010.56			$ 21,010.56
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	$ (1,049,710.42)	$ -	$ -	$ (1,049,710.42)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends Received	$ 19,193.51	$ 139,335.50	$ 26,298.38	$ 184,827.39
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	$ 19,193.51	$ 139,335.50	$ 26,298.38	$ 184,827.39
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 448,887.17	$ 1,058,393.98	$ 166,637.86	$ 1,673,919.01
CASH AND CASH EQUIVALENTS - BEGINNING	$ 2,133,834.87	$ 11,598,993.43	$ 2,132,911.21	$ 15,865,739.51
CASH AND CASH EQUIVALENTS - ENDING	$ 2,582,722.04	$ 12,657,387.41	$ 2,299,549.07	$ 17,539,658.52
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
OPERATING NET INCOME	$ 974,707.70	$ 1,334,244.94	$ (722,650.07)	$ 1,586,302.57
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	$ 133,271.00			$ 133,271.00
Receivables, Net	$ 840,188.76	$ 10,026.60	$ 356.95	$ 850,572.31
Prepaids	$ 357,513.29	$ 13,382.50		$ 370,895.79
Accounts and Other Payables	$ (538,334.31)	$ 22,134.44	$ 312,266.95	$ (203,932.92)
Accrued Expenses	$ 58,194.00			$ 58,194.00

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

Educational Service District #171
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2020

	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
Unearned Revenue	$ (56.36)			$ (56.36)
Pension Expense from change in Net Pension Liability				
Change in Deferred Outflows	$ (446,102.00)			$ (446,102.00)
Change in Deferred Inflows	$ (808,543.00)			$ (808,543.00)
Change in Net Pension Liability	$ 505,633.00			$ 505,633.00
OPEB Expense from change in Net OPEB Liability				
Change in Deferred Outflows_	$ (270,422.00)			$ (270,422.00)
Change in Deferred Inflows_	$ 34,841.00			$ 34,841.00
Change in Net OPEB Liability_	$ 638,513.00			$ 638,513.00
Other Changes for Insurance Funds				
Claims Reserve-Current		$ (145,052.00)	$ 520,365.65	$ 375,313.65
Claims Reserve-Prior Year		$ (113,274.00)		$ (113,274.00)
IBNR-Current		$ (103.00)		$ (103.00)
IBNR-Prior Year		$ (142,838.00)		$ (142,838.00)
Future L&I Assessments		$ (51,463.00)		$ (51,463.00)
Provision for Unallocated Loss Adjustment		$ (8,000.00)	$ 30,000.00	$ 22,000.00
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES_	$ 1,479,404.08	$ 919,058.48	$ 140,339.48	$ 2,538,802.04
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
Joint Venture Change (WSIPC)	$ 61,292.00			$ 61,292.00

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

Educational Service District #171

STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS

August 31, 2020

		COMPENSATED ABSENCES
ASSETS		
Cash and Cash Equivalents	$	5,059.50
Investments	$	2,595,526.75
Accounts Receivable	$	42,350.98
TOTAL ASSETS	$	2,642,937.23
LIABILITIES		
Accounts Payable and Other Liabilities	$	12,389.95
Due to Local Governments	$	2,630,547.28
TOTAL LIABILITIES	$	2,642,937.23

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Educational Service District No. 171 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accounting practices of Educational Service District No. 171 ("the District") are implemented under the oversight authority of the Office of Superintendent of Public Instruction, as published annually in the *Accounting Manual for Educational Service Districts*. 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

Educational Service District No. 171 is one of nine educational service districts organized as political subdivisions of the state of Washington organized pursuant to Title 28A *Revised Code of Washington* (RCW) for the purpose of (1) providing cooperative and informational services to local school districts; (2) assisting the state superintendent of public instruction and the state board of education in the performance of their respective statutory or constitutional duties; and (3) providing services to school districts to assure equal educational opportunities.

The District serves 29 school districts in Chelan, Douglas, Grant & Okanogan counties. Oversight responsibility for the District's operations is vested with the Board of Directors who are elected by the school directors of the educational service district, one from each of seven educational service district board-member districts. Management of the District is appointed by and accountable to the Board of Directors. Fiscal responsibility, including budget authority, the power to operate cooperatives, set fees for services, and issue debt consistent with the provisions of state statutes, rests with the Board. For financial reporting purposes, the District's financial statements include all fund entities that are controlled by the District's Board of Directors and managed by the administrative staff, unless noted hereafter.

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

Basis of Accounting and Reporting

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The activities of the District rely significantly on fees and charges for support and are reported as enterprise funds. Enterprise funds distinguish operating revenues and expenses from non-operating items. The District reports the following major enterprise funds:

> The *Operating* fund is the District's primary fund. It accounts for all financial resources of the District that are not reported in the following funds.
>
> The *Unemployment Insurance* fund accounts for the collection of premiums from members of the fund and the related payment of associated claims and expenses.
>
> The *Workers' Compensation Insurance* fund accounts for workers' compensation payroll taxes collected from members, and the payment of associated claims, assessments and expenses.

Agency or custodial funds are used to account for assets held by the District in an agency capacity. In addition to enterprise funds, the District reports the following agency fund types:

The *Compensated Absences Pool* agency fund accounts for assets held by the District to provide a funding mechanism for members to pay for the cash-out of liabilities for compensated absences when employees of member districts leave service or retire. See Note 11 for more information.

Budget

Educational service districts in the state of Washington are required to adopt a budget for their Operating Fund, using the same basis of accounting as for financial statement presentation. An appropriation is an authorization for the District to incur expenses in the amounts specified in the District's budget for the fiscal year. An annual appropriated budget is adopted for the Operating Fund on the accrual basis of accounting as set forth in RCW 28A.310.330 and WAC 392-125-030, with approval by the Office of the Superintendent of Public Instruction (OSPI).

The approved budget constitutes the legal authority for expenses. Management is authorized to transfer budgeted amounts between departments, within fund object classes and/or within activity codes; expenses may not exceed the total approved expense budget without formal approval from OSPI.

Expense budgets for other propriety funds are adopted at the fund level and not subject to formal approval processes.

Assets, Liabilities, and Net Position

Cash and Cash Equivalents, Deposits and Investments – See Note 2
For the purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of twelve months or less when purchased to be cash and cash equivalents. Investments held by the Local Government Investment Pool are considered highly liquid as they are accessible on a daily basis, equivalent to a cash account.

Receivables
For the Operating fund, accounts and contracts receivable represent the value of goods and services provided and invoiced to clients at fiscal year-end. For remaining proprietary and agency funds, the amounts represent balances due from clients within thirty days of invoice dates.

All receivables are shown net of an allowance for uncollectible balances. Uncollectible accounts are evaluated for write off on an annual basis.

Prepaid Items

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

Inventory

Inventories consist of expendable supplies held for consumption by operating activities in future fiscal periods. The cost is recorded as an expense at the time inventory items are consumed. The District does not maintain material amounts of inventory.

Capital Assets and Depreciation – See Note 3

Compensated Absences

Employees earn vacation leave at varying rates in accordance with District policy. Vacation is payable upon termination.

Employees earn sick leave at a rate of 12 days per year and may accumulate an unlimited sick leave balance. Under the provisions of Chapter 28A.400.210 RCW, sick leave accumulated by District 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 for an annual buy-back 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 192 days, including annual accumulation, as of December 31 of each year.

The balance reported in the Statement of Net Position as of August 31, 2020, represents the aggregate amount of vacation and sick leave payable for all eligible employees of the District. Changes to estimated liabilities for sick and vacation leave balances for employees working in proprietary funds are charged as current expense to those funds.

See Note 11 for additional information regarding Compensated Absences Liability Pool.

Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

Unearned Revenue
Unearned revenue consists of balances acquired by the District from grant awards in advance of meeting eligibility requirements. Revenue is reported as earned upon meeting eligibility requirements. Balances reported as unearned revenue are expected to satisfy eligibility requirements within 12–18 months.

Deferred Outflows and Deferred Inflows
Accounting principles for pensions generally accepted accounting principles (see Note 6) requires the District to recognize deferred inflows and outflows on the Statement of Net Position related to the proportionate share of the Washington State Department of Retirement System's deferred income or expense items, to be recognized over a number of years, for changes in experience, assumptions, proportion, contributions, and investment earnings. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Generally accepted accounting principles for other post-retirement employee benefits (OPEB) (see Note 7) require the District to recognize deferred inflows and outflows on the Statement of Net Position related to the single-employer plan administered under the Washington Health Care Authority, to be recognized over a number of years, for changes in experience, assumptions, and timing of contributions..

Operating and Nonoperating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principle ongoing operations. including:

- Revenue from those who purchase, use, or directly benefit from the goods or services of the program;
- Revenue from other governments, entities, and individuals, if such revenue is restricted to a specific program or programs;
- Interest earnings on restricted program funds if required by funding agreement;
- Current year pension expense (see Note 6); and
- Current year OPEB expense (see Note 7).

Under these guidelines, program-specific operating grants and contributions are presented as operating revenue.

Operating expenses include the cost of providing services, administrative expenses, and depreciation on capital assets.

Nonoperating revenues and expenses include interest earnings on investments not restricted to program benefit, interest expense on debt, other asset and financing activities including grants used to finance operations and expenses not related to the provision of District services, gain or loss on the sale of assets, and changes from investments in joint ventures.

Pensions

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

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

The District is a participant in the Local Government Investment Pool (LGIP). The LGIP was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the LGIP and adopts rules. The State Treasurer is responsible for establishing the investment policy for the LGIP and reviews the policy annually; proposed changes are reviewed by the LGIP Advisory Committee.

The Office of the State Treasurer prepares a stand-along LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Bos 40200, Olympia WA 98504-0200, or online at http://wwww.tre.wa.gov.
The Local Government Investment Pool is an unrated external investment pool. Investments in the Pool, are reported at amortized cost, which approximates fair value. The Pool is invested in manner that meets the maturity, quality, diversification and liquidity requirements set forth by generally accepted accounting principles for external investment pools that elect to measure, for financial reporting purposed, investments at amortized cost. The Pool does not have any legally binding guarantees of share values.

The Pool does not impose liquidity fees or redemption gates on participant withdrawals. It is the policy of the Pool to permit participants to withdraw their investments on a daily basis; therefore, the District's investment balance in the Pool is equal to fair value. Fair value is measured using quoted prices in active markets for identical assets that the pool can access at the measurement date (Level 1 Inputs). Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.

As of August 31, 2020, the District had cash balances and short-term residual investments of surplus cash as follows:

	Fair Value
Cash on Hand, Bank Deposits	$ 614,992
Local Government Investment Pool (LGIP)	$ 16,924,666
Total Cash, Cash Equivalents & Short-Term Investments	$ 17,539,658

The District reports its investment in the Pool at the fair value amount, which is the same as the value of the Pool per share.

The Local Government Investment Pool bears the risk of maturity in the Investment Pool.

Credit Risk

The Local Government Investment Pool is considered extremely low 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 reduces credit risk by purchasing securities rated at the highest quality by credit rating organizations at the time of purchase. The Pool does not contain any structured investment vehicles or collateralized debt obligations.

The Pool is not insured or guaranteed by any government; therefore, maintenance of principal is not fully insured. The Local Government Investment Pool does not have a credit rating.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, the District would not be able to recover the value of the investment or collateral securities. Of the District's total investment position of $16,924,666, no balances are exposed to custodial credit risk. The District does not have a policy for custodial credit risk.

Concentration of Credit Risk

Credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The District does not have a formal policy for concentration of credit risk. The District does not have investments in any one issuer that represents five percent or more of total investments.

Interest Rate Risk

Interest rate risk is the risk the District may face should interest rate variances affect the fair value of investments. The District does not have a formal policy that addresses interest rate risk.

As of August 31, 2020, the Local Government Investment Pool's average maturity was 44 days. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years.

While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

NOTE 3: CAPITAL ASSETS

Capital assets, which include property, facilities, and equipment, are reported in the Operating fund and capitalized at total acquisition cost, provided such cost exceeds $50,000 and the asset has an expected useful life of more than 5 years. Property, facilities, and equipment that are purchased using Federal money are subject to records maintenance if the acquisition cost is over $5,000. Donated capital assets are recorded at acquisition value at the date of donation.

Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives, based on the month placed in service:

Asset	Years
Vehicles	5–10
Equipment	5–20
Buildings and structures	10–40
Land improvements	5–40

Major expenses for capital assets, including capital leases and major repairs that increase the effectiveness or efficiency of the 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, 2020, was as follows:

	Beginning Balance 9/1/2019	Additions	Retirements	Ending Balance 8/31/2020
Capital assets not depreciated:				
Land	$1,277,756	$ -	$ -	$1,277,756

	Beginning Balance 9/1/2019	Additions	Retirements	Ending Balance 8/31/2020
Construction in Progress	995,215	-	(995,215)	$0
Total capital assets not depreciated	2,272,971	-	(995,215)	1,277,756
Depreciable capital assets:				
Buildings & Improvements	4,048,202	1,622,352	-	5,670,554
Improvements other than buildings	-	-	-	-
Equipment	-	-	-	-
Other	-	-	-	-
Total depreciable capital assets	4,048,202	1,622,352	-	5,670,554
Less accumulated depreciation for:				
Buildings & Improvements	(2,453,287)	(133,271)	-	(2,586,558)
Improvements other than buildings	-	-	-	-
Equipment	-	-	-	-
Other	-	-	-	-
Total accumulated depreciation	(2,453,287)	(133,271)	-	(2,586,558)
Total depreciable assets, net	1,594,915	1,489,081	-	3,083,996
Total assets, net	$3,867,886	$1,489,081	$995,215	$4,361,752

NOTE 4: LONG–TERM LIABILITIES

The District issues limited obligation bonds and other debt instruments through direct borrowing and placements to finance the purchase and remodel of ESD property located at 430 Olds Station Rd, Wenatchee, WA 98801 as well as the purchase of property located at NNA Isenhart Ave, Wenatchee, WA 98801. Long-term debt from limited obligation bonds and notes from direct borrowing and placement at August 31, 2020, are comprised of the following individual issues:

Issue Name/Purpose	Amount Authorized	Annual Installments	Maturity Range	Interest Rate	Amount Outstanding, August 31, 2020
ESD Property – 430 Olds Station Rd & Isenhart Ave Property, Wenatchee, WA 98801	$3,827,340	$206,094-$316,327	12/1/2029	3.55%	$2,644,289
Remodel of ESD Property – 430 Olds Station Rd, Wenatchee, WA 98801	$833,500	$74,272-$96,423	12/1/2028	3.50%	$759,228
Total	$4,660,840				$3,403,517

The ESD properties located at 430 Olds Station Rd and NNA Isenhart Ave have been pledged as collateral for the above mentioned ESD property limited obligation bond.

The annual debt service requirements to maturity for privately placed limited obligation bonds, as of August 31, 2020, are as follows:

Years Ending August 31,	Principal	Interest
2021, Current Portion	$311,934	$117,083
2022	323,047	105,926
2023	334,556	94,372
2024	346,474	82,407
2025	358,818	70,015
2026-2030	1,728,689	149,929

Changes in Long-Term Liabilities

During the fiscal year ended August 31, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance 9/1/2019	Additions	Reductions	Ending Balance 8/31/20	Due Within One Year
Direct Placement Bonds	$3,708,244	$0	$(304,726)	$3,403,518	$311,934
Compensated Absences (Note 1)	476,758	62,645	-	539,403	102,716
Claims Reserves (Note 9)	1,013,253	-	(258,326)	754,927	377,911
Net Pension Liability (NPL) (Note 6)-					
NPL TRS 1	1,240,351	-	(112,250)	1,128,101	-
NPL TRS 2/3	305,925	422,057	-	727,982	-
NPL SERS 2/3	476,359	459,345	-	935,704	-
NPL PERS 1	1,346,584	-	(263,519)	1,083,065	-
Total OPEB Liability (Note 7)	4,314,331	638,513	-	4,952,844	-
Total Long-Term Liabilities	$12,881,805	$1,582,560	$(938,821)	$13,525,544	$792,561

NOTE 5: LEASES

Operating Lease(s)

The District is committed under various leases for space and equipment. Leases are considered operating leases for accounting purposes when the District does not acquire interests in the property and when equipment leases are subject to cancellation at any time during the lease for changes in funding availability.

Lease expenses for the year ended August 31, 2020, totaled $64,585. Future minimum rental commitments for multi-year operating leases are as follows:

Fiscal Year Ending August 31,	Amount Committed as of August 31, 2020
2021	$ 81,542
2022	91,096
2023	92,721
2024	43,445
2025	-
2026 thereafter	-

Lease of Assets (owned by the District)

The District leases space to tenants in buildings not currently needed (excess capacity) by the District. Lease income is classified as nonoperating revenue. A brief description of properties under lease commitments follows.

The Districts property located at 430 Olds Station Rd, Wenatchee, WA 98801 has square footage on the roof of the building, not being used by the District. As such, the District has entered into a lease agreement with a vendor to utilize roof square footage for the vendors equipment. The current lease has a termination date of July 31, 2031.

Lease income for the fiscal year ending August 31, 2020 is detailed below:

	Lease Income
Olds Station Roof Lease	$ 21,011
Total Lease Income	**$ 21,011**

A schedule of lease income commitments is provided below, including consideration of options to extend that have been exercised as of the reporting date:

Fiscal Year Ending August 31,	Lease Commitments
2021	$ 21,273
2022	24,162
2023	24,162
2024	24,162
2025	24,162
2026 thereafter	$ 161,080

NOTE 6: PENSION PLANS

State Sponsored Pension Plans
General Information

The District is required to provide retirement benefits for substantially all qualifying employees through the Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington. Generally accepted accounting principles require, among other provisions, that the District recognize its proportionate share of the DRS plans' funded status. The District has no independent ability to fund or satisfy pension liabilities outside of Washington State's legislatively adopted contribution rates. Assessments now and in the future are made based on the legislatively-mandated rates and are paid by the District on salaries and wages, as earned, in future years.

The following table represents the aggregate pension amounts for all plans for fiscal year 2020:

Aggregate Pension Amounts—All Plans		
Pension Liabilities	$	3,874,852
Pension Assets		-
Deferred outflows of resources		1,419,564
Deferred inflows of resources		459,727
Pension expense/expenditures	$	375,390

DRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Washington State Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or online at https://www.drs.wa.gov.

Membership Participation

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

Membership & Plan Benefits

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

TRS Plan Information

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

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

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

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

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

PERS Plan Information

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

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

SERS Plan Information

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

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

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

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

Plan Contributions

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

The employer and employee contribution rates for the PERS plan are effective as of July 1. SERS and TRS contribution rates are effective as of September 1. The pension plan contribution rates (expressed as a percentage of covered payroll) for fiscal year 2020 are listed below:

Pension Rates – Actual Contribution Rates			
	Employer	**Employee**	
PERS Plan 1			
September 1, 2019 – June 30, 2020			
PERS Plan 1	12.68%	6.00%	
PERS Plan 1 UAAL	12.68%		
Administrative Fee	0.18%		
Total	12.86%	6.00%	
July 1, 2020 – August 31, 2020			
PERS Plan 1	12.68%	6.00%	
PERS Plan 1 UAAL	12.68%		
Administrative Fee	0.18%		
Total	12.86%	6.00%	
TRS Plan 1			
September 1, 2019 – August 31, 2020			
TRS Plan 1	15.33%	6.00%	
TRS Plan 1 UAAL	15.33%		
Administrative Fee	0.18%		
Total	15.51%	6.00%	
TRS Plan 2/3			
September 1, 2019 – August 31, 2020			
TRS Plan 2/3	15.33%	7.77%	***/****
TRS Plan 1 UAAL	15.33%		
Administrative Fee	0.18%		
Total	15.51%	7.77%	
SERS Plan 2/3			
September 1, 2019 – August 31, 2020			
SERS Plan 2/3	13.01%	8.25%	***/****
PERS Plan 1 UAAL	13.01%		
Administrative Fee	0.18%		

Pension Rates – Actual Contribution Rates			
	Employer	**Employee**	
Total	13.19%	8.25%	
* TRS & SERS Plan 3 Employee Contribution variable from 5% to 15% based on rate selected by the employee member			
** TRS & SERS Plan 2/3 Employer Contribution for defined benefit portion only			

Proportionate Share of the Net Pension Liability (NPL)

As of June 30, 2020, the District reported a total liability of $3,874,852 for its proportionate shares of the individual plans' collective net pension liability. The employer'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, 2020, the District's proportionate share of each plan's net pension liability is reported below:

June 30, 2020	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	$222,331	$380,365	$245,943	$275,765
Proportionate Share of NPL	1,083,065	935,704	1,128,101	727,982

Changes to net pension liability form the prior period are displayed in the Schedule of Changes in Long Term Liabilities, Note 4.

As of June 30, 2020, the District's proportionate share of the collective net pension liability and the change in the allocation percentage from the prior year is reported below:

Change in Proportionate Shares Allocation Percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of NPL	0.030677%	0.175896%	0.046833%	0.047395%
Prior year proportionate share of NPL	0.035018%	0.203140%	0.050099%	0.050773%
Net difference percentage	-0.004341%	-0.027244%	-0.003266%	-0.003378%

Actuarial Assumptions

The total pension liabilities for TRS 1, TRS 2/3, PERS 1 and SERS 2/3 were determined by actuarial valuation as of June 30, 2019, with the results rolled forward to June 30, 2020, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.75% total economic inflation, 3.50% salary inflation
Salary increases	In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.40%

Mortality Rates
Mortality rates used in the plans were developed using the Society of Actuaries' Pub.H-2010 Mortality rates, which vary by member status as the base table. OSA applies age offsets for each system to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale to project mortality rates for every year after the 2010 base table. The actuarial assumptions used in the June 30, 2019, valuation were based on the results of the *2013–2018 Demographic Experience Study Report and the 2019 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report.

Long-term Expected Rate of Return
OSA selected a 7.40% long-term expected rate of return on pension plan investments using a building-block method. In selecting the assumptions, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the Washington State Investment Board (WSIB) provided. The CMAs contain three pieces of information for each class of assets the WSIB currently invest in:

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

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2020, are summarized in the following table:

TRS1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20.00%	2.20%
Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%

The inflation component used to create the above table is 2.20 % 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 7.40 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Based on the assumptions described in the DRS CAFR Certification Letter, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return, a 7.40 percent on pension plan investments was applied to determine the total pension liability.

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, 2020, the

District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions		
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	-	(6,030)
Changes in assumptions or other inputs	-	-
Changes in proportionate shares	-	-
Contributions subsequent to the measurement date	36,274	-
TOTAL	$ 36,274	$ (6,030)
SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$ 556,257	$ -
Net difference between projected and actual earnings on pension plan investments	-	(9,798)
Changes in assumptions or other inputs	10,197	(86,141)
Changes in proportionate shares	41,523	(203,483)
Contributions subsequent to the measurement date	62,826	-
TOTAL	$ 670,803	$ (299,423)
TRS 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	-	(7,255)
Changes in assumptions or other inputs	-	-

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions		
Changes in proportionate shares	-	-
Contributions subsequent to the measurement date	41,781	-
TOTAL	$ 41,781	$ (7,255)
TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$ 460,079	$ (2,625)
Net difference between projected and actual earnings on pension plan investments	-	(7,067)
Changes in assumptions or other inputs	93,896	(79,781)
Changes in proportionate shares	69,304	(57,546)
Contributions subsequent to the measurement date	47,426	-
TOTAL	$ 670,706	$ (147,020)
COMBINED TOTAL	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$ 1,016,336	$ (2,625)
Net difference between projected and actual earnings on pension plan investments	-	(30,150)
Changes in assumptions or other inputs	104,093	(165,922)
Changes in proportionate shares	110,828	(261,029)
Contributions subsequent to the measurement date	188,307	-
TOTAL	$ 1,419,564	$ (459,727)

$188,307 reported as Deferred Outflows of Resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2021.

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	SERS 2/3	TRS 1	TRS 2/3
2021	$ (27,365)	$ (54,726)	$ (31,885)	$ (9,446)
2022	(861)	43,762	(933)	55,738
2023	8,350	94,175	9,709	81,131
2024	13,846	145,790	15,854	101,919
2025	-	55,806	-	58,272
Thereafter	-	23,747	-	188,647

Pension Expense

For the year ending August 31, 2020, the District recognized a total pension expense as follows:

Pension Expense (Income)	
PERS 1	$ (122,312)
SERS 2/3	212,092
TRS 1	43,323
TRS 2/3	242,286
Total Pension Expense	$ 375,390

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

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

The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.40%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower

(6.40%) or one percentage point higher (8.40%) than the current rate. Amounts are calculated by plan using the District's allocation percentage.

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1 NPL	$4,422,202,000	$3,530,540,000	$2,752,919,000
Allocation Percentage	0.030677%	0.030677%	0.030677%
Proportionate Share of Collective NPL	$ 1,356,601	$ 1,083,065	$ 844,514
SERS 2/3 NPL	$1,517,879,000	$531,964,000	($283,583,000)
Allocation Percentage	0.175896%	0.175896%	0.175896%
Proportionate Share of Collective NPL	$ 2,669,890	$ 935,704	$ (498,811)
TRS 1 NPL	$3,051,911,000	$2,408,786,000	$1,847,550,000
Allocation Percentage	0.046833%	0.046833%	0.046833%
Proportionate Share of Collective NPL	$ 1,429,294	$ 1,128,101	$ 865,258
TRS 2/3 NPL	$4,526,645,000	$1,535,981,000	($903,643,000)
Allocation Percentage	0.047395%	0.047395%	0.047395%
Proportionate Share of Collective NPL	$ 2,145,415	$ 727,982	$ (428,284)

Schedules of Required Supplementary Information

Required supplementary information is presented in the required supplementary schedules for each plan the District participates in.

NOTE 7: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS

Access to Other Post Employment Medical Benefits through the Washington State Health Care Authority (HCA)

Washington State, through the HCA, administers a defined benefit other post-employment (OPEB) plan. The Public Employees Benefits Board (PEBB) created under the HCA is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Eligible retirees and spouses are entitled to subsidies associated with postemployment medical benefits provided through PEBB.

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

Participation in the plan is administered by HCA as a single-employer defined benefit OPEB plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75 (GASB 75).

Aggregate Summary of OPEB Amounts	
OPEB liabilities	$ 4,952,844
Deferred outflows of resources	1,105,215
Deferred inflows of resources	231,920
OPEB expense	498,477

Valuation Date, Measurement Date and Reporting Date

The “valuation date” is July 1, 2020. This is the date as of which the census data is gathered and the actuarial valuation is performed. The “measurement date” is August 31, 2020. This is the date as of which the Total OPEB Liability is determined. Generally accepted accounting principles for OPEB allows a lag of up to one year between the measurement date and the reporting date. No adjustment is required between the measurement date and the reporting date. The "reporting date" is the District's fiscal year end of August 31, 2020.

General Description

Employers participating in the PEBB OPEB plan include Washington state general government agencies, higher education institutions, K-12 school and educational service districts and political subdivisions. Additionally, PEBB's OPEB plan is available to retirees of K-12 school districts and educational service districts who do not participate in PEBB for insurance for their active employees. RCW 41.05.085 provides that contribution requirements of participating employers and of plan members are established by, and may be amended by, the HCA Board of Directors. Participating employers and active plan members are required to contribute the established benefit rates. All K-12 school districts and educational service districts contribute the same rate, which is set annually, as an amount per pro-rated FTE under RCW 28A.400.410. Employers do not have the ability to contribute additionally to funding against future liabilities or impact funding progress on the actuarially determined liability of the HCA's PEBB OPEB plan. The District does participate in PEBB for insurance for its active employees.

The PEBB OPEB plan provides healthcare insurance benefits (medical and dental) for retirees and their dependents. Retired members may only elect dental coverage if they have elected medical coverage. The PEBB OPEB plan offers thirteen (13) medical plans and three (3) dental plans. All current and future retirees who elect medical and dental coverage are assumed to elect carriers based on the weighted average of selection of carriers by current PEBB retirees.

Employees covered by benefit terms

District employees are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plan 2 or 3 of TRS or SERS (see Note 6):

- Age 65 with 5 years of service for Plan 2
- Age 55 with 20 years of service for Plan 2
- Age 55 with 10 years of service for Plan 3

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

Survivors of covered members who die are eligible for medical benefits. At June 30, 2020, the following employees were covered by benefit terms:

Retirees and dependents currently receiving benefit payments	55
Active employees who may qualify for benefits upon retirement	109

It is not possible to determine the number of inactive employees entitled to, but not yet receiving benefit payments. Retiring employees apply for benefits at their discretion, may be otherwise working and not eligible for benefits or be deceased. This data is not monitored by the District, HCA or the State of Washington.

Election assumptions
50% of employees are assumed to elect medical and dental benefits upon retirement.
45% of employees are assumed to enroll eligible dependents as of the retirement date.
100% of employees are assumed to enroll in Medicare, once eligible, after initial participation.

Total OPEB Liability

The District's Total OPEB Liability of $4,952,844 was measured for the year ending August 31, 2020, and was determined by an actuarial valuation as of the valuation date of July 1, 2020, calculated based on the discount rates discussed below, projected to the measurement date. There have been no significant changes between the valuation date and the fiscal year end. If there were significant changes, an additional analysis or valuation might be required.

Changes in Actuarial Methods and Assumptions

The actuarial methods and assumptions used in the valuation as of July 1, 2020 are the same as those used in the prior valuation except as follows:

- Effective July 1, 2020 the FASB 715 discount rate was changed from 3.96% to 2.2%. The discount rate was changed to reflect interest rates currently available on high-quality fixed income investments.
- The medical trend was updated to reflect the H.R. 1865 Further Consolidation Appropriations Act 2020, which became law on December 20, 2019. This law repealed the excise tax for high cost or "Cadillac" health plans completely.
- Effective July 1, 2020, the mortality assumption, service retirement rates, termination rates, and salary merit scales were changed. The actuarial

valuation used assumptions from the most recent experience study for Washington State PERS, SERS, and TRS pension plans (see Note 6).
- Effective July 1, 2020, the expected claims and contributions were updated to better reflect expectations of future claims and contributions experience.
- Effective July 1, 2020, the election assumption was changed from 50% to 65% to match the most recent actuarial valuation for Washington State PERS, SERS, and TRS (see Note 6).

Actuarial Assumptions and Other Inputs

The Total OPEB Liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement dates, unless otherwise specified.

Inflation

The inflation rate of 2.75% was developed by the Office of the State Actuary for PEBB[1] and was applied to the measurement date ending August 31, 2020.

Salary increases

Salary assumptions are necessary for the actuarial cost method of OPEB. Salary assumptions reflect the assumptions used in the actuarial valuations for Washington State School Employees' Retirement System (SERS) and Teacher Retirement System (TRS) [2]. Projected payroll increases have been assumed to be 3.5% which equals 0.75% real wage growth above inflation. Projected annual merit and longevity increases for SERS range from 8% for 0 years of service to 0.10% for 20 years of service. Projected annual merit and longevity increases for TRS range from 5.50% for 0 years of service to 0.10% for 25 years of service.

Discount Rate

The discount rate used to measure the Total OPEB Liability, as required by generally accepted accounting principles for the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method, was based on the yield or index rate for 20-year Tax-Exempt General Obligation Municipal bonds with an average rating of AA/Aa or higher (*Bond Buyer General* Obligation 20-bond municipal index for bonds that mature in 20 years). Discount rate assumptions were 2.20% for the measurement date of August 31, 2020.

Demographic Assumptions
Demographic assumptions regarding retirement, mortality, turnover, and marriage are based on assumptions used in the Office of the State Actuary's actuarial valuation for Washington State SERS and TRS [2], modified for the District.

- Service retirement assumptions for plans 2 and 3 were used, which vary based on hire date and years of service.
- The assumed rates of disability under SERS and TRS plans 2 and 3 are less than 0.2% for ages 49 and below and continue to be low after that; demographic assumptions assume a 0% disability rate for all ages.
- Mortality assumptions for SERS were used (Scale MP-2017 Long-Term Rates), on a generational basis, with sex-distinct employee rats before commencement and retiree and contingent survivor rates (as appropriate) after benefit commencement. For SERS, generational tables were used; for TRS teachers' tables were used.

Healthcare Cost Trends
Healthcare cost trends used in the actuarial valuation were developed for use in the July 1, 2020 OPEB valuation for the PEBB program[1], performed by the Office of the State Actuary. These assumptions are summarized below and refer to the amount by which medical costs are anticipated to exceed costs for the years ending June 30:

Year Ending June 30,	Pre-65 Retiree Premiums & Claims	Post-65 Retiree Claims	Post-65 Retiree Premiums
2021	6.6%	5.7%	8.7%
2022-2096+	5.3% to 4.3%	8.9% to 4.3%	13.4% to 4.3%

Dental costs trends are assumed to increase 2.0% to 4.0% for the year 2021-2026 and beyond.

<u>Premium Levels</u>
Assumed annual medical retiree contributions as of July 1, 2020, used in the actuarial valuations are displayed below. These represent a weighted average of July 1, 2020 to June 30, 2021 PEBB retiree contributions by medical plan, based on overall PEBB current retiree medical plan election as of the July 1, 2020 valuation date. Contribution assumptions exclude fees charged as a direct pass-through to participating retirees.

	Employee or Spouse	
	Non-Medicare	Medicare
Weighted average based on current PEBB retirees	$ 8,240.28	$ 3,214.48

The July 1, 2020 assumed annual dental retiree contributions for employee or spouse is $566.22 representing a weighted average of 2020 PEBB retiree contributions by dental plan, based on overall PEBB current retiree dental plan elections.

Actuarial cost method
The actuarial cost method used for determining the benefit obligations is the Entry Age Actuarial Cost Method whereby the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of expected salary for each year of employment between entry age (defined as age at hire) and assumed exit (until maximum retirement age).

[1] The actuarial valuation for the Washington state OPEB plan offered through PEBB under administration of HCA can be found at http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx

[2] The actuarial valuation for the Washington State School Employees' Retirement System (SERS) and Teacher Retirement System (TRS) can be found in the Department of Retirement Systems annual Comprehensive Annual Financial Report (CAFR) at https://www.drs.wa.gov/administration/annual-report/

Claims Cost Assumptions
Subsidies provided by PEBB and valued in the actuarial valuation include the following:
- Explicit medical subsidy for post-65 retirees and spouses
- Implicit medical and dental subsidy

The explicit subsidies are monthly amounts paid per post-65 retirees and spouses. As of the valuation date, the explicit subsidy for post-65 retirees and spouses is the lessor of $183 or 50% of the monthly premiums. In 2020, retirees and spouses currently pay the premium minus $183 when the premium is over $336 per month and pay half the premium when the premium is lower than $336.

The implicit medical subsidy is the difference between the total cost of medical benefits and premiums. For pre-65 retirees and spouses, the retiree pays the full premium amount, based on a pool that includes active employees. Active employees will tend to be younger and healthier than retirees on average and therefore can be expected to have lower average health costs. (For post-65 retirees and spouses, the retiree does not pay the full premium due to the explicit subsidy discussed above.) Under generally accepted accounting principles, the total cost of benefit payments is to be based on claims costs or age-adjusted premiums approximating claims costs. The projection of retiree premiums is based on current amounts for the retirees' share of the premium, projected with the medical trend assumption, varied by age and sex. Implicit subsidies for dental coverage is also reflected in the actuarial valuation.

Changes in the Total OPEB Liability

The increase (decrease) in the Total OPEB Liability is detailed in the table below for the fiscal year ending August 31:

For the year ending	August 31, 2020
Total OPEB Liability, beginning balance	$4,314,331
Changes for the year:	
Service cost	254,655
Interest on Total OPEB Liability	134,291
Effect of plan changes	-
Effect of economic/demographic gains or losses	(69,028)
Effect of assumptions changes or inputs	414,140
Expected benefit payments	(95,545
Total OPEB Liability, ending balance	$4,952,844

Service cost represents the portion of the actuarial present value of expected benefit payments that is attributed to the valuation year.

Changes in assumptions or inputs represents the change in the portion of changes in the Total OPEB Liability that is not immediately recognized in OPEB expense and includes differences between expected and actual experience, changes in assumptions, and differences between expected and actual earnings on plan investments.

Expected benefit payments represent all benefits estimated to be payable through the PEBB OPEB plan to current active and inactive employees as a result of their past service and expected future service. This is the subsidy difference between the total cost of benefits and the portion of the benefits paid by the retirees. Per employee health costs vary depending on age, number of dependents and expected morbidity

Sensitivity of the Total OPEB Liability to changes in the discount rate
The following presents the District's Total OPEB Liability, calculated using the discount rate of 2.20%, as well as what the District's Total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.20%) or one percentage point higher (3.20%) than the current rate:

As of August 31, 2020	1% Decrease 1.20%	Discount Rate 2.20%	1% Increase 3.20%
Total OPEB Liability	$5,955,740	$4,952,844	$4,169,319

Sensitivity of the Total OPEB Liability to changes in the healthcare cost trend rates
The following presents the Total OPEB Liability of the District, calculated using the current healthcare cost trend rates as well as what the District's Total OPEB Liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current trend rates.

As of August 31, 2020	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	$4,073,329	$4,952,844	$6,134,670

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended August 31, 2020, the District recognized OPEB expense as follows:

For the year ending	August 31, 2020
Service cost	$254,655
Interest on Total OPEB Liability	134,291
Effect of plan changes	-
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of economic/demographic gains/losses	25,147
Recognition of assumption changes or inputs	84,384
OPEB Expense	$498,477

The District reported deferred outflows and inflows of resources as of the August 31, 2020 Measurement Date as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$236,056	$(61,838)
Changes of assumptions or inputs	869,159	(170,082)
Contributions made subsequent to the Measurement Date	NA	NA
Total	$1,105,215	$(231,920)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense is detailed in the table below. Additional future deferred outflows and inflows of resources may impact these numbers.

Measurement Period Ending August 31,	
2021	$109,531
2022	109,531
2023	109,531
2024	109,531
2025	109,531
Thereafter	$325,640

NOTE 8: RISK MANAGEMENT

Property and Casualty

The District is a member of United Schools Insurance Program. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1985, when 29 school districts in the state of Washington joined together by signing a Joint Purchasing Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Current membership includes 154 school districts.

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

Liability insurance is subject to a self-insured retention of $100,000. Members are responsible for a $1,000 deductible for each claim (member deductibles may vary), while the program is responsible for the $100,000 self-insured retention (SIR). Insurance carriers cover insured losses over $101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the $100,000 SIR. The program also purchases a stop loss policy with an attachment point of $1,271,048, as an additional layer of protection for its members.

Property insurance is subject to a per-occurrence SIR of $100,000. Members are responsible for a $1,000 deductible for each claim (member deductibles may vary), while the program is responsible for the $100,000 SIR. Equipment Breakdown insurance is subject to a per-occurrence deductible of $2,500. Members are responsible for the deductible amount of each claim.

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

The program is fully funded by its member participants. Claims are filed by members with Clear Risk Solutions, which has been contracted to perform program administration, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending August 31, 2020, were $1,696,473.74.

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

Financial statements and disclosures for the Program can be obtained from the following address: 451 Diamond Drive, Ephrata, WA 98823.

Worker's Compensation

The District is a member of the North Central Washington Worker's Compensation Trust, as authorized by Title 51.14 RCW. The District joined the Pool effective January 1, 1984. Information regarding operation of the pool is found in Note 9.

The Pool provides industrial injury accident insurance coverage for its membership, including excess insurance coverage and provides related services such as administrative services, safety programs and claims administration. All coverage is on an occurrence basis. The Pool is fully funded by its member participants.

Members make an annual contribution to fund the Pool. Member contributions are calculated based on the members' hours worked. The Pool retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts. The Pool's per-occurrence retention limit is $450,000 and the annual aggregate retention is $2,000,000. There is a joint liability among participating members.

Pool 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 Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the interlocal governmental agreement.

The Pool is governed by a board of directors, which is comprised of one designated representative from each participating member. A six-member executive committee is responsible for conducting the business affairs of the Pool. Financial statements and disclosures for the Pool can be obtained from the following address: 430 Olds Station Rd, Wenatchee, WA 98801.

Unemployment

The District is a member of the North Central Unemployment Cooperative, as authorized by Title 50.44 RCW. The District joined the Cooperative September 1, 2015. Information regarding operation of the Cooperative is found in Note 9.

The Cooperative provides unemployment compensation coverage for members of the Pool arising from previous employees, employer representation (as needed) and claims administration services.

Members make an annual contribution to fund the Cooperative, which is fully funded by its member participants. Member districts pay a percentage of their employee’s wages. These contributions plus investment earnings pays for unemployment claims and for the administration of the Cooperative. There is provision that members can be additionally assessed if the Cooperative needs additional funding.

Claimants submit claims to the State of Washington Employment Security Department who determines eligibility. The Cooperative reimburses the Department for the unemployment claims paid against the member’s account. Since the Cooperative is a cooperative program, there is a joint liability among participating members.

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 governed by a board of directors, which is comprised of one designated representative from each participating member. A six-member executive committee is responsible for conducting the business affairs of the Cooperative. Financial statements and disclosures for the Cooperative can be obtained from the following address: 430 Olds Station Rd, Wenatchee, WA 98801.

NOTE 9: RISK POOL DISCLOSURES

Workers' Compensation Insurance Pool

The District operates a self-funding, claims control and risk management fund for worker's compensation liabilities to member school districts and educational service districts. The North Central Washington Workers' Compensation Trust (the Pool), registered in Washington as the Worker's Compensation Insurance Trust, is organized pursuant to Title 51.14 RCW for the purpose of managing workers' compensation payroll taxes, employee claims, and safety programs. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed on January 1, 1984 to pool self-insured losses and jointly purchase insurance and administrative services. 30 members have joined the Pool, including 29 participating school districts. The District is also a member of the Pool (see Note 8).

Member Assessments, Unearned Member Assessments and Credits
Member assessments are collected in advance and recognized as revenue in the period for which insurance protection is provided. The assessment is calculated based on member employee hours worked. The interlocal governmental agreement provides for supplemental assessments to members based on actual claim experience.

The interlocal governmental agreement provides that surplus members' fund balance be used to credit future annual assessments. For the year ended 2020, member assessments are presented net of such credits of $4,563,109. The board of directors of the Pool has designated $0 of members' net position for this purpose for the fiscal year ending 2020

Unpaid Claims
Claim reserves represent the accumulation of estimates for reported, unpaid claims, and a provision for claims incurred, but not reported. These estimates are continually reviewed and updated, and any resulting adjustments are reflected in current earnings.

Reserve for Unallocated Loss Adjustment Expenses
The reserve for unallocated loss adjustment expenses represents the estimated cost to be incurred with respect to the settlement of claims in process and claims incurred but not reported. Management estimates this liability at the end of each year based upon cost estimated provided by an actuarial firm. The change in the liability each year is reflected in current earnings.

Unpaid Claim Liabilities
The Pool establishes claims liabilities based on actuarially derived estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and claims that have been incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The Pool establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. At August 31, 2020, the amount of liabilities totaled $2,715,006. This liability is the District's best estimate based on available information.

The following represents changes in those single contract liabilities for the Pool during the past two years:

	For the Year Ending August 31, 2020	For the Year Ending August 31, 2019
Unpaid claims and claim adjustment expenses at beginning of year	$ 2,651,354	$ 2,650,662
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	1,400,000	1,700,000
Increases in provision for insured events of prior years	(370,650)	(4,500)
Total incurred claims and claim adjustment expenses	3,680,704	4,346,162
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	(463,100)	(617,945)
Claims and claim adjustment expenses attributable to insured events of prior years	(967,517)	(1,076,863)
Total Payments		(1,694,808)
Total unpaid claims and claim adjustment expenses at end of year	$ 2,250,087	$ 2,651,354

Risk Financing Limits

The Pool retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by excess insurance contracts. For the fiscal year ending August 31, 2021, the Pool's per occurrence self-insured retention limit is $450,000. There is a $0 member deductible.

Reinsurance
The Pool maintains an excess insurance contract with an insurance carrier to provide coverage over the Pool's self-insured retention limits. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Pool as direct insurer of the risks reinsured. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

For the fiscal year ending August 31, 2020, Safety National Casualty Corporation provided an excess insurance policy with a self-insured retention of $450,000 and an aggregated stop loss of $2,000,000.

Exemption from Federal and State Taxes
Pursuant to revenue ruling number 90-74, income of Municipal Risk Pools is excluded from gross income under IRC Section 115(1). Chapter 51.14 RCW exempts the Pool from insurance premium taxes, and business and occupation taxes imposed pursuant to Chapter 82.04 RCW.

Unemployment Compensation Risk Pool

The District operates a self-funding, claims control and risk management fund for unemployment claim liabilities to member school districts and educational service districts. The Unemployment Compensation Pool is organized pursuant to Title 50.44 RCW for the purpose of managing unemployment compensation payroll taxes and employee claims and providing employer representation, as needed. 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 on September 1, 2015 to pool self-insured losses and jointly purchase administrative services. 27 members have joined the Pool, including 26 participating school districts. The District is also a member of the Pool (see Note 8).

Member Assessments, Unearned Member Assessments and Credits
Member assessments are collected in advance and recognized as revenue in the period for which pooled risk protection is provided. The assessment is calculated based on member employee wages. The interlocal governmental agreement provides for supplemental assessments to members based on actual claim experience.

The interlocal governmental agreement provides that surplus members' fund balance be used to credit future annual assessments. For the year ended 2020, member assessments are presented net of such credits of $505,681.

Unpaid Claims
Claim reserves represent the accumulation of estimates for reported, unpaid claims, and a provision for claims incurred, but not reported. These estimates are continually reviewed and updated, and any resulting adjustments are reflected in current earnings.

Reserve for Unallocated Loss Adjustment Expenses
The reserve for unallocated loss adjustment expenses represents the estimated cost to be incurred with respect to the settlement of claims in process and claims incurred but not reported. Management estimates this liability at the end of each year based upon claims reports received from the Washington Employment Security Department. The change in the liability each year is reflected in current earnings.

Unpaid Claim Liabilities
The Cooperative establishes claims liabilities based on actuarially derived estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and claims that have been incurred but not reported. The process used in computing claims liabilities does not necessarily result in an exact amount as it is based on assumption factors. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The Cooperative establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. At August 31, 2020, the amount of liabilities totaled $595,745. This liability is the District's best estimate based on available information.

Risk Financing Limits
The Cooperative does not carry self-insured retention because it does not purchase excess insurance. Through a combination of net position designated as August 31, 2019

and member contributions earned at August 31, 2020, the board of directors of the Cooperative committed net assets of $595,745 specifically for the purpose of funding future claim costs.

Exemption from Federal and State Taxes
Pursuant to revenue ruling number 90-74, income of Municipal Risk Pools is excluded from gross income under IRC Section 115(1). Chapter 50.44 RCW exempts the Cooperative from insurance premium taxes, and business and occupation taxes imposed pursuant to Chapter 82.04 RCW.

NOTE 10: NET POSITION

Restricted Net Position

The District's Statement of Net Position reports $532,763 of net position as restricted for support programs as follows as of August 31, 2020:

Program	Restricted By	Amount
Support Programs		
Restricted, Non-Instructional Programs	By cooperative agreement	$ 532,763
Subtotal, Support Programs		$532,763
Total, Restricted Net Position		**$ 532,763**

Unrestricted Net Position

The District's Statement of Net Position reports $7,646,562 of unrestricted net position as follows as of August 31, 2020:

Unrestricted Net Position	Amount
Unrestricted for net position related to pensions	$ (2,915,016)
Unrestricted for net position related to OPEB	(4,079,549)
General unrestricted, for support programs	3,405,073
Insurance Risk Funds	
Worker's Compensation Risk Fund	9,851,174

Unrestricted Net Position	Amount
Unemployment Risk Fund	1,384,881
Subtotal, Insurance Risk Funds	11,236,055
Total Unrestricted Net Position	**$ 7,646,562**

NOTE 11: AGENCY FUNDS

Compensated Absences

The North Central Compensated Absences Liability Pool is organized under the provisions of Chapter 39.34 Interlocal Cooperation Act for the purpose of managing leave payouts. Membership is established by execution of an agreement between the District and each local school district.

For fiscal year ending August 31, 2020, there are 12 members in the Fund including 10 participating school districts and 2 participating educational service districts – the District being one of those 2 participating educational service districts. The Fund allows members to accumulate dedicated funds for payment of leave related to sick leave and vacation leave buy out at retirement and certain other instances. Payroll contributions are made to the Fund at the time leave is earned to reserve assets for expenses. Coverage is on an “occurrence” basis. Expenses of leave taken during employment continue to be recorded when paid.

The District contributes to the Compensated Absences Liability Pool for liabilities relating to sick leave and vacation leave cash outs. As of August 31, 2020, the District’s total compensated absences balance in the Fund was $550,250. The District reports this balance as a current asset in its Operating Fund.

NOTE 12: INVESTMENT IN JOINT VENTURE

Washington School Information Processing Cooperative (WSIPC)

The District is a member of the Washington School Information Processing Cooperative (WSIPC). The WSIPC Board of Directors consists of a member of each the nine educational service districts (ESDs) in the state, sharing equally in the joint venture. Educational Service District No. 123 is the fiscal agent of the joint venture and answers directly to the WSIPC Board of Directors in financial matters.

The District's share of the total Investment in the joint venture is $(31,623) and is reported on the Statement of Net Position as a noncurrent asset. The District contributed $0 to the joint venture during fiscal years 2020 and 2019. There were no distributions in fiscal years 2020 and 2019. During fiscal years ending August 31, 2020 and 2019, the District paid $983,881 and $930,608, respectively, to WSIPC in fees for cooperative services rendered.

The total investment in joint venture above, includes WSIPC's share of the net pension liability for participation in Washington's Department of Retirement System pension plans. The District's share of net investment in the joint venture is impacted by the components of the pension liabilities by $(342,259). WSIPC employees participate in the Washington state retirement system; WSIPC is required to recognize their proportionate share of the individual plans' net pension liability and related component measures under generally accepted accounting principles. WSIPC's financial statements include the proportionate share of the net pension liability associated with the Public Employees' Retirement System (PERS) plans. General disclosures regarding the Washington state retirement system and pension accounting may be found in the DRS CAFR (obtained at: Washington State Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or online at https://www.drs.wa.gov). Specific disclosures for the PERS plan may be found in the notes to WISPC's financial statements.

The total investment in joint venture reported above, includes WSIPC's share of the Total OPEB (other post-employment benefits) liability for post-retirement benefits provided through the Washington Health Care Authority. The District's share of net investment in the joint venture is impacted by the components of the OPEB liabilities by $(452,509). WSIPC has implemented generally accepted accounting principles for OPEB. WSIPC's Total OPEB Liability and the related component measures were determined through an actuarial valuation consistent with the actuarial valuation method used by the nine, member ESDs. General disclosures regarding the OPEB plan administered by the Washington Health Care Authority for employer participants may be found at http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx. Specific disclosures for WSIPC's plan participation may be found in the notes to WSIPC's financial statements.

The change in net position from fiscal year 2019 to 2020 is $61,292 and has been reported on the Statement of Revenues, Expenses and Changes in Fund Net Position as non-operating revenue. The Net Investment in Joint Venture balance in the Statement of Net Position has been recognized as an unrestricted net position due to the loss position of the joint venture investment. Upon dissolution of the joint venture, the nine, member ESDs shall share equally in assets and liabilities of the venture.

The financial statements for the joint venture may be obtained by contacting WSIPC at 2121 West Casino Road, Everett WA 98204-1472.

NOTE 13: CONTINGENCIES AND LITIGATIONS

The District has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the District will be required to make payment. In the opinion of management, the District's insurance policies and reserves are adequate to pay all known or pending claims.

The District participates in a number of federal- and state-assisted programs. These grants are subject to audit by the grantors or their delegated representatives. Such audits could result in reimbursement to grantor agencies for expenses disallowed under the terms of the grants. Management believes that such disallowances, if any, will be immaterial.

NOTE 14: OTHER DISCLOSURES

COVID-19 Pandemic

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

2019–20 school year. The District, however, continued to operate programs, utilizing remote technology and limited in person service delivery when such services were deemed essential and were delivered in compliance with state response mandates.

Many of the precautionary measures put in place during the 2019-20 school year remain in effect, and are affecting the District for the 2020-21 school year in new ways.

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

Educational Service District #171

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

AS OF AUGUST 31, *

Last 10 Fiscal Years **

TOTAL OPEB LIABILTY	**2018**	**2019**	**2020**
Service cost	$ 188,941	$ 172,039	$ 254,655
Interest on total OPEB liability	117,440	130,462	134,291
Changes in benefit terms	-	-	-
Effect of economic/demographic gains or (losses)	-	300,730	(69,028)
Effect of assumption changes or inputs	(251,073)	634,641	414,140
Expected benefit payments	(88,687)	(91,054)	(95,545)
Net change in total OPEB liability	(33,379)	1,146,818	638,513
Total OPEB liability, beginning balance	3,200,892	3,167,513	4,314,331
Total OPEB liability, ending balance	$ 3,167,513	$ 4,314,331	$ 4,952,844
Covered employee payroll	$ 7,864,265	$ 8,031,565	$ 8,430,346
Total OPEB liability as a % of covered employee payroll	40.28%	53.72%	58.75%

Notes to Schedules:

* Schedules are based on the District's financial reporting date, fiscal year ending August 31, in each period reported.

** Schedules will be built prospectively until 10 years of data has been compiled

Note 7 to the financial statements includes information regarding factors that may affect trends in the amounts reported in these schedules.

Educational Service District #171

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

AS OF June 30, *

Last 10 Fiscal Years **

PERS 1	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
District's proportion of the net pension liability (percentage)	0.036000%	0.038213%	0.031411%	0.031136%	0.035018%	0.030677%
District's proportionate share of the net pension liability (amount)	$1,883,155	$2,052,199	$1,490,467	$1,390,524	$1,346,584	$1,083,065
District's covered-employee payroll ***	$ -	$ -	$ -	$4,189,817	$4,917,377	$4,608,538
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	0%	0%	0%	33.19%	27.38%	23.50%
Plan fidcuiary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%

SERS 2/3	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
District's proportion of the net pension liability (percentage)	0.240803%	0.252492%	0.193900%	0.188582%	0.203140%	0.175896%
District's proportionate share of the net pension liability (amount)	$978,022	$1,658,284	$956,849	$563,978	$476,359	$935,704
District's covered-employee payroll ***	$4,144,905	$4,716,750	$3,961,100	$4,189,817	$4,917,377	$4,608,538
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	23.60%	35.16%	24.16%	13.46%	9.69%	20.30%
Plan fidcuiary net position as a percentage of the total pension liability	90.92%	86.52%	90.79%	94.77%	96.31%	92.45%

TRS1	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
District's proportion of the net pension liability (percentage)	0.039256%	0.046221%	0.044987%	0.053766%	0.050099%	0.046833%
District's proportionate share of the net pension liability (amount)	$1,243,676	$1,578,083	$1,360,084	$1,570,280	$1,240,351	$1,128,101
District's covered-employee payroll ***	$13,047	$5,705	$ -	$3,230,017	$3,388,922	$3,407,018
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	9531.98%	27661.40%	0%	48.62%	36.60%	33.11%
Plan fidcuiary net position as a percentage of the total pension liability	65.70%	62.07%	65.58%	66.52%	70.37%	70.55%

TRS 2/3	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
District's proportion of the net pension liability (percentage)	0.040828%	0.047820%	0.045925%	0.054633%	0.050773%	0.047395%
District's proportionate share of the net pension liability (amount)	$344,509	$656,713	$423,864	$245,910	$305,925	$727,982
District's covered-employee payroll ***	$1,909,804	$2,407,971	$2,511,343	$3,229,492	$3,388,922	$3,407,018
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	18.04%	27.27%	16.88%	7.61%	9.03%	21.37%
Plan fidcuiary net position as a percentage of the total pension liability	92.48%	88.72%	93.14%	96.88%	96.36%	91.72%

Notes to Schedules:

* Schedules are based on the District's financial reporting date, fiscal year ending August 31, in each period reported.

** Schedules will be built prospectively until 10 years of data has been compiled.

*** Covered-employee payroll for PERS 1 includes SERS 2/3 payroll.
**** Covered-employee payroll for TRS 1 includes TRS 2/3 payroll.

Note 6 to the financial statements includes information regarding factors that may affect trends in the amounts reported in these schedules.

Educational Service District #171
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS
AS OF AUGUST 31, *
Last 10 Fiscal Years **

PERS 1	2015	2016	2017	2018	2019	2020
Contractually required contribution	$ 168,185	$ 209,281	$ 200,854	$ 197,756	$ 251,097	$ 219,422
Contributions in relation to the contractually required contributions	$ 168,185	$ 209,281	$ 200,854	$ 197,756	$ 251,097	$ 219,422
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll ***	$ 4,208,912	$ 4,390,371	$ 4,210,841	$ 3,933,109	$ 4,580,977	$ 4,606,267
Contribution as a percentage of covered-employee payroll	4.00%	4.77%	4.77%	5.03%	5.[illegible]%	4.76%

SERS 2/3	2015	2016	2017	2018	2019	2020
Contractually required contribution	$ 237,554	$ 290,902	$ 279,186	$ 324,766	$ [illegible]0[illegible],[illegible]17	$ 380,026
Contributions in relation to the contractually required contributions	$ 237,554	$ 290,902	$ 279,186	$ 324,766	$ [illegible]0[illegible],[illegible]17	$ 380,026
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll ***	$ 4,208,912	$ 4,390,371	$ 4,210,841	$ 3,933,109	$ 4,580,977	$ 4,606,267
Contribution as a percentage of covered-employee payroll	5.64%	6.63%	6.63%	8.26%	[illegible]%	8.25%

TRS1	2015	2016	2017	2018	2019	2020
Contractually required contribution	$ 90,590	$ 142,918	$ 182,730	$ 211,429	$ 2[illegible],[illegible]0[illegible]	$ 248,443
Contributions in relation to the contractually required contributions	$ 90,590	$ 142,918	$ 182,730	$ 211,429	$ 2[illegible],[illegible]0[illegible]	$ 248,443
Contribution deficiency (excess)	$-	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll ***	$ 2,010,879	$ 2,296,501	$ 2,917,365	$ 2,947,438	$ 3,052,497	$ 3,458,203
Contribution as a percentage of covered-employee payroll	4.50%	6.22%	6.26%	7.17%	[illegible]15%	7.18%

TRS 2/3	2015	2016	2017	2018	2019	2020
Contractually required contribution	$ 114,720	$ 153,726	$ 196,462	$ 230,216	$ 2[illegible]5,[illegible]	$ 281,635
Contributions in relation to the contractually required contributions	$ 114,720	$ 153,726	$ 196,462	$ 230,216	$ 2[illegible]5,[illegible]	$ 281,635
Contribution deficiency (excess)	$ -	$-	$-	$ -	$ -	$ -
District's covered-employee payroll ***	$ 2,010,679	$ 2,290,795	$ 2,916,840	$ 2,947,438	$ 3,052,497	$ 3,458,203
Contribution as a percentage of covered-employee payroll	5.71%	6.71%	6.74%	7.81%	[illegible]9%	8.14%

Notes to Schedules:

* Schedules are based on the District's financial reporting date, fiscal year ending June 30, in each period reported.

** Schedules will be built prospectively until 10 years of data has been compiled.

*** Covered-employee payroll for PERS 1 includes SERS 2/3 payroll.
**** Covered-employee payroll for TRS 1 includes TRS 2/3 payroll.

Note 6 to the financial statements includes information regarding factors that may affect trends in the amounts reported in these schedules.

NORTH CENTRAL WASHINGTON WORKERS COMPENSATION TRUST
CLAIMS DEVELOPMENT INFORMATION
AS OF THE YEAR ENDING AUGUST 31,*

This required supplementary information is an integral part of the accompanying financial statements.

Ten-Year Claims Development Information

The table below illustrates how the pool's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the pool as of the end of each of the last ten years. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year gross earned contribution revenue, investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the pool including overhead and claims expense not allocable to individual claims.
3. This line shows the pool's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
6. This section of ten rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)
7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

Educational Service District #171
REQUIRED SUPPLEMENTAL INFORMATION

NORTH CENTRAL WASHINGTON WORKERS COMPENSATION TRUST
CLAIMS DEVELOPMENT INFORMATION
AS OF THE YEAR ENDING AUGUST 31,*

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1 Required contribution and investment revenue:										
Earned	$2,982	$3,206	$3,438	$3,731	$3,937	$4,200	$4,406	$4,655	$4,664	$4,702
Ceded	103	99	99	118	126	132	136	135	134	125
Net earned	2,879	3,107	3,339	3,613	3,811	4,068	4,270	4,520	4,530	4,577
2 Unallocated expenses	1,242	1,687	1,436	1,319	1,515	1,598	1,821	1,972	2,160	2,266
3 Estimated claims and expenses, end of policy year										
Incurred	1,640	1,887	2,538	1,481	1,426	2,077	1,840	1,838	1,735	1,431
Ceded	40	37	413	31	26	62	65	63	35	31
Net incurred	1,600	1,850	2,125	1,450	1,400	2,015	1,775	1,775	1,700	1,400
4 Net paid (cumulative as of:										
End of policy year	463	577	947	420	473	777	571	599	618	463
One year later	879	973	1,411	1,073	772	1,617	1,191	1,310	1,068	
Two years later	1,167	1,024	1,506	1,249	878	1,994	1,374	1,519		
Three years later	1,198	1,035	1,506	1,350	881	2,081	1,489			
Four years later	1,186	1,036	1,511	1,369	914	2,157				
Five years later	1,221	1,036	1,519	1,386	924					
Six years later	1,231	1,036	1,519	1,413						
Seven years later	1,210	1,036	1,525							
Eight years later	1,210	1,036								
Nine years later	1,210									
5 Reestimated ceded claims and expenses	18	21	449	30	38	62	65	63	35	31
6 Reestimated net incurred claims and expenses:										
End of policy year	1,600	1,850	2,125	1,450	1,400	2,015	1,775	1,775	1,700	1,400
One year later	1,600	1,550	1,925	1,635	1,250	2,165	1,725	1,895	1,500	
Two years later	1,525	1,300	1,800	1,535	1,150	2,250	1,665	1,800		
Three years later	1,390	1,200	1,675	1,530	1,050	2,285	1,670			
Four years later	1,300	1,150	1,635	1,490	1,030	2,265				
Five years later	1,314	1,110	1,610	1,460	985					
Six years later	1,325	1,091	1,575	1,470						
Seven years later	1,255	1,076	1,575							
Eight years later	1,245	1,065								
Nine years later	1,235									
7 Increase (decrease) in estimated net incurred claims and expenses from end of policy year	($365)	($785)	($550)	$20	($415)	$250	($105)	$25	($200)	$0

* Schedules are based on the District's financial reporting date, fiscal year ending August 31 in each period reported.

North Central Educational Service District No. 171
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via WA OSPI)	STOP School Violence	16.839	0820025	44,665	-	44,665	-	1, 2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	0260087	197,723	-	197,723	-	1, 2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	0222688	95,943	-	95,943	-	1, 2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	0222582	30,415	-	30,415	-	1, 2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	0226043	40,968	-	40,968	-	1, 2
			Total CFDA 84.010:	**365,049**	**-**	**365,049**	-	
Special Education Cluster (IDEA)								
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	0320296	70,400	-	70,400	-	1, 2
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	0320286	221,506	-	221,506	-	1, 2
			Total CFDA 84.027:	**291,906**	**-**	**291,906**	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	0381016	63,568	-	63,568	-	1, 2

North Central Educational Service District No. 171
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	0382006	11,111	-	11,111	-	1, 2
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	0380346	9,600	-	9,600	-	1, 2
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	0380336	29,975	-	29,975	-	1, 2
			Total CFDA 84.173:	**114,254**	**-**	**114,254**	-	
			Total Special Education Cluster (IDEA):	**406,160**	**-**	**406,160**	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via Educational Service District 112)	Special Education-Grants for Infants and Families	84.181	5404	3,887	-	3,887	-	1, 2
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA Department of Children Youth and Families)	Special Education-Grants for Infants and Families	84.181	20-1105-01	147,714	-	147,714	-	1, 2
			Total CFDA 84.181:	**151,601**	**-**	**151,601**	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Educational Service District 105)	Every Student Succeeds Act/Preschool Development Grants	93.434	3471800140	4,371	-	4,371	-	1, 2

North Central Educational Service District No. 171
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Educational Service District 105)	Every Student Succeeds Act/Preschool Development Grants	93.434	3471900008	2,317	-	2,317	-	1, 2
			Total CFDA 93.434:	**6,688**	**-**	**6,688**	**-**	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA OSPI)	Opioid STR	93.788	0999071, 0999064	77,741	-	77,741	-	1, 2
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA OSPI)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	0998215, 0998224	273,906	-	273,906	-	1, 2
		Total Federal Awards Expended:		**1,325,810**	**-**	**1,325,810**	**-**	

NORTH CENTRAL EDUCATIONAL SERVICE DISTRICT #171
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ending August 31, 2020

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the North Central Educational Service District #171's financial statements. The District uses the accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 - FEDERAL INDIRECT RATE

The District used the federal restricted rate of 7.18% and the federal unrestricted rate of 11%. The district has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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