



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Wenatchee School District No. 246

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

Published August 10, 2023

Report No. 1033094



Find out what's new at SAO
by scanning this code with
your smartphone's camera



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

August 10, 2023

Board of Directors
Wenatchee School District No. 246
Wenatchee, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Wenatchee School District No. 246'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

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

TABLE OF CONTENTS

| | |
|---|----|
| Schedule of Findings and Questioned Costs..... | 4 |
| Schedule of Federal Award Findings and Questioned Costs..... | 6 |
| 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 <i>Government Auditing Standards</i> | 16 |
| Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance | 19 |
| Independent Auditor's Report on the Financial Statements..... | 24 |
| Financial Section..... | 28 |
| Corrective Action Plan for Findings Reported Under Uniform Guidance | 65 |
| About the State Auditor's Office..... | 67 |

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Wenatchee School District No. 246 September 1, 2021 through August 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Wenatchee School District No. 246 are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

We issued an unmodified opinion on the District’s compliance with requirements applicable to each of its major federal programs, with the exception of the 32.009 – COVID-19 – Emergency

Connectivity Fund Program on which we issued an adverse opinion on compliance with applicable requirements.

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

Identification of Major Federal Programs

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

| <u>ALN</u> | <u>Program or Cluster Title</u> |
|------------|--|
| 32.009 | COVID-19 – Emergency Connectivity Fund Program |
| 84.010 | Title I Grants to Local Educational Agencies |
| 84.027 | Special Education Cluster (IDEA) – Special Education Grants to States |
| 84.027 | COVID-19 – Special Education Cluster (IDEA) – Special Education Grants to States |
| 84.173 | Special Education Cluster (IDEA) – Special Education Preschool Grants |
| 84.173 | COVID-19 – Special Education Cluster (IDEA) – Special Education Preschool Grants |
| 84.425 | COVID-19 – Education Stabilization Fund |

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

See Findings 2022-001 and 2022-002.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Wenatchee School District No. 246 September 1, 2021 through August 31, 2022

2022-001 The District did not have adequate internal controls for ensuring compliance with allowable activities and costs, procurement, and restricted purpose requirements.

| | |
|---|--|
| Assistance Listing Number and Title: | 32.009, COVID 19 – Emergency Connectivity Fund Program |
| Federal Grantor Name: | Federal Communications Commission |
| Federal Award/Contract Number: | ECF202108779 |
| Pass-through Entity Name: | N/A |
| Pass-through Award/Contract Number: | N/A |
| Known Questioned Cost Amount: | \$963,146 |

Background

The Emergency Connectivity Fund (ECF) Program provides funding to meet the needs of students and school staff who would otherwise lack access to connected devices and broadband connections sufficient to engage in remote learning. This is referred to as “unmet need.” In fiscal year 2022, the District spent \$1,003,563 in ECF Program funds to purchase 2,300 laptops, 800 tablets, and pay for mobile hotspots services for students and staff.

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

Allowable activities and costs

ECF Program recipients must only seek reimbursement for the eligible devices provided to students and staff with unmet need. Recipients are prohibited from seeking and receiving reimbursement for eligible equipment purchased for use solely at the school or held for future use (i.e., warehousing).

Procurement

When using ECF Program funds to purchase eligible equipment, the Federal Communications Commission (FCC) requires recipients to comply with all applicable state or local procurement laws by obtaining quotes or following a competitive bidding process, depending on the estimated cost of the purchase. State law and District policy allow for the purchase of goods and services from contracts awarded by another government or group of governments (i.e., a public agency) via an interlocal agreement (RCW 39.34.030).

Restricted purpose – unmet need

When submitting applications to the FCC, schools only had to provide an estimate of their students' and staff's unmet need. However, at the time of reimbursement, they could only request program funds for eligible equipment provided to students and school staff with actual unmet need.

Restricted purpose – per-user limitations

The FCC imposed per-location and per-user limitations to maximize the use of limited funds. Under the program, eligible schools could only be reimbursed for one connected device per student or school employee with unmet need.

Description of Condition

Allowable activities and costs/restricted purpose – unmet need

The District estimated unmet need for eligible equipment when it applied for ECF Program funds. However, our audit found the District's internal controls were ineffective for ensuring it requested reimbursement only for eligible equipment provided to students and school staff with a documented unmet need. Specifically, the District purchased 3,100 laptops and tablets based on its estimate of unmet need, and it requested reimbursement for these expenses totaling \$963,146. However, the District did not maintain documentation showing it provided each device paid with program funds to a student or employee with unmet need.

Procurement

Our audit found the District's internal controls were ineffective for ensuring it followed state law and its own policy when procuring equipment that it charged to the ECF Program. The District paid one contractor \$387,200 for laptops and tablets using a purchasing cooperative. However, the District could not demonstrate compliance with state law.

Restricted purpose – per-user limitations

Our audit found the District’s internal controls were ineffective for demonstrating it complied with the FCC’s per-location and per-user limitations. Specifically, the District did not ensure it only provided one device per user.

We consider these deficiencies in internal controls to be material weaknesses that led to material noncompliance.

This issue was not reported as a finding in the prior audit.

Cause of Condition

Allowable activities and costs/restricted purpose – unmet need

The District was approved for 3,100 devices, and requested reimbursement for all of them because it determined during the application process that there were more than 3,100 students and staff with an unmet need. District staff thought the determination of unmet need provided during the application process was sufficient to comply with this requirement. The District did not perform additional procedures during the reimbursement process to ensure it only requested reimbursement for devices provided to specific students and staff with a documented unmet need.

Procurement

The District’s use of the awarding entity’s contract aligned with its interpretation of an allowable vendor for the goods. However, staff did not realize the District’s use of the purchasing cooperative’s contract did not meet all the requirements of state law.

Restricted purpose – per-user limitations

Management and staff did not fully understand the District could not provide more than one device and/or connection per student and employee.

Effect of Condition and Questioned Costs

Allowable activities and costs/restricted purpose – unmet need

Because the District did not have documentation supporting whether it provided eligible equipment to students and school staff with actual unmet need, it cannot demonstrate compliance with the program’s requirements. Given the nature of the program and circumstances, it is likely that at least some of the equipment the District charged to the award addressed unmet needs. However, the lack of a

documented assessment of students' and staff's actual unmet need means that most costs are unsupported. Since we do not have a reasonable basis for estimating how much of the District's expenditures are allowable, we are questioning all unsupported costs.

Federal regulations require the State Auditor's Office to report known questioned costs that are greater than \$25,000 for each type of compliance requirement. We question costs when we find the District does not have adequate documentation to support expenditures.

Procurement

The District cannot demonstrate it complied with the procurement requirements. Additionally, it cannot be sure all interested contractors had the opportunity to bid and that it obtained the lowest price for the laptops and tablets purchases.

Restricted purpose – per-location and per-user limitations

Because the District provided some students and staff members with more than one device and received reimbursement for them, it did not comply with the FCC's requirement. As noted in the allowable activities and costs section above, we are questioning the costs for these devices.

Recommendation

We recommend the District work with the granting agency to determine audit resolution.

We further recommend the District establish and follow internal controls to ensure staff fully understand the requirements for ECF awards. Specifically, the District should:

- Request reimbursement only for eligible equipment provided to students or staff with unmet need, and maintain documentation demonstrating compliance
- Comply with state law and its own policy when procuring goods and services paid with ECF Program funds, and keep documentation showing it complied with procurement requirements
- Monitor to confirm it provides no more than one device per student and staff in compliance with the ECF Program's requirements

District's Response

The District does not agree with the audit finding or the \$963,146 of questioned costs. The District does agree that internal controls and processes could be improved. However, all costs were allowable and devices were only provided to those with unmet need.

Allowable activities and costs/restricted purpose – unmet need

Wenatchee School District (“WSD”) was awarded federal grant funding, administered through Universal Services Administrative Company (“USAC”) on behalf of the Federal Communications Commission (“FCC”) to procure laptop computers and other electronic devices to meet student instructional needs during the COVID 19 pandemic.

Given the urgency of addressing the evolving student needs through the pandemic, USAC mobilized an application and funding system as quickly as possible. The district followed all FCC guidelines for the application process including using a consultant to ensure proper procedures were followed. The USAC website for the application is the same one used in our yearly eRate process ensuring we had verified vendors and the typical checks and balances for other federal funding.

It is unreasonable to think that any district close to the size of WSD would be able to specifically establish and verify levels of need throughout its student population. For context, laptop orders had to be placed late in Spring 2021 to ensure the devices would be ready to serve student needs by Fall 2021. This meant that FCC standards would have required WSD to anticipate the instructional needs in all grades and content areas in an evolving pandemic and compare those standards individually to every one of the students that may or may not have registered to start the school year at WSD in September.

The unreasonableness of this federal expectation is confirmed when looking at the number of school districts that were issued the exact same audit finding after attempting to utilize this federal funding to meet their students’ and community’s needs for equitably available, flexible instructional tools.

The auditor’s report states that our internal controls were ineffective for ensuring we requested reimbursement only for students and staff with a documented unmet need and that our internal controls were ineffective for demonstrating per location and per user limitations.

We spent all funds for allowable costs and those costs were reasonable and necessary and used for students and staff with unmet needs. The district was able to determine whether students and staff had unmet needs, which meant addressing

instances where 1) students may have shared a home device with others siblings, 2) the student or staff devices were too old or slow to function properly when running multiple required applications or the necessary software for remote learning, and 3) student-owned devices did not have the appropriate security in place to protect students during remote learning from unauthorized websites. These factors were the basis for unmet need.

Based on these experiences, unmet need was defined broadly, but within allowed parameters and inventory records were kept, albeit not perfectly.

Procurement

SAO states in its finding that “it cannot be sure all interested contractors had the opportunity to bid and that it obtained the lowest price for the laptops and tablets purchases.”

WSD does not concur with this statement. The district utilized an established vendor to purchase Apple laptops and tablets. The district used this vendor because it was the only vendor that allowed us to purchase Apple products.

WSD will evaluate its procurement process to ensure contracts follow state law.

Per-location and per-user limitations

The finding states “the district provided some students and staff members with more than one device and received reimbursement for them.”

WSD does not concur with this statement. The district provided one device only to eligible students and staff. If a laptop or other electronic device was damaged or defective, students and staff returned the defective device and received a new one.

Auditor’s Remarks

The State Auditor’s Office is sympathetic to the significant challenges the District faced during the COVID-19 pandemic, and deeply respects its commitment to student learning despite these challenges. SAO knows that in many cases, governments across Washington received significant pandemic-era federal funds without also receiving clear guidance on how to use them. Then, and now, SAO continues to advocate for clear, timely guidance from federal agencies to make sure Washington governments are not put in a difficult position at audit time.

However, when auditing federal programs of any kind, governments must provide documentation to substantiate that they met the award requirements. As is our practice and audit standards require, we will review the status of this finding during

our next audit. We value our partnership with the District in striving for transparency in public service.

Applicable Laws and Regulations

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

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

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

Title 47 CFR Part 54, *Universal Service*, Subpart Q, Emergency Connectivity Fund, describes the ECF Program requirements.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Wenatchee School District No. 246 September 1, 2021 through August 31, 2022

2022-002 The District lacked adequate internal controls for ensuring compliance with suspension and debarment requirements.

| | |
|---|---|
| Assistance Listing Number and Title: | 84.027 – Special Education Grant to States 84.027 – COVID-19 – Special Education Grants to States 84.173 – Special Education Preschool Grants 84.173 – COVID-19 – Special Education Preschool Grants |
| Federal Grantor Name: | U.S. Department of Education |
| Federal Award/Contract Number: | N/A |
| Pass-through Entity Name: | Office of Superintendent of Public Instruction |
| Pass-through Award/Contract Number: | 0307412, 0338536, 0312085, 0366789, 0388011, 0388066, 0371076 |
| Known Questioned Cost Amount: | \$0 |

Description of Condition

In 2022, the District spent \$1,846,605 in federal funds from the U.S. Department of Education through the Special Education Cluster program, which gives funding to states to help school districts provide special education and related services to all children with disabilities.

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

Federal requirements prohibit grant recipients from contracting with or purchasing from parties suspended or debarred from doing business with the federal government. Whenever the District enters into contracts or purchases goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify that the contractors have not been suspended, debarred or otherwise excluded. The District may accomplish this verification by collecting a written certification from the contractor, adding a clause or condition into the contract that states the contractor is not suspended or debarred, or checking for exclusion records in the U.S. General Services Administration's System for Award Management at SAM.gov. The District must perform this verification before entering into the contract or before charging costs to a federal award, and it must maintain documentation demonstrating compliance with this federal requirement.

Our audit found the District's controls were ineffective for ensuring that it verified all parties receiving \$25,000 or more in federal funds were not suspended or debarred. The District did not obtain a written certification, include a clause in the contract, or search for exclusion records in SAM.gov to verify that one contractor subject to this requirement was not suspended or debarred before entering into the contract or before charging costs to the federal award. The District paid this contractor \$40,085 in fiscal year 2022.

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

The issue was not reported as a finding in the prior audit.

Cause of Condition

Initially, the District did not intend to pay the contractor with federal funds. As a result, District staff did not complete the proper contract request form, which requires verification of the contractor's suspension and debarment status.

Effect of Condition

Without adequate internal controls, the District cannot ensure the contractors paid with federal funds are eligible to participate in federal programs. Any program funds the District used to pay contractors that have been suspended or debarred would be unallowable, and the grantor could potentially recover them.

After entering into the contract and making the first payment, the District verified that the contractor was not suspended, debarred or excluded from doing business with the federal government, so we are not questioning these costs.

Recommendation

We recommend the District strengthen internal controls to ensure that all contractors paid \$25,000 or more, all or in part with federal funds, are not suspended or debarred before entering into contracts with them or charging their costs to federal programs.

District's Response

Wenatchee School District agrees with the Office of Washington State Auditor's recommendation.

During the audit, the district immediately implemented a corrective action plan to ensure compliance with federal suspension and debarment requirements.

The district previously had two processes for contracts, one for state/local funds and one for federal. The district's process has been updated, and now regardless of funding, suspension and debarment requirements have been added. The district now reviews all contracts for suspension and debarment compliance.

Auditor's Remarks

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

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

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

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

Title 2 CFR Part 180, OMB *Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)*, establishes nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

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*

Wenatchee School District No. 246 September 1, 2021 through August 31, 2022

Board of Directors
Wenatchee School District No. 246
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 Wenatchee School District No. 246, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated July 28, 2023.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

July 28, 2023

INDEPENDENT AUDITOR'S REPORT

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

Wenatchee School District No. 246 September 1, 2021 through August 31, 2022

Board of Directors
Wenatchee School District No. 246
Wenatchee, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Adverse and Unmodified Opinions

We have audited the compliance of Wenatchee School District No. 246, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2022. The District's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Adverse Opinion on 32.009 – COVID 19 - Emergency Connectivity Fund Program

In our opinion, because of the significance of the matter described in the Basis for Adverse and Unmodified Opinions section of our report, the District did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 32.009 – COVID-19 – Emergency Connectivity Fund Program for the year ended August 31, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the accompanying Schedule of Findings and Questioned Costs for the year ended August 31, 2022.

Basis for Adverse and Unmodified Opinions

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Matter Giving Rise to Adverse Opinion on 32.009 – COVID 19 - Emergency Connectivity Fund Program

As described in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding 32.009 – COVID-19 – Emergency Connectivity Fund Program as described in finding number 2022-001 for activities allowed, allowable costs, procurement and the restricted purposes special test requirements. Compliance with such requirements is necessary, in our opinion for the District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion,

forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures also disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

District's Response to Findings

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2022-001 and 2022-002 that we consider to be material weaknesses.

District's Response to Findings

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other

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

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style with a large initial "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

July 28, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Wenatchee School District No. 246 September 1, 2021 through August 31, 2022

Board of Directors
Wenatchee School District No. 246
Wenatchee, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of Wenatchee School District No. 246, as of and for the year ended August 31, 2022, and the related notes to the financial statements as listed in the financial section of our report.

Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of Wenatchee School District No. 246, as of the year ended August 31, 2022, and the regulatory basis of changes in financial position thereof for the year then ended, on the basis of accounting as described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Wenatchee School District No. 246, as of August 31, 2022, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

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

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

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2022, the District adopted new accounting guidance for financial reporting for leases as required by the Accounting Manual. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Long-Term Liabilities is also presented for

purposes of additional analysis, as required by the prescribed Accounting Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

July 28, 2023

FINANCIAL SECTION

Wenatchee School District No. 246 September 1, 2021 through August 31, 2022

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2022

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental
Funds – 2022

Notes to the Financial Statements – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Long-Term Liabilities – 2022

Schedule of Expenditures of Federal Awards – 2022

Notes to the Schedule of Expenditures of Federal Awards – 2022

Balance Sheet - Governmental Funds

August 31, 2022

| | General Fund | ASB Fund | Debt Service Fund | Capital Projects Fund | Transportation Vehicle Fund | Permanent Fund | Total |
|--|----------------------|-------------------|---------------------|-----------------------|-----------------------------|----------------|----------------------|
| Assets | | | | | | | |
| Cash and Cash Equivalents | 1,789,020.94 | 13,704.82 | 0.00 | 0.00 | 0.00 | 0.00 | 1,802,725.76 |
| Minus Warrants Outstanding | -1,620,622.08 | -16,447.30 | 0.00 | 0.00 | 0.00 | 0.00 | -1,637,069.38 |
| Taxes Receivable | 5,471,678.44 | | 2,778,847.05 | 0.00 | 0.00 | | 8,250,525.49 |
| Due From Other Funds | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Due From Other Governmental Units | 5,605,743.88 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 5,605,743.88 |
| Accounts Receivable | 308,074.82 | 6,044.63 | 0.00 | 0.00 | 0.00 | 0.00 | 314,119.45 |
| Interfund Loans Receivable | 0.00 | | | 0.00 | | | 0.00 |
| Accrued Interest Receivable | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Inventory | 52,596.70 | 0.00 | | 0.00 | | | 52,596.70 |
| Prepaid Items | 10,689.62 | 0.00 | | | 0.00 | 0.00 | 10,689.62 |
| Investments | 16,409,669.30 | 768,123.33 | 2,987,845.38 | 1,643,547.46 | 874,266.46 | 0.00 | 22,683,451.93 |
| Investments/Cash With Trustee | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Investments-Deferred Compensation | 0.00 | | | 0.00 | | | 0.00 |
| Self-Insurance Security Deposit | 0.00 | | | | | | 0.00 |
| TOTAL ASSETS | 28,026,851.62 | 771,425.48 | 5,766,692.43 | 1,643,547.46 | 874,266.46 | 0.00 | 37,082,783.45 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | | | | | |
| Deferred Outflows of Resources - Other | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | 28,026,851.62 | 771,425.48 | 5,766,692.43 | 1,643,547.46 | 874,266.46 | 0.00 | 37,082,783.45 |
| LIABILITIES | | | | | | | |
| Accounts Payable | 1,793,437.94 | 53,366.95 | 0.00 | 182,620.18 | 0.00 | 0.00 | 2,029,425.07 |
| Contracts Payable Current | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accrued Interest Payable | | | 0.00 | | | | 0.00 |

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

Balance Sheet - Governmental Funds

August 31, 2022

| | General Fund | ASB Fund | Debt Service Fund | Capital Projects Fund | Transportation Vehicle Fund | Permanent Fund | Total |
|--|---------------------|------------------|---------------------|-----------------------|-----------------------------|----------------|---------------------|
| Accrued Salaries | 1,067,768.16 | 0.00 | | 0.00 | | | 1,067,768.16 |
| Anticipation Notes Payable | 0.00 | | 0.00 | 0.00 | 0.00 | | 0.00 |
| LIABILITIES: | | | | | | | |
| Payroll Deductions and Taxes Payable | 260,019.43 | 0.00 | | 0.00 | | | 260,019.43 |
| Due To Other Governmental Units | 6,012.70 | 1,223.75 | | 0.00 | 0.00 | 0.00 | 7,236.45 |
| Deferred Compensation Payable | 0.00 | | | 0.00 | | | 0.00 |
| Estimated Employee Benefits Payable | 0.00 | | | | | | 0.00 |
| Due To Other Funds | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Interfund Loans Payable | 0.00 | | 0.00 | 0.00 | 0.00 | | 0.00 |
| Deposits | 0.00 | 0.00 | | 0.00 | | | 0.00 |
| Unearned Revenue | 19,949.96 | 0.00 | 0.00 | 0.00 | 0.00 | | 19,949.96 |
| Matured Bonds Payable | | | 0.00 | | | | 0.00 |
| Matured Bond Interest Payable | | | 0.00 | | | | 0.00 |
| Arbitrage Rebate Payable | 0.00 | | 0.00 | 0.00 | 0.00 | | 0.00 |
| TOTAL LIABILITIES | 3,147,188.19 | 54,590.70 | 0.00 | 182,620.18 | 0.00 | 0.00 | 3,384,399.07 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable Revenue | 296,035.81 | 70,345.16 | 0.00 | 0.00 | 0.00 | 0.00 | 366,380.97 |
| Unavailable Revenue - Taxes Receivable | 5,471,678.44 | | 2,778,847.05 | 0.00 | 0.00 | | 8,250,525.49 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 5,767,714.25 | 70,345.16 | 2,778,847.05 | 0.00 | 0.00 | 0.00 | 8,616,906.46 |
| FUND BALANCE: | | | | | | | |
| Nonspendable Fund Balance | 63,286.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 63,286.00 |
| Restricted Fund Balance | 2,054,222.00 | 646,489.62 | 2,987,845.38 | 424,975.00 | 874,266.46 | 0.00 | 6,987,798.46 |
| Committed Fund Balance | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Assigned Fund Balance | 462,051.00 | 0.00 | 0.00 | 1,035,952.28 | 0.00 | 0.00 | 1,498,003.28 |

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

Wenatchee School District No. 246

Balance Sheet - Governmental Funds

August 31, 2022

| | General Fund | ASB Fund | Debt Service Fund | Capital Projects Fund | Transportation Vehicle Fund | Permanent Fund | Total |
|--|-----------------|-------------|-------------------------|-----------------------------|-----------------------------------|-------------------|---------------|
| Unassigned Fund Balance | 16,532,390.18 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 16,532,390.18 |
| TOTAL FUND BALANCE | 19,111,949.18 | 646,489.62 | 2,987,845.38 | 1,460,927.28 | 874,266.46 | 0.00 | 25,081,477.92 |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE | 28,026,851.62 | 771,425.48 | 5,766,692.43 | 1,643,547.46 | 874,266.46 | 0.00 | 37,082,783.45 |

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

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

For the Year Ended August 31, 2022

| | General Fund | ASB Fund | Debt Service Fund | Capital Projects Fund | Transportation Vehicle Fund | Permanent Fund | Total |
|------------------------------|-----------------------|-------------------|---------------------|-----------------------|-----------------------------|----------------|-----------------------|
| REVENUES: | | | | | | | |
| Local | 13,002,605.09 | 653,778.35 | 6,023,182.82 | 11,184.38 | 3,415.09 | | 19,694,165.73 |
| State | 90,283,045.38 | | 0.00 | 393,857.19 | 263,543.52 | | 90,940,446.09 |
| Federal | 23,922,079.12 | | 0.00 | 0.00 | 0.00 | | 23,922,079.12 |
| Other | 87,419.48 | | | 0.00 | 0.00 | 0.00 | 87,419.48 |
| TOTAL REVENUES | 127,295,149.07 | 653,778.35 | 6,023,182.82 | 405,041.57 | 266,958.61 | 0.00 | 134,644,110.42 |
| EXPENDITURES: | | | | | | | |
| CURRENT: | | | | | | | |
| Regular Instruction | 57,339,802.78 | | | | | | 57,339,802.78 |
| Special Education | 13,965,324.85 | | | | | | 13,965,324.85 |
| Vocational Education | 6,231,949.12 | | | | | | 6,231,949.12 |
| Skill Center | 1,899,879.77 | | | | | | 1,899,879.77 |
| Compensatory Programs | 13,438,575.73 | | | | | | 13,438,575.73 |
| Other Instructional Programs | 1,316,449.57 | | | | | | 1,316,449.57 |
| Federal Stimulus COVID-19 | 9,582,539.14 | | | | | | 9,582,539.14 |
| Community Services | 15,887.60 | | | | | | 15,887.60 |
| Support Services | 18,766,587.29 | | | | | | 18,766,587.29 |
| Student Activities/Other | | 646,763.66 | | | | 0.00 | 646,763.66 |
| CAPITAL OUTLAY: | | | | | | | |
| Sites | | | | 0.00 | | | 0.00 |
| Building | | | | 865,157.14 | | | 865,157.14 |
| Equipment | | | | 0.00 | | | 0.00 |
| Instructional Technology | | | | 0.00 | | | 0.00 |
| Energy | | | | 0.00 | | | 0.00 |
| Transportation Equipment | | | | | 0.00 | | 0.00 |
| Sales and Lease | | | | 0.00 | | | 0.00 |
| Other | 633,525.82 | | | | | | 633,525.82 |
| DEBT SERVICE: | | | | | | | |
| Principal | 157,326.93 | | 3,000,000.00 | 0.00 | 0.00 | | 3,157,326.93 |

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

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

For the Year Ended August 31, 2022

| | General Fund | ASB Fund | Debt Service Fund | Capital Projects Fund | Transportation Vehicle Fund | Permanent Fund | Total |
|--|-----------------------|-------------------|-------------------------|-----------------------------|-----------------------------------|-------------------|-----------------------|
| Interest and Other Charges | 4,707.76 | | 2,892,076.65 | 0.00 | 0.00 | | 2,896,784.41 |
| Bond/Levy Issuance | | | | 0.00 | 0.00 | | 0.00 |
| TOTAL EXPENDITURES | 123,352,556.36 | 646,763.66 | 5,892,076.65 | 865,157.14 | 0.00 | 0.00 | 130,756,553.81 |
| REVENUES OVER (UNDER) EXPENDITURES | 3,942,592.71 | 7,014.69 | 131,106.17 | -460,115.57 | 266,958.61 | 0.00 | 3,887,556.61 |
| OTHER FINANCING SOURCES (USES) : | | | | | | | |
| Bond Sales & Refunding Bond Sales | 0.00 | | 0.00 | 0.00 | 0.00 | | 0.00 |
| Long-Term Financing | 290,838.01 | | | 0.00 | 0.00 | | 290,838.01 |
| Transfers In | 0.00 | | 0.00 | 0.00 | 0.00 | | 0.00 |
| Transfers Out (GL 536) | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Financing Uses (GL 535) | 0.00 | | 0.00 | 0.00 | 0.00 | | 0.00 |
| Other | 0.00 | | 0.00 | 0.00 | 2,352.00 | | 2,352.00 |
| TOTAL OTHER FINANCING SOURCES (USES) | 290,838.01 | | 0.00 | 0.00 | 2,352.00 | 0.00 | 293,190.01 |
| EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 4,233,430.72 | 7,014.69 | 131,106.17 | -460,115.57 | 269,310.61 | 0.00 | 4,180,746.62 |
| BEGINNING TOTAL FUND BALANCE | 14,878,518.46 | 639,474.93 | 2,856,739.21 | 1,921,042.85 | 604,955.85 | 0.00 | 20,900,731.30 |
| Prior Year(s) Corrections or Restatements | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| ENDING TOTAL FUND BALANCE | 19,111,949.18 | 646,489.62 | 2,987,845.38 | 1,460,927.28 | 874,266.46 | 0.00 | 25,081,477.92 |

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

Wenatchee School District
Notes to the Financial Statements
September 1, 2021 Through August 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fund Accounting

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

Governmental Funds

General Fund

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

Capital Projects Funds

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

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

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

Debt Service Fund

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

Special Revenue Fund

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the amount of the transaction can be readily determined. Revenues are considered "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end. Categorical program claims and interdistrict billings are measurable and available and are accrued. Property taxes not collected by the fiscal year end are measurable and recorded as a receivable, however the receivable is not considered available of revenue and is recorded as a deferred inflow of resources.

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

Budgets

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

Budgets are adopted on the same modified accrual basis as used for financial reporting. Fund balance is budgeted as available resources and, under statute, may not be negative,

unless the District enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

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

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

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

The government's fund balance classifications policies and procedures.

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

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

Restricted Fund Balance. Amounts that are reported as Restricted are those resources of the District that have had a legal restriction placed on their use either from statute, WAC, or other legal requirements that are beyond the control of the board of directors. Restricted fund balance includes anticipated recovery of revenues that have been received but are restricted as to their usage.

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

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

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

The Superintendent and Executive Director of Business and Finance are the only persons who have the authority to create Assignments of fund balance.

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

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

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

Cash and Cash Equivalents

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

Inventory

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

Leases

For the year ended August 31, 2022, the District implemented guidance for the presentation and disclosures of leases, as required by the School District Accounting Manual. These changes were in response to the provisions of GASB Statement No. 87.

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

- Lease receivables and Deferred Inflows for leases where the District is a lessor are presented on the Balance Sheet.
- Beginning balances for lease liabilities presented on the Schedule of Long-Term Liabilities have been restated to reflect implementation of these requirements.

Information regarding the District's leases are presented in the Leases note, as applicable.

NOTE 2: DEPOSITS AND INVESTMENTS

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

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

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

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

The district's participation in the Chelan County Investment is voluntary and the pool does not have a credit rating. The district reports its investment in the pool at the fair value amount, which is [not] the same as the value of the pool per share. The fair value of the district's investment in the pool is measured using a net asset value (NAV) as determined by the pool. The pool maintains a weighted average maturity of 19 days.

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

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

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

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

| Type of Investment | District's own investments | Investments held by district as an agent for other organizations | Total |
|------------------------------------|----------------------------|--|--------------|
| State Treasurer's Investment Pool | \$22,683,452 | | \$22,683,452 |
| County Treasurer's Investment Pool | | | |
| Other: | | | |
| | | | |
| Total | \$22,683,452 | | \$22,683,452 |

The District is a participant in the Washington State 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 LGIP is an unrated external investment pool. Investments in the Pool are reported at amortized cost, which approximates fair value. The Pool is invested in a 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 purposes, 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.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

NOTE 3: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

COVID-19 Pandemic

In February 2020, Governor Inslee declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures include 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 and continuing through the 2020-21 school year. The school district, however, continues to operate, educating students using continuous learning models.

Many of the precautionary measures put in place during the 2019-20 school year remain in effect; and are affecting the district for the 2022-23 school year in new ways.

The direct and indirect impacts of operations of the district are summarized below:

For 2020-21, the district started the school year in a remote learning environment and phased in a hybrid model as allowed. As a result, there was limited on-campus activity and some of the district's support staff temporarily had their hours reduced or were furloughed or laid off. A "Smart Restart" plan was followed to bring the lowest grade levels into the schools first, and phasing in new grade levels as permitted for in-person learning. A new online school was created (Wenatchee Internet Academy) for students to continue distance learning during this time if they so choose.

For 2021-22, the district started the school year with in-person instruction, following Department of Health K-12 guidelines. For those students who wanted to continue with distance learning, the Wenatchee Internet Academy is still available as an option. The district is dealing with several challenges, including reduced workforce, increased staff absences, lack of substitute staff, COVID testing, disruption of the learning environment due to quarantines, increased product costs, and vendor supply chain issues for technology, food service and maintenance & operations. The district received funds for COVID testers and contact tracing, as well as test kits (commodities) from the Department of Health. The Fair Market Value of the commodities is \$88,420.

For 2022-23, the district started the school year with in-person instruction. For distance learning, the Wenatchee Internet Academy is an option for grades K-8. For grades 9-12, students can utilize online learning at Wenatchee or Westside High Schools. The district is still dealing with workforce, increased product costs and supply chain challenges, as well as decreasing enrollment. The district is currently evaluating budget reductions in the areas of staffing and programming for 2023-24.

The length of time these impacts will continue, and the full extent of the financial impact on the school district is unknown at this time.

NOTE 4: PENSION PLANS

General Information

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

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

The Collective Net Pension Liability (Asset)

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

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

Detailed information about the pension plans' fiduciary net position is available in the separately issued DRS CAFR report. 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 [Annual Financial Reports](#) or <http://www.drs.wa.gov/administrations/annual-report>.

Membership Participation

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

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

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

Membership & Plan Benefits

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

TRS Plan Information

TRS was established in 1938, and its retirement provisions are contained in RCW Chapters 41.34 and 41.32. TRS is a cost-sharing multiple-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 multi-employer retirement system comprised of two separate plans for membership purposes. SERS Plan 2 is a defined benefit plan and SERS Plan 3 is a defined benefit plan with a defined contribution component. SERS members include classified employees of school districts and educational service districts.

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

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

age 65 is considered an early retirement. SERS members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

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

Plan Contributions

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

The employer and employee contribution rates for all plans were effective as of September 1, 2021. PERS contribution rates changed on July 1, 2021. Contribution rates for TRS and SERS plans changed on September 1, 2021. The pension plan contribution rates (expressed as a percentage of covered payroll) for fiscal year 2022 are listed below:

| | From this date | Through this date | Member rate | Employer rate | |
|---|----------------|-------------------|-------------|---------------|----|
| PERS 1 | 7/1/2021 | 8/31/2022 | 6.00% | 10.25% | |
| TRS 1 | 9/1/2021 | 8/31/2022 | 6.00% | 14.42% | |
| TRS 2 | 9/1/2021 | 8/31/2022 | 8.05% | 14.42% | |
| TRS 3 | 9/1/2021 | 8/31/2022 | * | 14.42% | ** |
| SERS 2 | 9/1/2021 | 8/31/2022 | 7.76% | 11.65% | |
| SERS 3 | 9/1/2021 | 8/31/2022 | * | 11.65% | ** |
| <i>Note: The Employer rates include .0018 DRS administrative expense.</i> | | | | | |

| | From this date | Through this date | Member rate | Employer rate | |
|--|----------------|-------------------|-------------|---------------|--|
| * – TRS and SERS Plan 3 Employee Contribution Variable from 5% to 15% based on rate selected by the employee member. | | | | | |
| ** – TRS and SERS Plan 2/3 Employer Contributions for defined benefit portion only. | | | | | |

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

At June 30, 2022, the school district reported a total liability of \$15,326,129 for its proportionate shares of the individual plans' collective net pension liability and \$2,802,859 for its proportionate shares of net pension assets. Proportion of net pension amounts are based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2022, the district's proportionate share of each plan's net pension liability or asset is reported below:

| June 30, 2022 | PERS 1 | SERS 2/3 | TRS 1 | TRS 2/3 |
|--|-----------|-------------|------------|-------------|
| District's Annual Contributions | 628,797 | 1,259,828 | 3,364,467 | 4,195,097 |
| Proportionate Share of the Net Pension Liability (Asset) | 2,856,759 | (1,512,185) | 12,469,370 | (1,290,675) |

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

| Allocation percentages | PERS 1 | SERS 2/3 | TRS 1 | TRS 2/3 |
|--|-----------|------------|------------|------------|
| Current year proportionate share of the Net Pension Liability or Asset | 0.102600% | 0.562883% | 0.655651% | 0.655877% |
| Prior year proportionate share of the Net Pension Liability | 0.094653% | 0.568020% | 0.675124% | 0.678900% |
| Net difference percentage | 0.007947% | -0.005137% | -0.019473% | -0.023023% |

Actuarial Assumptions

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

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

Mortality Rates

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

Long-term Expected Rate of Return

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

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

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

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

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 7.00% on pension plan investments was applied to determine the total pension liability.

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

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

| Sensitivity of the Net Pension Liability or Asset to Changes in the Discount Rate | | | |
|--|------------------------|----------------------------------|---------------------|
| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
| PERS 1 | \$3,719,876,000 | \$2,784,367,000 | \$1,967,887,000 |
| Allocation Percentage | 0.102600% | 0.102600% | 0.102600% |
| Proportionate Share | \$3,816,591 | \$2,856,759 | \$2,019,051 |
| SERS 2/3 | \$929,172,000 | (\$268,650,000) | (\$1,255,926,000) |
| Allocation Percentage | 0.562883% | 0.562883% | 0.562883% |
| Proportionate Share | \$5,230,149 | (\$1,512,185) | (\$7,069,391) |
| TRS 1 | \$2,582,448,000 | \$1,901,830,000 | \$1,306,883,000 |
| Allocation Percentage | 0.655651% | 0.655651% | 0.655651% |
| Proportionate Share | \$16,931,850 | \$12,469,370 | \$8,568,593 |
| TRS 2/3 | \$3,565,129,000 | (\$196,786,000) | (\$3,255,167,000) |

| Sensitivity of the Net Pension Liability or Asset to Changes in the Discount Rate | | | |
|--|------------------------|----------------------------------|---------------------|
| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
| Allocation Percentage | 0.655877% | 0.655877% | 0.655877% |
| Proportionate Share | \$23,382,874 | (\$1,290,675) | (\$21,349,903) |

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

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

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

Employers participating in the PEBB plan include the state of Washington (which includes general government agencies and higher education institutions), political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of K-12 school districts and ESDs. The District's retirees (approximately 514) are eligible to participate in the PEBB plan under this arrangement.

Eligibility

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

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

Medical Benefits

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

| Members not eligible for Medicare (or enrolled in Part A only) | | | |
|---|-------------------------|----------------------------------|--------------------|
| Descriptions | Type of Coverage | | |
| | Employee | Employee & Spouse | Full Family |
| Kaiser Permanente NW Classic | \$768.23 | \$1,531.47 | \$2,103.90 |
| Kaiser Permanente NW CDHP | \$643.88 | \$1,277.21 | \$1,708.47 |
| Kaiser Permanente WA Classic | \$813.24 | \$1,621.48 | \$2,227.66 |
| Kaiser Permanente WA CDHP | \$641.39 | \$1,272.99 | \$1,702.94 |
| Kaiser Permanente WA Sound Choice | \$659.19 | \$1,313.37 | \$1,804.01 |
| Kaiser Permanente WA Value | \$721.89 | \$1,438.79 | \$1,976.46 |
| UMP Classic | \$718.68 | \$1,432.35 | \$1,967.61 |
| UMP Select | \$647.73 | \$1,290.45 | \$1,772.50 |
| UMP CDHP | \$638.69 | \$1,270.29 | \$1,700.24 |
| UMP Plus-Puget Sound High Value Network | \$687.13 | \$1,369.26 | \$1,880.86 |
| UMP Plus-UW Medicine Accountable Care Network | \$687.13 | \$1,369.26 | \$1,880.86 |

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

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

Funding Policy

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

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

determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

For the fiscal year 2021-22, the Wenatchee School District paid \$13,405,807 in total to HCA-SEBB.

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

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

NOTE 6: LEASES

The district is committed under various leases for copying and mailing equipment and property. The leasing arrangements are as follows:

Ricoh Corporation: A 60-month lease beginning September 2016 effective until September 2021. Lease provides copying equipment in the form of 2 machines located in the Maintenance & Operations facility. Lease provides for equipment repairs, adjustments, monthly meter reads and staff training on equipment operations. A fixed base cost of \$4,747.92 per year, plus sales tax is charged, and a variable cost per copy ranging from .0082 - .04 for black and .05 - .06 for color plus sales tax is charged. Annual interest rate is 2.17%.

Northwest Mailing, Inc: A 60-month lease beginning June 2019 effective until June 2024. Lease provides mail equipment at 2 school district facilities: the District Office and Wenatchee High School. Lease provides for maintenance, rate change protection, meter resets, training and installation. An annual charge of \$5,828.88 plus sales tax is charged, which is billed quarterly. Annual interest rate is 2.12%.

Ricoh Corporation: A 60-month lease beginning January 2019 effective until January 2024. Lease provides copying equipment in the form of 11 machines located in school buildings. Lease provides for equipment repairs, adjustments, supplies, monthly meter reads and staff training on equipment operations. A fixed base cost of \$20,293.68 per year, plus sales tax is charged, and a cost per copy of .0078 for black and .050 for color plus sales tax is charged. Annual interest rate is 2.17%.

Ricoh Corporation: A 60-month lease beginning March 2020 effective until February 2025. Lease was amended in May 2020 to modify some equipment. Lease provides copying equipment in the form of 28 machines located in school district facilities. Lease provides for equipment repairs, adjustments, supplies, monthly meter reads and staff training on equipment operations. A fixed base cost of \$97,240.20 per year, plus sales tax is charged, and a variable cost per copy ranging from .0035 - .0095 for black and .050 - .062 for color plus sales tax is charged. Annual interest rate is 2.17%.

WRAC (Wenatchee Racquet and Athletic Club): A 10-year lease beginning September 1, 2021, effective until August 31, 2031. There is an option to terminate with 2 years written notice after 5 years. Lease provides use of tennis courts for middle schools and high schools. An annual cost of \$25,000 plus sales tax is charged, with an annual increase by Implicit Price Deflator (IPD). Annual interest rate is 1.94%.

As of August 31, 2022, the principal and interest requirements to maturity are as follows:

| Year ended August 31 | Principal | Interest | Total |
|----------------------|----------------------|--------------------|----------------------|
| 2023 | \$ 148,072.16 | \$ 4,844.41 | \$ 150,706.58 |
| 2024 | \$ 135,680.34 | \$ 2,275.32 | \$ 137,955.66 |
| 2025 | \$ 76,712.50 | \$ 306.10 | \$ 77,018.60 |
| 2026 | \$ 28,920.57 | \$ | \$ 28,920.57 |
| 2027 | \$ 29,498.98 | \$ | \$ 29,498.98 |
| 2028-2031 | \$ 124,014.91 | \$ | \$ 124,014.91 |
| Total | \$ 540,689.47 | \$ 7,425.83 | \$ 548,115.30 |

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

The District leases space for a cell tower. A brief description of leasing arrangements are as follows:

A cell tower, located in the parking lot of Westside High School is leased to SBA Communications. The lease was entered on October 25, 2016, through October 25, 2030, then renewable in 5-year successive terms. Monthly payment of \$760 is received by the district, with a monthly interest revenue rate of .162%

Lease income for the fiscal year ended August 31, 2022 is detailed below:

| | Lease Income | Additional Income |
|---------------------------|--------------------|-------------------|
| Cell Tower Lease | \$ 6,678.66 | |
| Total Lease Income | \$ 6,678.66 | |

NOTE 7: OTHER SIGNIFICANT COMMITMENTS

ENCUMBRANCES

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. The following encumbrance amounts were re-encumbered by fund on September 1, 2022:

| Fund | Amount |
|-----------------------|------------|
| General Fund | \$ 556,077 |
| ASB Fund | \$ 10,753 |
| Capital Projects Fund | \$ 22,912 |

NOTE 8: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The district's capital assets are insured in the amount of \$334,907,701 for fiscal year 2022. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

NOTE 9: LONG TERM DEBT

The accompanying Schedule of Long-Term Liabilities provides more details of the outstanding debt and liabilities of the district and summarizes the district's debt transactions for year ended August 31, 2022.

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

| Governmental activities | Balance at Sept. 1, 2021 | Increases | Decreases | Balance at Aug. 31, 2022 | Due within One Year |
|--|-----------------------------|-----------|-------------|--------------------------------|------------------------|
| General Obligation Bonds | \$61,885,000 | | \$3,000,000 | \$58,885,000 | \$3,265,000 |
| Notes from Direct Borrowing and Direct Placement | | | | | |
| Total | \$61,885,000 | | \$3,000,000 | \$58,885,000 | \$3,265,000 |

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

| Issue Name | Amount Authorized | Annual Installments | Final Maturity | Interest Rate(s) | Amount Outstanding |
|-----------------------------|----------------------|----------------------------|-------------------|---------------------|-----------------------|
| General Obligation Bonds | | | | | |
| 2014 - UTGO | \$59,450,000 | \$55,000 to \$6,820,000 | 12/01/33 | 3.00% - 5.00% | \$58,885,000 |
| | | | | | |
| Total | \$59,450,000 | \$55,000 to \$6,820,000 | 12/01/33 | 3.00% - 5.00% | \$58,885,000 |

Debt service requirements on long-term debt as of August 31, 2022 are as follows:

| Years Ending August 31 | Principal | Coupon | Interest | Total |
|------------------------|-----------------|--------------|-----------------|------------------|
| 2014 UTGO Bond Issue | | | | |
| | | | | |
| 2022 | \$ 3,265,000.00 | 5.00% | \$ 2,737,787.50 | \$ 6,002,787.50 |
| 2023 | \$ 3,550,000.00 | 5.00% | \$ 2,567,412.50 | \$ 6,117,412.50 |
| 2024 | \$ 3,850,000.00 | 5.00% | \$ 2,382,412.50 | \$ 6,232,412.50 |
| 2025 | \$ 4,170,000.00 | 4.00% | \$ 2,202,762.50 | \$ 6,372,762.50 |
| 2026 | \$ 4,465,000.00 | 4.25% | \$ 2,024,481.25 | \$ 6,489,481.25 |
| 2027-2031 | \$27,715,000.00 | 4.50 - 5.00% | \$ 6,577,350.00 | \$34,292,350.00 |
| 2032-2033 | \$11,870,000 | 5.00% | \$ 549,250.00 | \$12,419,250.00 |
| Total: | \$58,885,000.00 | | \$19,041,456.25 | \$77,926,456.25 |
| | | | | |
| Grand Total: | \$58,885,000.00 | | \$19,041,456.25 | \$ 77,926,456.25 |

At August 31, 2022 the district had \$2,987,845.38 available in the Debt Service Fund to service the general obligation bonds.

INSTALLMENT PURCHASES

Wenatchee School District has one installment purchase:

Apple Financial Services: A 36-month lease beginning May 10, 2019 effective until May 10, 2022. Lease provides 410 Apple iPads and accessories for student use, paid from the districts' General Fund. A fixed cost of approximately \$48,638.93 per year is charged, which includes Yield of 3.771% per annum.

| Lessor | Amount | Annual Installment | Final Installment Date | Yield | Balance |
|----------------------------|--------------|--------------------|------------------------|--------|---------|
| Lease-Purchase Commitments | | | | | |
| | | | | | |
| Apple Financial Services | \$197,198.03 | \$48,638.93 | 05/10/2022 | 3.771% | \$0 |
| | | | | | |

NOTE 10: ENTITY RISK MANAGEMENT ACTIVITIES

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

PROPERTY AND LIABILITY INSURANCE

Wenatchee School District is a member of Schools Insurance Association of Washington (SIAW). 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 contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1995, when 7 mid-sized school districts in the State of Washington joined together by signing an Interlocal Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Membership as of August 31, 2022 includes 36 school districts.

The program allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Wrongful 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, Earthquake, General Liability, Automotive Liability, Equipment Breakdown, Crime, and Wrongful Acts Liability.

The program acquires Liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$350,000. Members are responsible for a standard deductible of \$5,000 for each claim (some member deductibles vary), while the program is responsible for the \$350,000 SIR. Insurance carriers cover insured losses over \$355,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$350,000 SIR. The program also purchases a Stop Loss Policy with an attachment point of \$8,170,808, which is fully funded in its annual budget.

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

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

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

The program is fully funded by its member participants. Claims are filed by members with Clear Risk Solutions, which has been contracted to perform program administration, claims adjustment and administration and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ended August 31, 2022 were \$3,244,410.

A board of directors consisting of eight members is selected by the membership from the east and west side of the state and is responsible for conducting the business affairs of the program. The board of directors has contracted with Clear Risk Solutions to perform day-to-day administration of the program. This program has no employees.

WORKERS COMPENSATION AND UNEMPLOYMENT

Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint self-insuring to the same extent that they may individually self-insure. Separate agreements to form a workers' compensation pool and unemployment pool were made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The North Central Washington Workers' Compensation Pool was formed on January 1, 1984, when school districts and North Central Educational Service District (NCESD) in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses. The North Central Unemployment Compensation Risk-Sharing Insurance Pool was created September 1, 2015, when school districts and NCESD in the State of Washington joined together by signing an Agreement to pool their self-insured losses. 29 school districts and NCESD have joined the workers' compensation pool, while 26 school districts and NCESD have joined the unemployment pool.

These pools are operated for the Wenatchee School District's benefit in lieu of the district having to make monthly premium payments to the state of Washington for industrial insurance and unemployment. Membership automatically renews each year. Even after termination, members are still responsible for contributions for unresolved claims occurring during a period when the district was a member of the pools.

The pools are governed by a board of directors, which is comprised of one designated representative from each participating member. An executive committee is elected for conducting the business affairs of each pool.

Each member's contribution to the pools are determined by an annual actuarial study. In fiscal year ending August 31, 2021, Wenatchee School District made payments totaling \$967,751.51 to the industrial insurance pool and \$188,589.50 to the unemployment insurance pool.

NOTE 11: PROPERTY TAXES

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

NOTE 12: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The District is a member of the King County Directors' Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The District joined the association on February 28, 1977; and has remained in the joint venture ever since. The District's current equity of \$91,852.26 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or fifteen annual payments.

NOTE 13: FUND BALANCE CLASSIFICATION DETAILS

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

| | General Fund | ASB Fund | Capital Projects Fund | Debt Service Fund | Transportation Vehicle Fund |
|--------------------------------------|--------------|-----------|-----------------------|-------------------|-----------------------------|
| Nonspendable Fund Balance | | | | | |
| Inventory and Prepaid Items | \$63,286 | | | | |
| Restricted Fund Balance | | | | | |
| For Fund Purpose | | \$646,490 | | | \$874,266 |
| For Carryover of Restricted Revenues | \$597,223 | | | | |
| For Skill Centers | \$1,456,999 | | | | |
| For Debt Service | | | | \$2,987,845 | |
| Restricted from State Proceeds | | | \$424,975 | | |
| Restricted from Federal Proceeds | | | | | |
| Restricted from Other Proceeds | | | | | |
| Committed Fund Balance | | | | | |
| For Economic Stabilization | | | | | |
| Other Commitments | | | | | |
| Assigned Fund Balance | | | | | |
| Contingencies | | | | | |
| Other Capital Projects | | | | | |
| Other Purposes | \$462,051 | | | | |
| Fund Purposes | | | \$1,035,952 | | |
| Unassigned Fund Balance | \$16,532,390 | | | | |

The Board of Directors has established a Minimum Fund Balance Policy # 6022 for the general fund to provide for financial stability and contingencies within the District. The policy is that the District shall maintain 5% of general fund expenditures. Portions of fund balance

that are set aside for the purpose of meeting this policy are recorded on the financial statements as part of Unassigned Fund Balance.

NOTE 14: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS

457 PLAN – DEFERRED COMPENSATION PLAN

District employees have the option of participating in a deferred compensation plan as defined in Section 457 of the Internal Revenue Code that is administered by the state deferred compensation plan. The District does not make employer contributions to the plan.

403(B) PLAN – TAX SHELTERED ANNUITY (TSA)

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under the elective deferrals employee contribution process.

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

NOTE 15: TERMINATION BENEFITS

COMPENSATED ABSENCES

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

Under the provisions of RCW 28A.400.210, sick leave accumulated by District employees is reimbursed at death or retirement at the rate of 1 day for each 4 days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buy out of an amount up to the maximum annual accumulation of 12 days. For buyout purposes, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

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

Vacation pay, including benefits, that are expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the governmental fund that will pay it.

No unrecorded liability exists for other employee benefits.

NOTE 16: OTHER DISCLOSURES

SKILLS CENTER CORE CAMPUS

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

The WVTSC was created through an agreement of nine member districts. The Skills Center is governed by an Administrative Council, comprised of the superintendents, or their appointed representatives, of all member districts plus leaders from the business and industry who are representative of the established business enterprises in the member districts. The Skills Center administration is handled through a director, employed by the District.

As host district, the District has the following responsibilities:

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

Sources of Funding

The Skills Center is primarily funded by state apportionment, based on the number of students who attend the Skills Center. Other sources of income include federal grants from the Carl D. Perkins program and sale of goods and services.

Unspent Funds

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

The following school districts are members of the Skills Center: Cascade, Cashmere, Eastmont, Entiat, Lake Chelan, Manson, Pateros, Quincy and Waterville.

Wenatchee School District No. 246
Schedule of Long-Term Liabilities
For the Year Ended August 31, 2022

| Description | Beginning Outstanding Debt September 1, 2021 | Amount Issued / Increased | Amount Redeemed / Decreased | Ending Outstanding Debt August 31, 2022 | Amount Due Within One Year |
|--|---|------------------------------|-----------------------------------|---|-------------------------------|
| Voted Debt | | | | | |
| Voted Bonds | 61,885,000.00 | 0.00 | 3,000,000.00 | 58,885,000.00 | 3,265,000.00 |
| LOCAL Program Proceeds Issued in Lieu of Bonds | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Non-Voted Debt and Liabilities | | | | | |
| Non-Voted Bonds | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| LOCAL Program Proceeds | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Leases | 648,455.94 | 0.00 | 208,741.57 | 439,714.37 | 148,072.16 |
| Contracts Payable | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Claims & Judgements | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Compensated Absences | 2,176,730.42 | 0.00 | 197,582.70 | 1,979,147.72 | 1,444,649.04 |
| Long-Term Notes | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Anticipation Notes Payable | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Lines of Credit | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Non-Voted Debt | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Liabilities | | | | | |
| Non-Voted Notes Not Recorded as Debt | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Pension Liabilities: | | | | | |
| Net Pension Liabilities TRS 1 | 4,545,599.00 | 7,923,771.00 | 0.00 | 12,469,370.00 | |
| Net Pension Liabilities TRS 2/3 | 0.00 | 0.00 | 0.00 | 0.00 | |
| Net Pension Liabilities SERS 2/3 | 0.00 | 0.00 | 0.00 | 0.00 | |
| Net Pension Liabilities PERS 1 | 1,155,933.00 | 1,700,826.00 | 0.00 | 2,856,759.00 | |
| Total Long-Term Liabilities | 70,411,718.36 | 9,624,597.00 | 3,406,324.27 | 76,629,991.09 | 4,857,721.20 |

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

Wenatchee School District No. 246
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

| Federal Agency (Pass-Through Agency) | Federal Program | ALN Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note |
|--|--|---------------|---|---------------------------------|-----------------------|-----------|---------------------------------------|------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | | |
| Child Nutrition Cluster | | | | | | | | |
| FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI) | National School Lunch Program | 10.555 | 207WAWA3N10 99 | 3,473,890 | - | 3,473,890 | - | |
| | National School Lunch Program | 10.555 | 207WAWA3N10 99 | 267,315 | - | 267,315 | - | 4 |
| | | | Total ALN 10.555: | 3,741,205 | - | 3,741,205 | - | |
| FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI) | Summer Food Service Program for Children | 10.559 | 207WAWA3N10 99 | 39,879 | - | 39,879 | - | |
| | | | Total Child Nutrition Cluster: | 3,781,084 | - | 3,781,084 | - | |
| FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI) | Child and Adult Care Food Program | 10.558 | 207WAWA3N10 99 | 73,790 | - | 73,790 | - | |
| FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI) | COVID 19 - Pandemic EBT Administrative Costs | 10.649 | 04246 | 5,814 | - | 5,814 | - | |
| Forest Service Schools and Roads Cluster | | | | | | | | |
| FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI) | Schools and Roads - Grants to States | 10.665 | 04246 | 293,832 | - | 293,832 | - | |
| | | | Total Forest Service Schools and Roads Cluster: | 293,832 | - | 293,832 | - | |
| NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, COMMERCE, DEPARTMENT OF (via CASCADE COLUMBIA FISHERIES) | Marine Sanctuary Program | 11.429 | 04246 | 24,353 | - | 24,353 | - | |

The accompanying notes are an integral part of this schedule.

Wenatchee School District No. 246
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

| Federal Agency (Pass-Through Agency) | Federal Program | ALN Number | Expenditures | | | | Passed through to Subrecipients | Note |
|--|--|---------------|---------------------------------|---------------------------------|-----------------------|------------------|---------------------------------------|------|
| | | | Other Award Number | From Pass- Through Awards | From Direct Awards | Total | | |
| FEDERAL COMMUNICATIONS COMMISSION, FEDERAL COMMUNICATIONS COMMISSION | COVID 19 - Emergency Connectivity Fund Program | 32.009 | | - | 1,003,563 | 1,003,563 | - | |
| OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI) | Title I Grants to Local Educational Agencies | 84.010 | 0204031, 0270276, 0270324 | 2,771,929 | - | 2,771,929 | - | 5 |
| OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI) | Migrant Education State Grant Program | 84.011 | 0282598, 0291047 | 1,138,272 | - | 1,138,272 | - | |
| Special Education Cluster (IDEA) | | | | | | | | |
| OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI) | Special Education Grants to States | 84.027 | 0307412, 0338536 | 1,455,887 | - | 1,455,887 | - | |
| OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI) | COVID 19 - Special Education Grants to States | 84.027 | 0312085 | 300,288 | - | 300,288 | - | |
| | | | Total ALN 84.027: | 1,756,175 | - | 1,756,175 | - | |
| OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI) | Special Education Preschool Grants | 84.173 | 0366789, 0388011, 0388066 | 70,239 | - | 70,239 | - | |

The accompanying notes are an integral part of this schedule.

Wenatchee School District No. 246
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

| Federal Agency (Pass-Through Agency) | Federal Program | ALN Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note |
|--|---|---------------|---------------------------------|---------------------------------|-----------------------|-----------|---------------------------------------|------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | | |
| OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI) | COVID 19 - Special Education Preschool Grants | 84.173 | 0371076 | 20,191 | - | 20,191 | - | |
| | Total ALN 84.173: | | | 90,430 | - | 90,430 | - | |
| | Total Special Education Cluster (IDEA): | | | 1,846,605 | - | 1,846,605 | - | |
| | | | | | | | | |
| Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via OSPI) | Career and Technical Education -- Basic Grants to States | 84.048 | 0174819, 0174982 | 74,094 | - | 74,094 | - | |
| OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI) | Education for Homeless Children and Youth | 84.196 | 0457568 | 47,385 | - | 47,385 | - | |
| OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI) | Twenty-First Century Community Learning Centers | 84.287 | 0991236, 0991460, 0991539 | 696,169 | - | 696,169 | - | 3 |
| OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI) | English Language Acquisition State Grants | 84.365 | 0403066 | 248,876 | - | 248,876 | - | |
| OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI) | Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) | 84.367 | 0525294 | 293,615 | - | 293,615 | - | |

The accompanying notes are an integral part of this schedule.

Wenatchee School District No. 246
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

| Federal Agency (Pass-Through Agency) | Federal Program | ALN Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note |
|---|--|---------------|--|---------------------------------|-----------------------|-------------------|---------------------------------------|------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | | |
| EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI) | Student Support and Academic Enrichment Program | 84.424 | 0431060 | 93,252 | - | 93,252 | - | |
| EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI) | COVID 19 - Education Stabilization Fund | 84.425 | 84.425D - 120536 | 937,169 | - | 937,169 | - | |
| EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI) | COVID 19 - Education Stabilization Fund | 84.425 | 84.425U - 0137026, 0138088, 0139005, 0140059, 0712128 | 6,982,244 | - | 6,982,244 | - | |
| EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI) | COVID 19 - Education Stabilization Fund | 84.425 | 84.425W - 0459041 | 25,843 | - | 25,843 | - | |
| Total ALN 84.425: | | | | 7,945,256 | - | 7,945,256 | - | |
| Medicaid Cluster | | | | | | | | |
| CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via OSPI) | Medical Assistance Program | 93.778 | 04246 | 78,223 | - | 78,223 | - | |
| Total Medicaid Cluster: | | | | 78,223 | - | 78,223 | - | |
| FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | - | - | 54,908 | 54,908 | - | 6 |
| Total Federal Awards Expended: | | | | 19,412,549 | 1,058,471 | 20,471,020 | - | |

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Wenatchee School District # 246
For the Year Ended August 31, 2022

NOTE 1—BASIS OF ACCOUNTING

This Schedule is prepared on the same basis of accounting as the Wenatchee School District's financial statements. The district uses the modified accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2—FEDERAL DE MINIMIS INDIRECT RATE

The Wenatchee School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The district used the federal restricted rate of 3.49%.

NOTE 3—PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the Wenatchee School District's local matching share, may be more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 4—NONCASH AWARDS

The amount of food commodities reported on the schedule is the value of food commodities distributed by the Wenatchee School District during the current year and priced as prescribed by Office of Superintendent of Public Instruction (OSPI).

NOTE 5—SCHOOLWIDE PROGRAMS

The Wenatchee School District operates a "schoolwide program" in five elementary, three middle school and one high school buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the district in its schoolwide program: Title I (84.010) \$2,018,226.

NOTE 6—PRIOR PERIOD EXPENDITURES

Due to the delay from the time costs were incurred and the date that federal disaster relief funding was approved, entities must account for expenditures when the Project Worksheet (PW) was approved, even if expenses were recorded in a subsequent fiscal year. \$11,622.40 of expenses were incurred in the 2020 fiscal year and \$43,285.88 of expenses were incurred in the 2021 fiscal year.



CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Wenatchee School District No. 246 September 1, 2021 through August 31, 2022

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

| | |
|---|--|
| Finding ref number: 2022-001 | Finding caption: The District did not have adequate internal controls for ensuring compliance with allowable activities and costs, procurement, and restricted purpose requirements. |
| Name, address, and telephone of District contact person: Karen Walters, Director of Accounting 235 Sunset Avenue Wenatchee WA, 98801 (509) 663-8161 | |
| Corrective action the auditee plans to take in response to the finding: <i>This audit finding relates to unique rules associated with one-time, pandemic-necessitated funding. Additionally, the district fully expended all ECF funding during the 2021-2022 school year.</i> <i>Although we disagree with this finding, it is extremely unlikely the district will have to navigate these compliance expectations again.</i> <i>Regardless, the district will review its federal funding processes and procedures. The district will also review its procurement process to ensure contracts comply with state law.</i> | |
| Anticipated date to complete the corrective action: December 31, 2023 | |

| | |
|--|---|
| Finding ref number: 2022-002 | Finding caption: The District lacked adequate internal controls for ensuring compliance with suspension and debarment requirements. |
| Name, address, and telephone of District contact person: Karen Walters, Director of Accounting 235 Sunset Avenue Wenatchee WA, 98801 (509) 663-8161 | |
| Corrective action the auditee plans to take in response to the finding: <i>The District previously had two processes for contracts, one for state/local funds and one for federal. The District has updated the process, and now regardless of funding, suspension and debarment requirements have been added. The district now reviews all contracts for suspension and debarment compliance.</i> | |
| Anticipated date to complete the corrective action: Implemented during audit | |

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.

Stay connected at sao.wa.gov

- [Find your audit team](#)
- [Request public records](#)
- Search BARS Manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

Other ways to stay in touch

- Main telephone:
(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov