Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Washington School Information Processing Cooperative

For the period September 1, 2022 through August 31, 2023

Published December 19, 2024

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Office of the Washington State Auditor
Pat McCarthy

December 19, 2024

Board of Directors
Washington School Information Processing Cooperative
Everett, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Washington School Information Processing Cooperative
September 1, 2022 through August 31, 2023

Board of Directors
Washington School Information Processing Cooperative
Everett, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the Washington School Information Processing Cooperative, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated December 11, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

We noted certain other matters that we have reported to the management of the Cooperative in a separate letter dated December 11, 2024.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

December 11, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Washington School Information Processing Cooperative
September 1, 2022 through August 31, 2023

Board of Directors
Washington School Information Processing Cooperative
Everett, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Washington School Information Processing Cooperative, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Washington School Information Processing Cooperative, as of August 31, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Cooperative 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 audit opinion.

Matters of Emphasis

As discussed in Note 10 to the financial statements, in 2023, the Cooperative adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 96, Subscription-Based Information Technology Arrangements*. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 Cooperative'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 Responsibilities 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 opinion. 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 Cooperative'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 Cooperative's ability to continue as a going concern for a reasonable period of time; and
- 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2024 on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

December 11, 2024

FINANCIAL SECTION

Washington School Information Processing Cooperative
September 1, 2022 through August 31, 2023

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON SCHOOL INFORMATION PROCESSING COOPERATIVE
STATEMENT OF NET POSITION
AUGUST 31, 2023

ASSETS		
Current Assets		
Net Cash/Investments	Notes 1,2	5,222,564
Accounts Receivable, net	Note 1	596,513
Prepaid Expenses	Note 1	578,993
Total Current Assets		**6,398,071**
Noncurrent Assets		
Land	Note 3	235,521
Buildings	Note 3	2,462,987
Accumulated Depreciation - Building	Note 3	(1,813,062)
Furniture/Equipment	Note 3	4,797,418
Accumulated Depreciation - Furniture/Equipment	Note 3	(4,343,716)
Leased Assets	Notes 1,4	56,610
Accumulated Amortization - Leased Assets	Notes 1,4	(56,610)
Net SBITA Assets	Note 9	4,624,400
Net Pension Asset	Notes 1,5	2,571,579
Total Noncurrent Assets		**8,535,127**
TOTAL ASSETS		**14,933,197**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Pensions	Note 5	2,009,245
Deferred Outflows of OPEB	Note 6	1,085,570
TOTAL DEFERRED OUTFLOWS OF RESOURCES	Note 1	**3,094,815**
LIABILITIES		
Current Liabilities		
Accounts Payable		296,262
Compensated Absences	Note 1	487,818
Deposits		6,731
Leases Payable	Note 8	0
SBITA Liability	Note 9	1,509,886
Total OPEB Liability	Note 6	119,395
Total Current Liabilities		**2,420,092**
Noncurrent Liabilities		
Compensated Absences	Notes 1,8	531,183
SBITA Liability	Note 9	3,007,061
Net Pension Liability	Notes 5,8	1,111,946
Total OPEB Liability	Notes 6,8	3,585,564
Total Noncurrent Liabilities		**8,235,755**
TOTAL LIABILITIES		**10,655,846**
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Pensions	Notes 1,5	1,464,715
Deferred Inflows of OPEB	Notes 1,6	2,389,418
TOTAL DEFERRED INFLOWS OF RESOURCES	Note 1	**3,854,133**
NET POSITION		
Net Investment in Capital Assets	Notes 1,3	1,339,148
Restricted for Net Pension Asset	Note 1	3,199,900
Unrestricted	Note 1	(1,021,014)
TOTAL NET POSITION		**3,518,034**

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

WASHINGTON SCHOOL INFORMATION PROCESSING COOPERATIVE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2023

OPERATING REVENUES		
Member Contributions		16,901,196
Other Operating Revenues		10,194,024
TOTAL OPERATING REVENUES		**27,095,220**
OPERATING EXPENSES		
Membership Services Expenses		23,093,093
General and Administrative Expenses		2,574,648
Depreciation Expense	Note 3	445,892
Lease Amortization	Note 4	23,055
TOTAL OPERATING EXPENSES		**26,136,688**
OPERATING INCOME/(LOSS)		**958,531**
NONOPERATING REVENUES (EXPENSES)		
Interest Income		227,405
Other Nonoperating Expenses		(100,000)
TOTAL NONOPERATING REVENUES (EXPENSES)		**127,405**
INCREASE (DECREASE) IN NET POSITION		**1,085,936**
NET POSITION - BEGINNING BALANCE		**2,432,097**
NET POSITION - ENDING BALANCE		**3,518,034**

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

WASHINGTON SCHOOL INFORMATION PROCESSING COOPERATIVE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers, etc.		26,808,404
Cash Payments to Suppliers for Goods & Services		(15,529,954)
Cash Payments to Employees for Services		(11,121,069)
Net Cash Provided by Operating Activities		**157,381**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Other Noncapital Activities		(100,000)
Net Cash Flows from Noncapital Financing Activities		**(100,000)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets - Net	Note 3	(376,752)
Net Cash Flows from Capital and Related Financing Activities		**(376,752)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends on Investments		227,405
Net Cash Flows from Investing Activities		**227,405**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(91,966)**
CASH AND CASH EQUIVALENTS - BEGINNING		5,314,530
CASH AND CASH EQUIVALENTS - ENDING	Notes 1,2	**5,222,564**

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

WASHINGTON SCHOOL INFORMATION PROCESSING COOPERATIVE
Statement of Cash Flows for the Fiscal Year Ended August 31, 2023 (Cont.)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

OPERATING INCOME/(LOSS):		**958,531**
Non-cash items:		
Depreciation Expense	Note 3	445,892
Lease Amortization	Note 4	23,055
Pension Expense from Change in Net Pension Liability & Asset	Note 5	(1,242,394)
OPEB Expense from Change in Net OPEB Liability	Note 6	91,694
Total Non-cash items		**(681,753)**
Change in current accounts:		
(Increase)/Decrease in Accounts Receivable (Operations)		(303,074)
(Increase)/Decrease in Prepaid Items		187,411
(Increase)/Decrease in Leased Assets		0
(Increase)/Decrease in SBITA Assets		(4,624,400)
Increase/(Decrease) in Accounts Payable (Operations)		105,059
Increase/(Decrease) in Compensated Absences Payable		66,921
Increase/(Decrease) in Leases Payable		(23,522)
Increase/(Decrease) in SBITA Payable		4,516,947
Increase/(Decrease) in Deposits		(22,579)
Change in noncurrent accounts:		
Increase/(Decrease) in Compensated Absences Payable	Note 8	(22,161)
NET CASH PROVIDED/ (USED) BY OPERATING ACTIVITIES:		**157,381**

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Washington School Information Processing Cooperative (“WSIPC”) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accounting policies of WSIPC were developed under authority of the Office of Superintendent of Public Instruction. The following summary of the more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

Reporting Entity

Washington School Information Processing Cooperative (“WSIPC”) is an interlocal cooperative formed by the nine Educational Service Districts (ESDs) of the State of Washington, pursuant to Title 39.34, *Revised Code of Washington* (RCW), the Interlocal Cooperation Act, for the purpose of providing extensive information system services to school districts, educational service districts, and other educational entities. WSIPC is a non-profit public agency formed by mutual agreement of the nine ESDs, including Northeast Washington ESD 101, ESD 105, ESD 112, ESD 113, Olympic ESD 114, Puget Sound ESD 121, ESD 123, North Central ESD 171 and Northwest ESD 189, with an equal share of the investment in joint venture recorded on each of the ESD’s consolidated financial statements.

Oversight responsibility for WSIPC's operations is vested with the Board of Directors who are appointed by the boards of directors of the nine Educational Service Districts that are signatory to the Interlocal Cooperative Agreement, one from each educational service district. Management of WSIPC is appointed by and accountable to the Board of Directors. Fiscal responsibility, including budget authority, setting fees for services and issuing debt consistent with the provisions of state statutes, rests with the Board of Directors. ESD 123 is the fiscal agent of the joint venture and reports directly to the WSIPC Board of Directors on financial matters. For financial reporting purposes, WSIPC’s financial statements include all fund entities that are controlled by WSIPC's Board of Directors and managed by the administrative staff, unless noted hereafter.

As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. Based on the standards set by Governmental Accounting Standards Board (GASB) Statement 14, there were no component units of WSIPC.

Basis of Accounting and Reporting

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

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

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

Assets, Liabilities, and Equity

<u>Cash and Cash Equivalents</u>
The Franklin County Treasurer is the ex-officio treasurer for WSIPC. In this capacity, the County Treasurer receives daily deposits and transacts investments on behalf of WSIPC. These amounts are classified on the Statement of Net Position as Cash and Investments. See Note 2.

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

<u>Deposits and Investments</u> – See Note 2.

<u>Receivables</u>
WSIPC's accounts and contracts receivable represent the value of goods and services provided and invoiced to clients at fiscal year-end. All receivables are shown net of an allowance for uncollectibles. On August 31, 2023, and there were no uncollectible accounts.

<u>Prepaid Items</u>
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

<u>Capital Assets and Depreciation</u> – See Note 3.

<u>Intangible Right-to-Use Leased Assets</u>
WSIPC follows generally accepted accounting principles in its treatment of leased assets. Leasing agreements are evaluated regarding the lease term, payments, and discount rates as well as materiality to WSIPC's financial position. WSIPC's capitalization threshold for recognition of intangible right-to-use leased assets is $5,000. Leasing arrangements that are considered short term under generally accepted accounting principles or do not meet capitalization thresholds are treated as operating expenses in the current year. See Note 4 for further information on intangible right-to-use leased assets.

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

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

The balances reported in the Statement of Net Position as of August 31, 2023, represent the aggregate amount of unused vacation leave payable, and sick leave eligible for payout upon retirement for all eligible employees of WSIPC.

Deposits
This account consists of conference attendee registrations and any early payments from districts for services attributable to the next fiscal year.

Deferred Outflows and Inflows of Resources:
Generally accepted accounting principles for pensions requires WSIPC to recognize deferred inflows and outflows on the Statement of Net Position related to WSIPC's proportionate share of the State Department of Retirement System's deferred income or expense items, to be recognized over a number of years, for changes in experience, assumptions, proportion, contributions, and investment earnings. These items are presented on the Statement of Net Position and will impact the future calculations of the retirement system's pension funding status. See Note 5.

Accounting principles for other post-retirement employee benefits (OPEB) under GASB Statement No. 75 requires WSIPC to recognize deferred inflows and outflows on the Statement of Net Position related to the single-employer plan administered under the Washington Health Care Authority, to be recognized over a number of years, for changes in experience, assumptions, contributions, and investment earnings. See Note 6.

Net Position
The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Consistent with GAAP, net position is displayed in the following three categories which focus on the accessibility of the underlying assets: (1) Net Investment in Capital Assets, (2) Restricted Net Position, and (3) Unrestricted Net Position.

Net Investment in Capital Assets consist of capital assets net of accumulated depreciation.
Restricted Net Position consist of funds subject to externally imposed restrictions which may not be removed without the consent of those imposing the restrictions. Unrestricted Net Position
Funds do not meet the definition of either of the first components above. Management or the Board of Directors may designate resources for specific purposes, however, this represents an internal commitment that may be changed or removed and is therefore not considered a restriction under generally accepted accounting principles.

Operating and Nonoperating Revenues and Expenses
WSIPC distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principle ongoing operations, including:

- Revenue from those who purchase, use, or directly benefit from the goods or services of the program;
- Revenue from other governments, entities, and individuals, if such revenue is restricted to a specific program or programs;
- Current year pension expense (see Note 5); and
- Current year OPEB expense (see Note 6).

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

Nonoperating revenues and expenses include interest earnings on investments, other noncapital financing activities not related to the provision of program services, and any gain or loss on the sale of assets.

Pensions

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

For purposes of calculating the restricted net position related to the net pension asset, the restricted net position is equal to the net pension asset, minus the deferred inflows, plus the deferred outflows. Only the deferred inflows and deferred outflows for the pension plans that have a net pension asset are included.

Note 2: DEPOSITS AND INVESTMENTS

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

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

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

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

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 manner that meets the maturity, quality, diversification and liquidity requirements set forth by generally accepted accounting principles for external investment pools that elect to measure, for financial reporting purposed, investments at amortized cost. The Pool does not have any legally binding guarantees of share values.

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

As of August 31, 2023, WSIPC had cash balances and short-term residual investments of surplus cash as follows:

	Fair Value
Cash on Hand, Bank Deposits	$15,100
Local Government Investment Pool (LGIP)	$5,207,464
County Investment Pool	$0
Other investments	$0
Total Cash, Cash Equivalents & Short-Term Investments	$5,222,564

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

Credit Risk

The LGIP Investment Pool is considered extremely low risk. The pool's portfolio is made up of high quality, highly liquid securities, and its relatively short average maturity reduces the pool's price sensitivity to market interest rate fluctuations. The Pool reduces credit risk by purchasing securities rated at the highest quality by credit rating organizations at the time of purchase. The Pool does not contain any structured investment vehicles or collateralized debt obligations.

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, WSIPC would not be able to recover the value of the investment or collateral securities. Of WSIPC's total cash and investment position of $5,222,564, $5,207,464 is exposed to custodial credit risk because the investments held by the LGIP are not insured or guaranteed by any government. WSIPC does not have a policy for custodial credit risk.

Concentration of Credit Risk

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

Note 3: CAPITAL ASSETS

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

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

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

Capital assets activity for the fiscal year ended August 31, 2023, was as follows:

	Beginning Balance 9/1/2022	Increases	Decreases	Ending Balance 8/31/2023
Capital Assets not being depreciated:				
Land	$ 235,521			$ 235,521
Total Capital Assets not being depreciated	$ 235,521			$ 235,521
Depreciable Capital Assets:				
Buildings	$2,462,987			$2,462,987
Furniture & Equipment	$5,003,781	$376,752	($583,115)	$4,797,418
Total Depreciable Capital Assets	$7,466,768	$376,752	($583,115)	$7,260,405
Less Accumulated Depreciation for:				
Buildings	($1,738,217)	($74,845)	$0	($1,813,062)
Furniture & Equipment	($4,555,784)	($371,047)	$583,115	($4,343,716)
Total Accumulated Depreciation	($6,294,001)	($445,892)	$583,115	($6,156,778)
Total Depreciable Assets, net	$1,172,767	($69,140)	$0	$1,103,627
Total Capital Assets, net	$1,408,288	($69,140)	$0	$1,339,148

Note 4: LEASES

Lease of Capital Assets (intangible right to use assets by WSIPC)

WSIPC was committed under non-cancelable lease agreements for copier and postage machine equipment. In accordance with GASB Statement No. 87, Leases, WSIPC records right-to-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments were discounted using a 2.0% ‘implied’ discount rate as existing lease agreements were absent of a stated discount rate.

The underlying leased assets are as follows:

	Beginning Balance 9/1/2022	Additions	Deductions	Ending Balance 8/31/2023
Leased Equipment	$56,610			$56,610
Total Leased Assets	$56,610			$56,610
Less Accumulated Amortization. Leased Equip.	($33,555)	($23,055)		($56,610)
Total Accumulated Amortization	($33,555)	($23,055)		($56,610)
Total Leased Assets, net	$23,055	($23,055)		$0

As of August 31, 2023, all of WSIPC’s lease agreements have reached their maturity and there are no remaining principal and interest requirements.

Note 5: 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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each pension plan. The pension plan's basic financial statement is accounted for using the accrual basis of accounting. The measurement date of the pension plans is June 30. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Detailed information about the pension plans' fiduciary net position is available in the separately issued DRS ACFR. 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 https://www.drs.wa.gov/news/.

Membership Participation & Plan Benefits

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

Membership participation by retirement plan as of June 30, 2023, was as follows:

Plan	Active Plan Members	Inactive Plan Members Entitled to but not yet Receiving Benefits	Retirees and Beneficiaries Receiving Benefits
PERS 1	509	147	39,461
PERS 2	135,634	30,755	72,191
PERS 3	37,977	7,606	8,922

Plan 1 members of PERS programs are defined benefit pension plans whose members joined the system on or before September 30, 1977. Plan 1 is closed to new entrants. 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.

Plan 2 (employment on or after October 1, 1977) members of PERS are eligible to retire with full benefits after five years of credited service and attainment of age 65 or after 20 years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65. Plan 3 (employment on or after Oct 1, 1977) members of PERS are eligible to retire with full benefits after 10 years of credited service and attainment of age 65 or after 10 years of credited service and attainment of age 55 with benefits actuarially reduced from age 65.

Average final compensation (AFC) for Plan 2 and 3 PERS members is the average compensation earned of the highest consecutive sixty months of service credit months. The retirement allowance for PERS 2 members is the AFC multiplied by two percent per year of service with provision for a cost-of-living adjustment capped at three percent per year. For the defined benefit portion of Plan 3 PERS it is the AFC multiplied by one percent per year of service with provision for a cost-of-living adjustment.

Plan Contributions

Under current law the employer must contribute 100 percent of the employer-required contribution. The employer contribution rates for Plans 1 and 2 for PERS are established by the Pension Funding Council based upon the rates set by the Legislature. The employee contribution rate for Plan 2 is also determined by the Legislature. However, the employee contribution rate for Plan 1 is set by statute at six percent and does not vary from year to year. The employer and employee contribution rates for Plan 2 are developed by the state actuary to fully fund these plans. The employer rates for Plan 1 are not necessarily adequate to fully fund the level established by the Legislature. The methods used to determine the contribution requirements are established under Chapters 41.34 and 41.40 RCW for PERS.

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

The employer and employee contribution rates for each of the PERS plans are effective as of the dates shown in the table. The pension plan contribution rates (expressed as a percentage of covered payroll) for fiscal year 2023 are listed below:

	PERS 1	PERS 2	PERS 3
Member Contribution Rate			
September 1, 2022 – August 31, 2023	6.00%	6.36%	Varies*
Employer Contribution Rate**			
September 1, 2022 – June 30,2023	10.39%	10.39%	10.39%
July 1, 2023 – August 31, 2023	9.39%	9.39%	9.39%
** PERS 3 Employee Contribution variable from 5% to 15% based on rate selected by the employee member.*			
*** Employer Contribution includes 0.18% for DRS administrative expense rate.*			

The Collective Net Pension Liability/(Asset)

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

The Net Pension Liability/(Asset) as of June 30, 2023		
Dollars in Thousands	PERS 1	PERS 2/3
Total Pension Liability	$11,508,253	$58,402,368
Plan Fiduciary Net Position	($9,225,521)	($62,501,051)
Participating employers' net pension liability/(asset)	$2,282,732	($4,098,683)
Plan fiduciary net position as a percentage of the total pension liability	80.16%	107.02%

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

At June 30, 2023, WSIPC reported $1,111,946 for its proportionate shares of the individual plans' collective net pension liability and ($2,571,579) for its proportionate shares of the individual plans' net pension asset. WSIPC's proportionate share of the collective net pension amounts are based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2023, WSIPC's proportionate share of each plan's net pension liability and asset are reported below:

June 30, 2023	PERS 1	PERS 2/3
Annual Contributions	$331,934	$551,637
Proportionate Share of the Net Pension Liability/(Asset)	$1,111,946	($2,571,579)

Changes to WSIPC's proportionate shares of the collective net pension liability from the prior period are displayed in the Schedule of Changes in Long Term Liabilities, see Note 8. Changes to WSIPC's proportionate shares of the collective net pension asset are displayed below:

Changes in Proportionate Shares of the Net Pension Asset	Beginning Balance 9/1/2022	Additions	Reductions	Ending Balance 8/31/2023
Net Pension Asset	$2,516,303	$55,276	$0	$2,571,579

At June 30, 2023, WSIPC's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior year is illustrated below:

Change in Proportionate Shares	PERS 1	PERS 2/3
Current year proportionate share of the Net Pension Liability	0.048711%	0.062742%
Prior year proportionate share of the Net Pension Liability	0.051874%	0.067847%
Net difference percentage	(0.003163%)	(0.005105%)

Actuarial Assumptions

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

The total pension liabilities were determined by actuarial valuation as of June 30, 2022, with results rolled forward to June 30, 2023, 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 service-based salary increases.
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. The Office of the State Actuary (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, 2022, 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 2022 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, 2021, are summarized in the following table:

PERS 1 and PERS 2/3		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20.00%	1.50%
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 ACFR 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 table below presents WSIPCs proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate. Amounts are calculated by plan using WSIPC's allocation percentage.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
PERS 1 NPL	$3,189,149,000	$2,282,732,000	$1,491,643,000
Allocation Percentage	0.048711%	0.048711%	0.048711%
Proportionate Share of Collective NPL	$1,553,466	$1,111,946	$726,594
PERS 2/3 (NPA)	$4,457,809,000	($4,098,683,000)	($11,128,382,000)
Allocation Percentage	0.062742%	0.062742%	0.062742%
Proportionate Share of Collective (NPA)	$2,796,918	($2,571,579)	($6,982,169)

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

The Pension Plans reported collective Deferred Outflows of Resources and collective Deferred Inflows of Resources related to the individual plans. At August 31, 2023, WSIPC reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences		
Net difference between projected and actual earnings on pension plan investments		$125,432
Changes in assumptions or other inputs		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	$41,643	
TOTAL	$41,643	$125,432

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$523,828	$28,732
Net difference between projected and actual earnings on pension plan investments		$969,127
Changes in assumptions or other inputs	$1,079,638	$235,319
Changes in proportion and differences between contributions and proportionate share of contributions	$270,864	$106,105
Contributions subsequent to the measurement date	$93,273	
TOTAL	$1,967,603	$1,339,283

$134,915 reported as Deferred Outflows of Resources related to pensions resulting from WSIPC contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending August 31, 2024.

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

Year ended August 31	PERS 1	PERS 2/3
2024	($85,339)	($447,504)
2025	($107,324)	($549,242)
2026	$66,174	$782,828
2027	$1,056	$273,831
2028	$0	$287,224
Thereafter	$0	$187,911

Pension Expense

WSIPC recognizes a pension expense for its proportionate share of the collective pension expense. This is determined by using WSIPC's proportionate share of the collective net pension liability/(asset). For the year ending August 31, 2023, WSIPC recognized a total pension expense as follows:

	PERS 1	PERS 2/3	TOTAL
Pension expense	($114,411)	($237,385)	($351,796)

Note 6: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS

457 Plan – Deferred Compensation Plan

WSIPC employees have the option of participating in an IRC, Section 457, deferred compensation plan administered by the Washington State Department of Retirement Systems (DRS). The plan assets and all related income are held in trust for the exclusive benefit of the participants and their beneficiaries.

DRS offers audited financial statements which provide more detailed information regarding the plan description, significant accounting policies and other information concerning the state's deferred compensation plan. The report may be obtained at https://www.drs.wa.gov/wp-content/uploads/2023/10/2023-ACFR-Document.pdf.

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

WSIPC offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under the elective deferral (employee contribution method). WSIPC complies with IRS regulations that require school districts to have written plans to include participating investment companies, types of investments, loans, transfers, and various requirements. Plans are administered by third party administrators. The plan assets are assets of WSIPC employees, not WSIPC, and are therefore not reflected in these financial statements.

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

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

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

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

Aggregate Summary of OPEB Amounts	
OPEB liabilities	$3,704,959
Deferred outflows of resources	$1,085,570
Deferred inflows of resources	$2,389,418
OPEB expense	$210,463

Valuation Date, Measurement Date, and Reporting Date

The "valuation date" is July 1, 2022. This is the date as of which the census data is gathered and the actuarial valuation is performed. The "measurement date" is August 31, 2023. This is the date as of which the Total OPEB Liability is determined. Generally accepted accounting principles for OPEB allows a lag of up to one year between the measurement date and the reporting date. No adjustment is required between the measurement date and the reporting date. The “reporting date” is WSIPC’s fiscal year end of August 31, 2023.

General Description

Employers participating in the PEBB OPEB plan include the Washington State general government agencies, higher education institutions, K-12 school and educational service districts and political subdivisions. Additionally, the PEBB’s OPEB plan is available to retirees of K-12 entities who do not participate in PEBB for insurance for their active employees. WSIPC began participation in PEBB for insurance for its active employees on January 1, 2020. RCW 41.05.085 provides that contribution requirements of participating employers and of plan members are established by and may be amended by the HCA Board of Directors. Participating employers and active plan members are required to contribute the established benefit rates. All K-12 entities contribute the same rate which is set annually as an amount per pro-rated FTE under RCW 28A.400.410. Employers do not have the ability to contribute additionally to funding against future liabilities or impact funding progress on the actuarially determined liability of the HCA PEBB OPEB plan.

The PEBB OPEB plan provides healthcare insurance benefits (medical and dental) for retirees and their dependents. Retired members may only elect dental coverage if they have elected medical coverage. PEBB offers eighteen (18) medical plans and three (3) dental plans. All current and future retirees who elect medical and dental coverage are assumed to elect carriers based on the weighted average of selection of carriers by current PEBB retirees. When a retiree or covered dependent becomes eligible for Medicare, the retiree or covered dependent must enroll in Medicare Parts A and B in order to maintain eligibility for retiree coverage.

Employees Covered by Benefit Terms. WSIPC employees are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plan 2 or 3 of PERS (see Note 5):

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

Former members who are entitled to a deferred vested pension benefit are not eligible to receive medical and life insurance benefits after pension benefit commencement. Survivors of covered members who die are eligible for medical benefits. At July 1, 2023, the following employees were covered by benefit terms:

Retirees or dependents currently receiving benefit payments	31
Active employees who may qualify for benefits upon retirement	89

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

Election Assumptions. 60% of employees are assumed to elect medical and dental benefits upon retirement. 45% of employees are assumed to enroll eligible dependents as of the retirement date. 100% of employees are assumed to enroll in Medicare, once eligible, after initial participation.

Total OPEB Liability

WSIPC's Total OPEB Liability of $3,704,959 was measured for the year ending August 31, 2023 and was determined by an actuarial valuation as of the valuation date of July 1, 2022, calculated based on the discount rates discussed below, projected to the measurement dates. There have been no significant changes between the valuation date and the fiscal year end. If there were significant changes, an additional analysis or valuation might be required.

Changes in Actuarial Methods and Assumptions

The actuarial methods and assumptions used in the valuation as of July 1, 2022 and reported August 31, 2023 are the same as those used in prior valuation except as follows:

- The GASB 75 discount rate was changed from 3.59% for the August 31, 2022 measurement date to 3.81% for the August 31, 2023 measurement date. This is the Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years. GASB 75 requires that the discount rate be based on a 20-year high quality (AA/Aa or higher) municipal bond rate.

- Effective with the August 31, 2023 measurement date, the election assumption for members was updated to match the assumption used by the Office of the State Actuary in the 2023 Demographic Experience Study.

- Effective with the August 31, 2023 measurement date, the spouse age assumption for female members was updated to match the assumption used by the Office of the State Actuary in the 2023 Demographic Experience Study.

- Effective with the August 31, 2023 measurement date, the expected trends were updated to better reflect expectations of future trends experience.

Actuarial Assumptions and Other Inputs

The Total OPEB Liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement dates, unless otherwise specified.

Inflation. The inflation rate of 2.35% was developed by the Office of the State Actuary for PEBB and was applied to the measurement dates ending August 31, 2023.

Salary Increases. Salary assumptions reflect the assumptions used in the actuarial valuations for Washington State Public Employees' Retirement System (PERS). General Wage Growth is assumed to be 3.25% which equals 2.35% for national inflation + 0.40% for the regional price inflation differential component + 0.50% real wage growth. Projected annual merit and longevity increases for PERS range from 6.00% for 0 years of service to 0.10% for 20 years of service.

Discount Rate. The discount rate used to measure the Total OPEB Liability, as required by generally accepted accounting principles for the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method, was based on the yield or index rate for 20-year Tax-Exempt General Obligation Municipal bonds with an average rating of AA/Aa or higher (*Bond Buyer General* Obligation 20-bond municipal index for bonds that mature in 20 years). Discount rate assumptions were 3.59% and 3.81% for the measurement dates of August 31, 2022 and 2023, respectively.

Demographic Assumptions. Demographic assumptions regarding retirement, mortality, turnover, and marriage are based on assumptions used in the Office of the State Actuary's actuarial valuation for Washington State PERS, modified for WSIPC.

- Service retirement assumptions for plans 2 and 3 were used, which vary based on hire date and years of service.
- The assumed rates of disability under PERS plans 2 and 3 are less than 0.2% for ages 49 and below and continue to be low after that; demographic assumptions assume a 0% disability rate for all ages.
- Mortality assumptions for PERS were used (Scale MP-2017 Long-Term Rates and Pub.H-2010), on a generational basis, with gender-distinct employee rates before commencement and retiree and contingent survivor rates (as appropriate) after benefit commencement. For PERS, generational tables were used.

Healthcare Cost Trends. Healthcare cost trends used in the actuarial valuation were developed for use in the June 30, 2022 OPEB valuation for the PEBB program, to be performed by the Office of the State Actuary. These assumptions are summarized below and refer to the amount by which medical costs are anticipated to exceed costs for the years ending June 30:

Year Ending June 30,	Pre-65 Retiree Premiums & Claims	Post-65 Retiree Claims	Post-65 Retiree Premiums
2023	5.4%	7.7%	11.4%
2024-2077+	5.7% to 3.8%	6.9% to 3.8%	9.4% to 3.8%

Dental costs trends are assumed to increase 1.1% to 4.0% for the year 2023-2027 and beyond.

Premium Levels. Assumed annual medical retiree contributions as of July 1, 2022, used in the actuarial valuation are displayed below. These represent a weighted average of July 1, 2022 to June 30, 2023 PEBB retiree contributions by medical plan, based on overall PEBB current retiree medical plan election. Contribution assumptions exclude fees charged as a direct pass-through to participating retirees.

	Employee or Spouse	
	Non-Medicare	Medicare
Weighted average based on current PEBB retirees	$9,037.50	$3,800.69

The July 1, 2022 assumed annual dental retiree contributions for employee or spouse is $578.19, representing a weighted average of July 1, 2022 to June 30, 2023 PEBB retiree contributions by dental plan, based on overall PEBB current retiree dental plan elections. These contributions are assumed for both current retirees and future retirees.

Actuarial Cost Method. The actuarial cost method used for determining the benefit obligations is the entry age actuarial cost method. Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of expected salary for each year of employment between entry age (defined as age at hire) and assumed exit (until maximum retirement age). For purposes of projecting benefits prior to the valuation date as required by the actuarial cost method, we assumed a health cost trend equal to the ultimate health cost trend rate.

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

The actuarial valuation for the Washington State Public Employees' Retirement System (PERS) can be found in the Annual Comprehensive Financial Report (ACFR) for the Department of Retirement Systems at https://www.drs.wa.gov/wp-content/uploads/2023/10/2023-ACFR-Document.pdf

Claims Cost Assumptions

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

The explicit subsidies are monthly amounts paid per post-65 retirees and spouses. As of the valuation date, the explicit subsidy for post-65 retirees and spouses is the lessor of $183 or 50% of the monthly premiums. The retirees and spouses will pay the premium minus $183 when the premium is over $366 per month and pay half the premium when the premium is lower than $366.

The implicit medical subsidy is the difference between the total cost of medical benefits and premiums. For pre-65 retirees and spouses, the retiree pays the full premium amount, based on a pool that includes active employees. Active employees will tend to be younger and healthier than retirees on average and therefore can be expected to have lower average health costs. For post-65 retirees and spouses, the retiree does not pay the full premium due to the subsidy discussed above.

GASB 75 requires the projection of the total cost of benefit payments to be based on claims costs or age-adjusted premiums approximating claims costs. Because claims costs are expected to vary by age and sex, we have used claims costs that vary by age and sex, as specified in Appendix A to this report. The projection of retiree premiums is based on current amounts for the retirees' share of the premium, projected with the medical trend assumption. We also include implicit subsidies for dental coverage.

Changes in the Total OPEB Liability

The increase (decrease) in the Total OPEB Liability is detailed in the table below for the fiscal year ending August 31, 2023:

Total OPEB Liability, beginning balance	$4,473,053
Changes for the year:	
Service cost	161,133
Interest on Total OPEB Liability	164,255
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	(974,713)
Expected benefit payments	(118,769)
Total OPEB Liability, ending balance	$3,704,959

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

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

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents WSIPC's Total OPEB Liability, calculated using the discount rate of 3.81%, as well as what WSIPC's Total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.81%) or one percentage point higher (4.81%) than the current rate:

	1% Decrease 2.81%	Discount Rate 3.81%	1% Increase 4.81%
Total OPEB Liability as of August 31, 2023	$4,334,749	$3,704,959	$3,196,576

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability as of August 31, 2023	$3,103,610	$3,704,959	$4,478,159

OPEB Expense and Deferred Outflows of Resource and Deferred Inflows of Resources Related to OPEB

For the year ended August 31, 2023, WSIPC recognized OPEB expense as follows:

	Amount
Service cost	$161,133
Interest on total OPEB Liability	164,255
Effect of plan changes	
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains/losses	52,232
Recognition of assumption changes or inputs	(167,157)
OPEB Expense	$210,463

WSIPC reported deferred outflows and inflows of resources as of the August 31, 2023 Measurement Date as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$421,869	$365,561
Changes of assumptions or inputs	663,701	2,023,857
Payments made subsequent to the Measurement Date		
Total	$1,085,570	$2,389,418

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

Measurement Period Ending August 31,	
2024	($114,925)
2025	(114,922)
2026	(82,517)
2027	(215,854)
2028	(379,112)
Thereafter	(396,518)

Note 7: RISK MANAGEMENT

Property & Casualty Insurance

WSIPC is a member of the Southwest Washington Risk Management Insurance Cooperative (Cooperative). This Cooperative provides property and casualty insurance coverage for its membership as authorized by Chapter 48.62 RCW. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Cooperative was formed in September 1986, when 25 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. WSIPC joined the Cooperative effective September 1, 2003. WSIPC had no insurance claim settlements, individually or in aggregate, that exceeded coverage for fiscal years ending August 31, 2023, 2022, and 2021.

The Cooperative purchases excess insurance coverage and provides related services, such as administration, risk management and claims administration. All coverage is on an occurrence basis. The Cooperative provides the following forms of group purchased insurance coverage for its members: Property, including owned buildings, automobiles and equipment, Equipment Breakdown, Commercial Crime, General Liability, Errors and Omissions Liability and Employment Practices Liability. Members are responsible for the first $1,000 of all property claims and the Cooperative is responsible for the next $250,000. There is no member deductible for liability claims. Excess insurance covers insured losses over $250,000 up to the limits of each policy. The Cooperative also purchases additional excess crime coverage as well as required Public Official Bonds. The Commercial Crime coverage is subject to a per-occurrence deductible of $5,000 which is the member’s responsibility.

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

The Cooperative is governed by a board of directors which is comprised of one designed representative from each participating member. A five member executive committee has oversight responsibilities. The financial statements of the Cooperative may be obtained by contacting Educational Service District No. 112.

Unemployment Compensation Insurance

WSIPC is a member of the Unemployment Compensation Pool Cooperative (Pool) administered by Northwest ESD 189. The purpose of this Pool is to share the risk of unemployment compensation claims arising from previous employees of its members. The Pool is fully funded by member participants. Member participants pay a percentage of their employees’ wages. These contributions plus investment earnings pay for unemployment claims and for the administration of the fund. Financial statements and disclosures for the Pool may be obtained by contacting Northwest Educational Service District 189.

Note 8: CHANGES IN LONG-TERM LIABILITIES

WSIPC operates as a proprietary fund. Accordingly, long-term liabilities are classified as business-type activities. During the year that ended August 31, 2023, the following changes occurred in long-term liabilities:

Business-Type Activities:	Beginning Balance 9/1/2022	Additions	Reductions	Ending Balance 8/31/2023	Due Within One Year
Net Pension Liability	$1,444,352		$332,406	$1,111,946	
Net OPEB Liability	$4,473,053	$325,388	$1,093,482	$3,704,959	$119,395
Compensated Absences	$974,241	$140,280	$95,520	$1,019,001	$420,897
Leases Payable	$23,522		$23,522	$0	
Subscription Based Information Technology Agreements	$8,169,968		$3,653,021	$4,516,947	$1,509,886
Total	$15,085,136	$465,668	$5,197,951	$10,352,853	$2,050,178

Note 9: SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

WSIPC is committed under three SBITA’s for Event Management, Help Desk Ticket Tracking, and Cooperative-wide Student Information Software. WSIPC implemented GASB 96 this fiscal year and will use the remaining period identified in the SBITA arrangements to amortize the SBITA asset value and corresponding liability as of September 1, 2022. WSIPC will follow the State Accounting Manual section 30.20.45 to determine which SBITA assets will be included for capitalization and will not recognize or use an ‘implied’ discount rate associated with each SBITA asset as WSIPC does not incur any debt to fund operations.

The underlying SBITA assets are as follows:	Beg. Bal. 9/1/2022	Increases	Decreases	End. Bal. 8/31/2023
Net Subscription Assets	$8,169,968	$0	$3,545,568	$4,624,400

As of August 31, 2023, the principal and interest requirements to maturity are as follows:

Year ended August 31	Principal	Interest	Total
2024	$1,509,886	$0	$1,509,886
2025	$1,507,061	$0	$1,507,061
2026	$1,500,000	$0	$1,500,000
Total	$4,516,947	$0	$4,516,947

Note 10: OTHER DISCLOSURES

Accounting and Reporting Changes

During the fiscal year ended August 31, 2023, WSIPC implemented Statement No. 96 of the Governmental Accounting Standards Board. This Statement addresses recognition of all Subscription-Based Information Technology Arrangements that exceed 12 months in length. These assets and liabilities must be recorded as right-of-use assets and liabilities on financial statements.

PENSION PLANS

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

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

SCHEDULE OF WSIPC CONTRIBUTIONS Public Employees' Retirement System (PERS) Plan 1 *Last 10 Fiscal Years**									
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution	$289,793	$351,277	$355,395	$392,695	$404,789	$396,585	$402,134	$318,563	$320,681
Contributions in relation to the contractually required contributions	$289,793	$351,277	$355,395	$392,695	$404,789	$396,585	$402,134	$318,563	$320,681
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
WSIPC's covered payroll	$6,865,668	$7,242,228	$7,256,660	$7,689,668	$7,973,565	$8,342,117	$8,597,645	$8,586,617	$8,714,319
Contribution as a percentage of covered payroll	4.22%	4.85%	4.90%	5.11%	5.08%	4.75%	4.68%	3.71%	3.68%

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

SCHEDULE OF WSIPC CONTRIBUTIONS Public Employees' Retirement System (PERS) Plan 2/3 *Last 10 Fiscal Years**									
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution	$352,639	$445,368	$461,341	$567,243	$606,432	$660,696	$658,610	$546,109	$554,231
Contributions in relation to the contractually required contributions	$352,639	$445,368	$461,341	$567,243	$606,432	$660,696	$658,610	$546,109	$554,231
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
WSIPC's covered payroll	$6,751,189	$7,148,773	$7,162,216	$7,596,501	$7,973,565	$8,342,117	$8,597,645	$8,586,617	$8,714,319
Contribution as a percentage of covered payroll	5.22%	6.23%	6.44%	7.47%	7.61%	7.92%	7.66%	6.36%	6.36%

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

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

SCHEDULE OF WSIPC's PROPORTIONATE SHARE OF THE NET PENSION LIABILITY									
Public Employees' Retirement System (PERS) Plan 1									
*Last 10 Fiscal Years**									
	2015	2016	2017	2018	2019	2020	2021	2022	2023
WSIPC PERS 1 employer's proportion of the net pension liability (percentage)	0.061455%	0.056059%	0.058411%	0.057645%	0.061530%	0.054280%	0.055956%	0.051874%	0.048711%
WSIPC PERS 1 employer's proportionate share of the net pension liability (amount)	$3,214,668	$3,010,632	$2,771,665	$2,574,467	$2,366,035	$1,916,364	$683,352	$1,444,352	$1,111,946
WSIPC PERS 1 employer's covered payroll	$6,892,412	$6,551,460	$7,243,446	$7,556,693	$7,889,273	$8,268,039	$8,590,244	$8,574,134	$8,673,529
WSIPC PERS 1 employer's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	46.64%	45.95%	38.26%	34.07%	29.99%	23.18%	7.95%	16.85%	12.82%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%	76.56%	80.16%

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

SCHEDULE OF WSIPC's PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)									
Public Employees' Retirement System (PERS) Plan 2/3									
*Last 10 Fiscal Years**									
	2015	2016	2017	2018	2019	2020	2021	2022	2023
WSIPC PERS 2/3 employer's proportion of the net pension liability/(asset) (percentage)	0.076314%	0.069807%	0.072925%	0.071320%	0.079030%	0.071103%	0.071819%	0.067847%	0.062742%
WSIPC PERS 2/3 employer's proportionate share of the net pension liability/(asset) (amount)	$2,726,743	$3,514,737	$2,533,804	$1,217,731	$767,650	$909,367	($7,154,323)	($2,516,303)	($2,571,579)
WSIPC PERS 2/3 employer's covered payroll	$6,771,600	$6,466,247	$7,149,596	$7,458,722	$7,878,535	$8,268,039	$8,590,244	$8,574,134	$8,673,529
WSIPC PERS 2/3 employer's proportionate share of the net pension liability/(asset) (amount) as a percentage of its covered payroll	40.27%	54.36%	35.44%	16.33%	9.74%	11.00%	(83.28%)	(29.35%)	(29.65%)
Plan fiduciary net position as a percentage of the total pension liability/(asset)	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%	106.73%	107.02%

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

POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS

GASB No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (GASB 75) governs the specifics of accounting for public OPEB plan obligations for participating employers.

The amounts reported in the Schedules of Changes in Total OPEB Liability and Related Ratios are determined as of WSIPC's fiscal year ending August 31.

SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS						
*Last 10 Fiscal Years**						
	2018	2019	2020	2021	2022	2023
Service Cost	$126,426	$114,230	$171,627	$252,068	$265,672	$161,133
Interest on total OPEB Liability	115,538	126,415	128,777	132,849	136,704	164,255
Changes in benefit terms	-	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	284,077	638,766	-	(493,829)	-
Effect of assumption changes or inputs	(259,309)	638,998	779,980	63,420	(1,500,695)	(974,713)
Expected benefit payments	(67,424)	(72,407)	(82,391)	(111,390)	(113,723)	(118,769)
Net change in total OPEB liability	($84,769)	$1,091,313	$1,636,759	$336,947	($1,705,871)	($768,094)
Total OPEB Liability, beginning balance	$3,198,674	$3,113,905	$4,205,218	$5,841,977	$6,178,924	$4,473,053
Total OPEB Liability, ending balance	$3,113,905	$4,205,218	$5,841,977	$6,178,924	$4,473,053	$3,704,959
Covered employee payroll	$7,727,193	$8,089,866	$8,423,492	$8,676,725	$8,650,201	$8,780,047
Total OPEB Liability as a percentage of covered payroll	40.30%	51.98%	69.35%	71.21%	51.71%	42.20%

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

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Note 1: Changes in Benefit Terms

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

Note 2: Changes of Assumptions

There were no changes of assumptions for the Pension Plans. Changes of assumptions and other inputs related to OPEB reflect the effects of changes in the discount rate, election, demographic and health assumptions each period.

Note 3: Assets Accumulated in a Trust

There were no assets accumulated in a trust that meet the criteria in Paragraph 4 of GASB 75 to pay related benefits.

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.

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