Office of the Washington State Auditor
Pat McCarthy

June 9, 2022

Board of Directors
Innovation (Willow) Public Charter School
Seattle, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of Innovation (Willow) Public Charter School for the fiscal year ended August 31, 2021. The Public Charter School contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

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Financial Statements
August 31, 2021

Innovation Schools

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Independent Auditor's Report

The Board of Directors
Innovation Schools
Spokane, Washington

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities and the general fund of Innovation Schools (the School) as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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 entity'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 entity'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 the governmental activities and the general fund of Innovation Schools as of August 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern
As discussed in Note 8 to the financial statements, during the year ended August 31, 2021, the Board of Directors voted to terminate the School's charter status and cease operations. Management's evaluation of the events and conditions are also described in Note 8. 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 Management Discussion and Analysis, the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, the Schedule of Employer's Share of Net Pension Liability/(Asset) and the Schedule of Employer Contributions as listed in the table of contents 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 or preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2022 on our consideration of the School'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Eide Bailly LLP

Spokane, Washington
February 9, 2022

Overview

The following Management's Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board (GASB) reporting model. Innovation Schools' (the School) MD&A presents an overview of its financial condition and results of operations for the fiscal year ended August 31, 2021. The MD&A's purpose is to aid readers in understanding the accompanying financial statements through analysis of the School's financial activities based on currently known facts and conditions. This MD&A should be read in conjunction with the accompanying financial statements and Note disclosures.

Financial Highlights

In fiscal year 2021, net change in fund balances in the general fund was approximately ($254,000) compared to $471,000 in fiscal year 2020. General fund balance as of August 31, 2021, was $404,000 compared to $658,000 as of August 31, 2020.

In 2021, the Board of Directors voted to terminate the charter. The School will be formally dissolved in 2022.

Government-Wide Financial Analysis

Government-wide financial statements provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents all of the School's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as Net Position. Changes in net position over time serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities shows how the School's net position changed during the current year. These statements are prepared using the accrual basis of accounting, similar to the method used by private-sector businesses. Accrual accounting considers all of the year's revenues and expenses, regardless of when the cash is received or paid.

Change in Net Position tells the reader whether the financial position of the School has improved or diminished. However, in evaluating the overall position of the School, nonfinancial information (such as changes in the School's student count) will also need to be considered.

Statement of Net Position

The following is a summary of the statements of net position as of August 31, 2021 and 2020:

	2021	2020
Current Assets	$ 432,663	$ 724,933
Capital Assets	-	212,857
Net Pension Asset	196,789	-
Total Assets	629,452	937,790
Deferred Outflows of Resources	100,507	152,496
Current Liabilities	31,772	93,710
Long-Term Liabilities	-	5,738
Net Pension Liability	41,912	382,085
Total Liabilities	73,684	481,533
Deferred Inflows of Resources	310,440	21,163
Total Net Position	$ 345,835	$ 587,590

Assets include the School's cash, accounts receivable, other current assets, capital assets, and net pension asset. Total assets decreased $308,000 primarily due to winding down the School and an overall loss in 2021, including disposal of all capital assets. Overall, there was a decrease in cash, accounts receivable, and other current assets of $292,000 and a decrease of $213,000 in capital assets, offset by an increase in net pension asset of $197,000.

Liabilities include amounts payable to vendors for goods and services, advanced revenues, long-term debt, and net pension liability. Total liabilities decreased approximately $408,000 from prior year, as the School was preparing to shut down and pay off all liabilities. Additionally the net pension liability/(asset) shifted significantly positive in 2021, resulting in a liability of only $42,000 in 2021, and an asset of $197,000.

Deferred outflow and inflow of resources relates to pension obligations, which were the result of the school's participation in the Washington State Department of Retirement Systems pension plans.

Total net position decreased as a result of operations as discussed in the statement of activities.

Statement of Activities

The following is a summary of the statements of activities for the years ended August 31, 2021 and 2020:

	2021	2020
Revenues		
Operating grants and contributions	$ 180,755	$ 1,437,628
State sources	874,599	906,453
Loss on disposal of capital assets	(150,329)	-
Investment earnings	43	22
Total revenues	905,068	2,344,103
Expenditures		
Instruction	681,915	963,435
Support services	464,908	944,364
Total expenditures	1,146,823	1,907,799
Change in Net Position	$ (241,755)	$ 436,304

Revenues include operating grants and contributions, state revenues, and investment earnings. Operating grants consist primarily of grants from the Washington State Charter School System, federal grant, and other private sources, which decreased the amount of the grants in 2021 by $1,257,000 due to the winding down of the School. The School also received $875,000 in state apportionments in 2021 to help fund day to day operations.

Expenditures are separated by class in the above table. Overall expenditures decreased $761,000 in 2021, with a decrease of $282,000 to instruction and a decrease in $479,000 to support services, as the school had less headcount and less overall costs as they began to wind down operations.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities. Like other governments, the School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

All the funds of the School are considered Governmental Funds. Governmental funds account for essentially the same functions reported as Governmental Activities on the government-wide financial statements. Most of the School's basic services are reported in these funds, with the focus on how money flows into and out of the funds and what year-end balances remain available for spending.

These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The Governmental Fund statements provide a detailed short-term view of the School's general government operations and the basic services being provided, along with the financial resources available.

The focus of Governmental Funds is narrower than that of the Government-Wide Financial Statements, so it is useful to compare the two. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances facilitate this comparison between Governmental Funds and Governmental Activities.

Fund balance in the general fund as of August 31, 2021, was $404,000, compared to $346,000 in Governmental Activities. This difference is due to the pension liability and related deferred inflow and outflows, and long-term debt, which are not included in modified accrual accounting.

Changes in fund balances for the general fund for the year ended August 31, 2021, was ($254,000) compared to ($242,000) in Governmental Activities. This difference is due to the pension expense, capital asset disposals, and payments on long-term debt.

Capital Assets

	2021	2020	Change
Leasehold Improvements	$ -	$ 174,574	$ (174,574)
Computer equipment and software	-	116,801	(116,801)
Furniture and fixtures	-	19,605	(19,605)
Curriculum	-	12,075	(12,075)
	-	323,055	(323,055)
Less Accumulated Depreciation	-	110,198	(110,198)
Net Capital Assets	$ -	$ 212,857	$ (212,857)

As of August 31, 2020, the School had approximately $213,000 invested in capital assets, including leasehold improvements, computer equipment and software, furniture and fixtures, and curriculum, net of accumulated depreciation. In 2021, the School disposed of all capital assets in preparation for dissolving the School. More detailed information about the School's capital assets is presented in Note 3 to the financial statements.

Long-Term Debt

Total long-term debt as of August 31, 2021 and 2020, was $3,000 and $32,000, respectively. The outstanding debt consists of cash advanced for leasehold improvements in 2019. More detailed information about the School's long-term debt is presented in Note 4 to the financial statements.

Budgetary Highlights

The Board of Directors adopts the annual operating budget for the School effective September 1st, consistent with the upcoming school year. The total budget for 2021 was approximately $1,510,000, of which $928,000 would be funded by state and federal sources. Final revenues were $1,058,000, with state and federal sources being $65,000 over budget, and other grants being $566,000 under budget.

Instructional expenditures were approximately $178,000 below budget and support services were approximately $20,000 under budget as the School begins winding down and reducing costs.

Economic Outlook

The School ceased operations and will dissolve in 2022.

	Governmental Activities
Assets	
Cash and cash equivalents	$ 420,551
Accounts receivable	2,112
Other current assets	10,000
Net pension asset	196,789
Total assets	629,452
Deferred Outflows of Resources	
Relating to pensions	100,507
Liabilities	
Accounts payable	28,495
Long-term debt, due within one year	3,277
Net pension liability	41,912
Total liabilities	73,684
Deferred Inflows of Resources	
Relating to pensions	310,440
Net Position	
Net investment in capital assets	(3,277)
Restricted expendable	
Net Pension asset	41,385
Unrestricted	307,727
Total net position	$ 345,835

Functions / Programs	Expenses	Operating Grants and Contributions	Net (Expense) Revenue Changes in Net Position
Governmental Activities			
Instruction	$ 681,915	$ 62,803	$ (619,112)
Support services	464,908	117,952	(346,956)
Total governmental activities	$ 1,146,823	$ 180,755	(966,068)
General Revenues			
State sources			874,599
Loss on disposal of capital assets			(150,329)
Investment earnings			43
Change in Net Position			(241,755)
Net Position, Beginning of Year			587,590
Net Position, End of Year			$ 345,835

	General Fund
Assets	
Cash and cash equivalents	$ 420,551
Accounts receivable	2,112
Other current assets	10,000
Total assets	432,663
Liabilities	
Accounts payable	28,495
Total liabilities	28,495
Fund Balance	
Nonspendable	10,000
Unassigned	394,168
Total fund balances	$ 404,168

Total fund balance - total governmental funds	$ 404,168
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Net pension asset is a long-term asset which is not recongized on the governmental statements.	196,789
Deferred outflows of resources related to pension accruals not reported in the funds.	100,507
Long-term liabilities, applicable to governmental activities are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of the following:	
Long-term debt	(3,277)
Net pension liability	(41,912)
Deferred inflows of resources related to pension accruals not reported in the funds.	(310,440)
Total net position of governmental activities	$ 345,835

	General Fund
Revenues	
State apportionment	$ 874,599
Federal grants and contracts	117,952
Grants and contributions	62,803
Investment earnings	43
Other	2,800
Total revenues	1,058,197
Expenditures	
Instructional	
Basic education	546,772
Special education	116,598
Compensatory education	97,396
Total instructional	760,766
Support Services	
District-wide support	444,152
School food services	76,163
Pupil transportation	1,710
Debt service payments	29,047
Total support services	551,072
Total expenditures	1,311,838
Net Change in Fund Balances	(253,641)
Fund Balance, Beginning of Year	657,809
Fund Balance, End of Year	$ 404,168

Net change in fund balances - total governmental funds	$ (253,641)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Net book value of disposal of capital assets	(153,129)
Depreciation expense	(59,728)
Repayment of principal on long-term debt is an expenditure in the governmental funds but reduces the liability in the statement of net position.	29,047
Pension expense related to changes in the deferred outflows, net pension liability, and deferred inflows.	195,696
Change in Net Position of Governmental Activities	$ (241,755)

Note 1 - Summary of Significant Accounting Policies

Entity and Charter

Innovation Schools (the School) is organized as a nonprofit corporation providing public charter school educational services as authorized by Section 392 of Washington Code.

Washington Code requires charter schools to comply with the same government reporting requirements imposed on traditional public school districts, i.e. – on a governmental, rather than nonprofit, basis of accounting. Additionally, enabling legislation creates charter schools as public entities, i.e. – as public schools, subject to provisions common with other governmental entities as set forth in Washington Code. Accordingly, the School's basis of presentation follows the governmental, rather than nonprofit, reporting model.

Financial Reporting Entity

The accompanying financial statements present the activities of the School. The School receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the School is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are volunteers and have decision-making authority, the power to designate management, the ability to significantly influence operation, and the primary accountability for fiscal matters. In addition, the School's reporting entity does not contain any component units.

The School follows Governmental Accounting Standards Board (GASB) in determining the reporting entity and component units. The financial reporting entity consists solely of the primary government. Accordingly, the financial statements include all funds, and agencies of the primary government whose budgets are controlled or whose boards are appointed by the School's Board of Directors.

Basis of Presentation

The accounts of the School are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the financial activities of the School. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through intergovernmental revenues and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities.

- Direct expenses - those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

- Indirect expenses - expenses of the general government related to the administration and support of the School's programs, such as personnel and accounting, are allocated to programs based on their percentage of total primary government expenses.

- Program revenues - include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues. The School did not have any charges for services during the year ended August 31, 2021.

Fund Financial Statements: The fund financial statements provide information about the School's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The School only maintains a General Fund.

General Fund: This is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

Basis of Accounting

The Government-Wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School receives value without directly giving equal value in return, include state apportionment, grants, and donations. Revenue from state apportionment, grants, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the Governmental Funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in Governmental Funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The Governmental Funds use the following practices in recording revenues.

Revenues

Entitlements and shared revenues (which include state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier, if susceptible to accrual criterial are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria has been met.

Other receipts become measurable and available when the transaction occurs and cash is received by the School.

Fund Balances of Fund Financial Statements

Fund balances of the governmental funds are classified as follows:

- Nonspendable fund balance – amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

- Restricted fund balance – amounts that can be spent only for specific purposes because of the sponsoring organization, state or federal laws or externally imposed conditions by grantors or creditors. The School did not have any restricted fund balance at August 31, 2021.

- Committed fund balance – amounts constrained to specific purposes by the School itself, using its highest level of decision-making authority (i.e. Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School takes the same highest level action to remove or change the constraint. The School did not have any committed fund balance at August 31, 2021.

- Assigned fund balance – amounts the School intends to use for a specified purpose. Intent can be expressed by the Board of Directors or by a principal if the Board of Directors delegates the authority. The School did not have any assigned fund balance at August 31, 2021.

- Unassigned fund balance – amounts that are available for any purpose.

There is no formal policy regarding the use of fund balances, as the School has only maintained unassigned funds historically. However, it is the School’s intent that when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available, the School’s intent is to apply restricted balance first. When an expenditure is incurred for purposes for which restricted, committed, assigned, and unassigned fund balances are available, the School’s intent is to apply restricted fund balance, then committed fund balance, then assigned fund balance, and then unassigned fund balances.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less.

Capital Assets

Capital assets are stated at cost when purchased or constructed, or if donated, at the estimated acquisition value at the date of the gift. The School's capitalization policy includes all items with a unit cost of $2,500 or more and an estimated useful life of greater than one year. Renovations and improvements to buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred.

Accounts Payable

Accounts payable represent operating liabilities that will be paid in the next billing cycle.

Advanced Revenue

Advanced revenue represents funds collected from the state prior to any expense being incurred, and therefore revenue has not yet been recognized.

Pensions

For purposes of measuring the net pension liability (asset) and pension expense, information about the fiduciary net position of the various pension plans and additions to/deducted from the fiduciary net position have been determined on the same basis as they are reported by the Base Plans. 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Organization's deferred outflows and inflows relate to the net pension asset and liability.

Income Taxes

The School is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. Accordingly, no provision for income taxes is made in the financial statements.

Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the School may recognize tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2021. The School files a Form 990 in the U.S. federal jurisdiction.

Note 2 - Deposits and Custodial Credit Risk

The Organization maintains the majority of its cash balances in one financial institution in Walla Walla, Washington. As of August 31, 2021, the carrying amount of the Organization's deposits was $420,551, and the respective bank balances totaled $420,724. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times the Organization's cash deposits are in excess of the FDIC limit and for this reason, the Organization has chosen a large, stable, and reputable financial institution to mitigate risk. At August 31, 2021, the Organization's uninsured cash balances totaled $276,111, with the remaining $144,613 insured by FDIC.

Note 3 - Capital Assets

Capital asset activity for the year ended August 31, 2021 is as follows:

Governmental Activities	Balance August 31, 2020	Additions	Disposals	Balance August 31, 2021
Capital assets				
Leasehold Improvements	$ 174,574	$ -	$ (174,574)	$ -
Computer equipment	116,801	-	(116,801)	-
Furniture and fixtures	19,605	-	(19,605)	-
Curriculum	12,075	-	(12,075)	-
	323,055	-	(323,055)	-
Less accumulated depreciation	(110,198)	(59,728)	169,926	-
Total capital assets, net	$ 212,857	$ (59,728)	$ (153,129)	$ -

Depreciation expense totaled $34,723 and $25,005 charged to instruction and support services, respectively, for the year ended August 31, 2021. All capital assets were disposed of in 2021.

Note 4 - Long-Term Debt

Long-term debt activity for the year ended August 31, 2021 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Note payable to WA Charter School Development payable in monthly installments of $2,478, including interest at 3.50% through November 2021, unsecured	$ 32,324	$ -	$ (29,047)	$ 3,277	$ 3,277

All remaining payments were paid off subsequent to year end.

Note 5 - Pension Plans

General Information

The Legislature has established various pension plans for employees in Washington State. These plans include:

- Public Employees’ Retirement System (PERS) – established in chapters 41.34 and 41.40 RCW
- School Employee’s Retirement System (SERS) – established in chapters 41.34 and 41.35 RCW
- Teachers’ Retirement System (TRS) – established in chapters 41.32 and 41.34 RCW

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

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

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

Administration

Substantially all the School's full-time and qualifying part-time employees participate in TRS or SERS, which are contributory, multi-employer, cost-sharing statewide retirement systems managed by the Washington State DRS. While the School does not have any members who participate in PERS, the School is allocated a proportionate share of liability for the plans as required by the Legislature.

PERS

PERS is composed of and reported as 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. The School does not have any members or share of liability in plans 2/3 and 3.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are calculated as 2% times the member's Average Final Compensation (AFC) times the member's years of service. AFC is the average of the member's 24 consecutive highest-paid service credit 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.

PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from inactive status before the age of 65 may also receive actuarially reduced benefits. Other benefits include duty and nonduty disability payments, an optional Cost-of-Living Adjustment (COLA), and a duty-related death benefit, if the Washington State Department of Labor & Industries determines the member eligible.

SERS

SERS is composed 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.

Although employees can be a member of only 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 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. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

SERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits for Plan 2 are calculated as 2% times the member's AFC times the member's years of service for Plan 2. Retirement benefits for Plan 3 are calculated using 1% times the member's AFC times the member's years of service. AFC is the monthly average of the member's 60 consecutive highest-paid service credit months.

Members are eligible for retirement with a full benefit at age 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 Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen.

Other SERS Plan 2/3 benefits include duty and nonduty disability payments; a COLA based on the Consumer Price Index, capped at 3% annually; and a duty-related death benefit, if the Washington State Department of Labor & Industries determines the member eligible.

TRS

TRS is composed 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 be a member of only 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 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 the terms of the plans define. Therefore, Plan 2/3 is considered a single plan for accounting purposes.

TRS Plan 1 provides retirement, disability and death benefits. Retirement benefits are calculated using 2% of the member's AFC times the member's years of service up to a maximum of 60%. AFC is the average of the member's 24 consecutive highest-paid service credit months.

Members are eligible for retirement at any age after 30 years of service, at age 60 with five years of service or at age 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional COLA, and a one-time, duty-related death benefit, if the Washington State Department of Labor & Industries finds the member eligible.

Contributions

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at 6 percent and does not vary from year to year. The employer rate is the same for all plans in a system. The methods used to determine the contribution requirements are established under chapters 41.40, 41.32, and 41.35 RCW for PERS, TRS and SERS, respectively.

Employee contribution rates, expressed as a percentage of payroll covered for 2021 were as follows:

Plan	Rate
PERS 1	6.00%
TRS 1	6.00%
TRS 2	7.77%
TRS 3	N/A
SERS 2	8.25%
SERS 3	N/A

Employer contribution rates, expressed as a percentage of payroll covered for 2021 were as follows:

Plan	Rate
PERS 1	12.97%
TRS 1	15.74%
TRS 2/3	15.74%
SERS 2/3	13.30%

Note: The DRS administrative rate of 0.18% is included.

Under current law the employer must contribute 100 percent of the employer-required contribution. Employer required contributions in dollars:

Plan	Contributions
PERS 1	$ 13,003
SERS 2/3	19,119
TRS 1	16,807
TRS 2/3	19,694

Collective Net Pension Liability (Asset)

The collective net pension liabilities (assets) for the pension plans the School participated in are reported in the following tables. Net pension liability (asset) as of June 30, 2021 is as follows:

	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total pension liability	$ 10,847,066,000	$ 7,586,243,000	$ 7,850,211,000	$ 20,032,702,000
Plan fiduciary net position	(9,625,832,000)	(8,659,940,000)	(7,176,913,000)	(22,781,509,000)
Participating employers' net pension liability (asset)	1,221,234,000	(1,073,697,000)	673,298,000	(2,748,807,000)
Plan fiduciary net position as a percentage of the total pension liability	88.74%	114.15%	91.42%	113.72%

The School's Proportionate Share of the Net Pension Liability (NPL) and Net Pension Asset (NPA)

At August 31, 2021, the School reported a total liability of $41,912 and a total asset of $196,789 for its proportionate shares of the individual plans' collective net pension amounts. The School's proportionate share of the collective net pension liability and net pension asset is based on annual contributions for each of the employers participating in the DRS administered plans.

At August 31, 2021, the School's proportionate share of each plan's net pension liability (asset) is reported below:

	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Proportionate share of Net	0.001746%	0.010507%	0.003058%	0.003055%
Pension Liability (Asset)	$ 21,323	$ (112,813)	$ 20,589	$ (83,976)

At August 31, 2020, the School's proportionate share of each plan's net pension liability is reported below:

	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Proportionate share of Net	0.001601%	0.009218%	0.006971%	0.007071%
Pension Liability	$ 56,524	$ 49,036	$ 167,916	$ 108,609

Actuarial Assumptions

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

The total pension liabilities for PERS 1, SERS 2/3, TRS 1, and TRS 2/3 were determined by actuarial valuation as of June 30, 2020, with the results rolled forward to June 30, 2021, 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 were developed using the Society of Actuaries' Pub.H-2010 Mortality rates, which vary by member status (active, retiree, or survivor), as the base table. The Office of the State Actuary (OSA) applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of the 2013-2018 Demographic Experience Study Report and the 2020 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best-estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the Washington State Investment Board (WSIB). Those expected returns make up one component of WSIB's CMAs.

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

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

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

The Office of the State Actuary (OSA) selected a 7.40 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns the WSIB provided. See the 2019 Report on Financial Condition and Economic Experience Study on the OSA website for additional Notes to the Financial Statements information on how this assumption was selected.

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, 2021, are summarized in the following table:

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 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.40%. 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 our Certification Letter, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40% 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, 2021, the School reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 23,661

SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$ 29,347	$ -
Net difference between projected and actual earnings on pension plan investments	-	127,959
Changes in assumptions or other inputs	464	3,723
Changes in proportion and differences between contributions and proportionate share of contributions	2,865	1,138
Contributions subsequent to the measurement date	7,372	-
	$ 40,048	$ 132,820

TRS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 30,868

TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$ 26,089	$ 680
Net difference between projected and actual earnings on pension plan investments	-	97,906
Changes in assumptions or other inputs	5,223	4,412
Changes in proportion and differences between contributions and proportionate share of contributions	15,506	20,093
Contributions subsequent to the measurement date	13,641	-
	$ 60,459	$ 123,091

Amounts reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending August 31, 2022.

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

Years Ended August 31	PERS 1	SERS 2/3	TRS 1	TRS 2/3
2022	$ (6,267)	$ (26,437)	$ (8,180)	$ (22,504)
2023	(5,744)	(25,117)	(7,485)	(20,868)
2024	(5,431)	(23,345)	(7,084)	(19,527)
2025	(6,219)	(28,326)	(8,119)	(22,340)
2026	-	2,955	-	3,058
Thereafter	-	126	-	5,908

Pension Expense

The School recognizes a pension expense for its proportionate share of the collective pension expense. This is determined by using the School's proportionate share of the collective net pension liability. For the year ending August 31, 2021, the School recognized a total pension expense as follows:

PERS 1	$ (11,855)
SERS 2/3	(35,434)
TRS 1	(117,539)
TRS 2/3	(30,868)
Total	$ (195,696)

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

The table below presents the School'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 School's allocation percentage.

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1 Net Pension Liability	$ 36,324	$ 21,323	$ 8,240
SERS 2/3 Net Pension Liability (Asset)	$ (1,239)	$ (112,813)	$ (205,107)
TRS 1 Net Pension Liability	$ 39,465	$ 20,589	$ 4,118
TRS 2/3 Net Pension Liability (Asset)	$ 14,644	$ (83,976)	$ (164,425)

Historical trend information showing TRS and PERS progress in accumulating sufficient assets to pay benefits when due is presented in the State of Washington's June 30, 2021 comprehensive annual financial report (CAFR). Refer to this report for detailed trend information. It is available at http://www.drs.wa.gov/administration/annual-report/ or from:

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

Note 6 - Concentrations

The School's principal source of support is state based support revenue. For the year ended August 31, 2021, this funding source accounted for approximately 83% of all revenues.

Note 7 - Operating Leases

The School rents the primary location under an operating lease that expired in 2021. The expense for this operating lease was $93,000 for fiscal year 2021.

Note 8 - Going Concern

On April 29, 2021, due to enrollment decreases and uncertainty during the pandemic, the Board of Directors voted to ceased operations of the School effective August 31, 2021. The School will be formally dissolved in 2022, with any remaining public funds returned to the state, and any remaining private funds distributed to an educational non-profit organization. An estimate of future cash flow is as follows:

Cash and cash equivalents, August 31, 2021	$ 420,551
Remaining cash inflows	12,112
Future payments for:	
Payments of liabilities	31,772
Professional fees	110,500
Audits	20,000
Other	7,500
	169,772
Estimated remaining cash	$ 262,891

Required Supplementary Information
August 31, 2021

Innovation Schools

	Budget Original and Final	Actual	Variance
Revenues			
State apportionment	$ 867,996	$ 874,599	$ 6,603
Federal grants and contracts	59,884	117,952	58,068
Other grants and contributions	629,000	62,803	(566,197)
Investment earnings	-	43	43
Other	-	2,800	2,800
Total revenues	1,556,880	1,058,197	(498,683)
Expenditures			
Instructional			
Basic education	776,665	546,772	229,893
Special education	113,738	116,598	(2,860)
Compensatory education	48,098	97,396	(49,298)
Total instructional	938,501	760,766	177,735
Support Services			
District-wide support	476,252	444,152	32,100
School food services	69,001	76,163	(7,162)
Pupil transportation	25,920	1,710	24,210
Debt service payments	-	29,047	(29,047)
Total support services	571,173	551,072	20,101
Total expenditures	1,509,674	1,311,838	197,836
Net Change in Fund Balances	$ 47,206	$ (253,641)	$ (696,519)

	2021	2020	2019
PERS 1			
Employer's proportionate share of the net pension liability	0.001746%	0.001601%	0.001681%
Employer's proportion share of the net pension liability	$ 21,323	$ 56,524	$ 64,640
Employer's covered payroll	$ 328,644	$ 241,585	$ 259,945
Employer's proportional share of the net pension liability as a percentage of its covered payroll	6.5%	23.4%	24.9%
Plan fiduciary net position as a percentage of the total pension liability	88.7%	68.6%	67.1%
SERS 2/3			
Employer's proportionate share of the net pension liability	0.010507%	0.009218%	0.009718%
Employer's proportion share of the net pension liability	$ (112,813)	$ 49,036	$ 22,789
Employer's covered payroll	$ 328,644	$ 241,585	$ 259,945
Employer's proportional share of the net pension liability as a percentage of its covered payroll	-34.3%	20.3%	8.8%
Plan fiduciary net position as a percentage of the total pension liability	114.2%	92.4%	96.3%
TRS 1			
Employer's proportionate share of the net pension liability	0.003058%	0.006971%	0.004119%
Employer's proportion share of the net pension liability	$ 20,589	$ 167,916	$ 101,978
Employer's covered payroll	$ 341,529	$ 520,555	$ 294,904
Employer's proportional share of the net pension liability as a percentage of its covered payroll	6.0%	32.3%	34.6%
Plan fiduciary net position as a percentage of the total pension liability	91.4%	70.6%	70.4%
TRS 2/3			
Employer's proportionate share of the net pension liability	0.003055%	0.007071%	0.004145%
Employer's proportion share of the net pension liability	$ (83,976)	$ 108,609	$ 24,975
Employer's covered payroll	$ 341,529	$ 520,555	$ 294,904
Employer's proportional share of the net pension liability as a percentage of its covered payroll	-24.6%	20.9%	8.5%
Plan fiduciary net position as a percentage of the total pension liability	113.7%	91.7%	96.4%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, Innovation Schools will present information for those years for which information is available.

Data reported is measured as of June 30 (measurement date).

		2021		2020		2019
PERS 1						
Statutorily required contribution	$	13,003	$	11,601	$	12,051
Contributions in relation to the statutorily required contribution	$	13,003	$	11,601	$	12,051
Contribution (deficiency) excess	$	-	$	-	$	-
Employer's covered payroll	$	293,314	$	296,518	$	283,678
Contributions as a percentage of the covered payroll		4.43%		3.91%		4.25%
SERS 2/3						
Statutorily required contribution	$	22,123	$	19,932	$	22,675
Contributions in relation to the statutorily required contribution	$	22,123	$	19,932	$	22,675
Contribution (deficiency) excess	$	-	$	-	$	-
Employer's covered payroll	$	293,314	$	296,518	$	283,678
Contributions as a percentage of the covered payroll		7.54%		6.72%		7.99%
TRS 1						
Statutorily required contribution	$	16,807	$	36,611	$	36,611
Contributions in relation to the statutorily required contribution	$	16,807	$	36,611	$	36,611
Contribution (deficiency) excess	$	-	$	-	$	-
Employer's covered payroll	$	311,699	$	549,409	$	346,216
Contributions as a percentage of the covered payroll		5.39%		6.66%		10.57%
TRS 2/3						
Statutorily required contribution	$	18,486	$	41,140	$	20,339
Contributions in relation to the statutorily required contribution	$	18,486	$	41,140	$	20,339
Contribution (deficiency) excess	$	-	$	-	$	-
Employer's covered payroll	$	311,699	$	549,409	$	346,216
Contributions as a percentage of the covered payroll		5.93%		7.49%		5.87%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, Innovation Schools will present information for those years for which information is available.

Data reported is measured as of August 31 (report date).

Pension Plans

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. The actuarial methods and significant assumptions used in these valuations are available in the publicly available actuary reports for the three pension plans.

The Participating Employer Financial Information (PEFI) can be found at:
https://www.drs.wa.gov/wp-content/uploads/2021/06/PEFI-2021.pdf

The Annual Comprehensive Financial Report (ACFR) can be found at:
https://www.drs.wa.gov/wp-content/uploads/2021/06/2021-ACFR.pdf

The Actuarial Valuation can be found at:
https://leg.wa.gov/osa/presentations/Documents/Valuations/20AVR/2020.AVR.PDF

Basis of Budgetary Accounting

The School's legal budget is prepared on the modified accrual basis of accounting. The Budget and Actual schedules are prepared on the budgetary basis which agrees to Generally Accepted Accounting Principles (GAAP).

Government Auditing Standards Information
August 31, 2021

Innovation Schools

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

To the Board of Directors
Innovation Schools
Spokane, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of Innovation Schools (the School), as of and for the years ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated February 9, 2022.

Internal Control over Financial Reporting

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

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Spokane, Washington
February 9, 2022