Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Department of Ecology

For the period July 1, 2023 through June 30, 2024

Published April 3, 2025

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Office of the Washington State Auditor
Pat McCarthy

April 3, 2025

Casey Sixkiller, Director
Department of Ecology
Olympia, Washington

Report on Financial Statements

Please find attached our report on the Department of Ecology – Clean Water State Revolving Fund's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Department of Ecology – Clean Water State Revolving Fund

July 1, 2023 through June 30, 2024

Casey Sixkiller, Director
Department of Ecology
Olympia, 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 Department of Ecology – Clean Water State Revolving Fund, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated March 27, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Department'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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 Department'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 Department'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 Department'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 Department'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

March 27, 2025

Department of Ecology – Clean Water State Revolving Fund

July 1, 2023 through June 30, 2024

Casey Sixkiller, Director
Department of Ecology
Olympia, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Department of Ecology – Clean Water State Revolving Fund, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Department'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 Department of Ecology – Clean Water State Revolving Fund, as of June 30, 2024, and the changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Department 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 1, the financial statements of the Department of Ecology – Clean Water State Revolving Fund, a fund of the Department of Ecology, which is an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the Clean Water State Revolving Fund. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2024, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 Department'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 Department'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 Department'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department of Ecology – Clean Water State Revolving Fund's basic financial statements. The Comparative Activity of Net Position, Comparative Activity of Revenues, Expenses, and Changes in Net Position, and Comparative Activity of Cash Flows and Disbursements and Accruals are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2025 on our consideration of the Department'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 Department'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 Department's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

March 27, 2025

FINANCIAL SECTION

Department of Ecology – Clean Water State Revolving Fund
July 1, 2023 through June 30, 2024

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Management Discussion and Analysis

This Management Discussion and Analysis (MD&A) introduces the annual financial statements of the State of Washington Department of Ecology, Clean Water State Revolving Fund Loan Program (CWSRF) and Water Pollution Control Revolving Admin (WPCRA) for the years ended June 30, 2024. These two funds are reported together and are referred to as CWSRF Program. It is a required supplement to these financial statements. It describes and analyzes the financial position of the CWSRF program, providing an overview of the CWSRF's activities. The State of Washington Department of Ecology (Ecology) is responsible for the content of these financial statements. The MD&A provides readers with a summary of the issues and information Ecology management hopes is useful to the reader.

The CWSRF program

The CWSRF account provides financial assistance in the form of low-interest loans to local governments and tribes for water quality projects of high priority. Ecology receives an annual grant from United States of America Environmental Protection Agency (EPA). The federal fiscal year (FFY) 2023 grant awards were $54,617,000. Ecology matches the grant awards with state funds, of $6,233,800. The funding levels for the CWSRF program each fiscal year are based on federal appropriations, state legislative appropriations, repayments from past loans, interest on investments, and de-obligated funds. The funding made available for projects in the state fiscal year (SFY) 2024 was $310M as published in Ecology's Intended Use Plan. CWSRF loan interest rates are between zero and two percent. This account is for loan activity.

In 2013, the Water Pollution Control Revolving Admin (WPCRA) account was established. This account was funded from an administrative charge of 1 percent charged on the declining principal of loans that went into repayment after the new rule was effective December 21, 2013. Ecology reduced the rate to 0.3 percent on FY21 and future loans. Once loans charged 1 percent are repaid, projection shows that 0.3 percent bring in revenue closer to the amount needed for administrative costs. This account is for program administrative activities to manage the CWSRF.

Using this Annual Financial Report

The financial statements included in this annual financial report are those of the combined CWSRF and WPCRA. The basic financial statements of the CWSRF and WPCRA represent the financial position, changes in financial position, and cash flows as of the years ended June 30, 2024, of only that portion of the financial reporting entity of the Department of Ecology that is attributable to the transactions of the CWSRF and WPCRA. They do not purport to present the financial position of the Department of Ecology or the State of Washington (State) as of June 30, 2024, and the change in the net positions and their cash flows for the year ended.

Overview of Financial Statements

The financial statements of the CWSRF and WPCRA are presented as a special purpose government engaged only in the business type activities – providing loans to other governmental entities. The statements provide both short-term and long-term information about the CWSRF's and WPCRA's financial position, which assists the reader in assessing the CWSRF's and WPCRA's economic condition at the end of the fiscal year. These statements are prepared using the accrual basis of accounting. The financial statements include the following three statements:

The *Statement of Net Position* present information on all the CWSRF's and WPCRA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position are expected to serve as a useful indicator of whether the financial position of the CWSRF and WPCRA are improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* present information showing how CWSRF's and WPCRA's net position changed during the past year. All changes in the net position are reported, as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* report the CWSRF's and WPCRA's cash flows from operating activities, noncapital financing activities, and investing activities.

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes can be found immediately following the financial statements.

Net Position

	June 30, 2024	June 30,2023
ASSETS		
Cash and cash equivalents	221,372,599	369,160,178
Loans receivable	1,181,283,271	966,768,336
Other assets	1,257,072	1,126,667
Total assets	**1,403,912,942**	**1,337,055,181**
DEFERRED OUTFLOWS OF RESOURCES	**1,080,556**	**963,418**
LIABILITIES		
Current liabilities	256,484	541,817
Noncurrent liabilities	8,357,650	4,767,047
Total liabilities	**8,614,134**	**5,308,864**
DEFERRED INFLOWS OF RESOURCES	**1,062,386**	**988,169**
NET POSITION		
Unrestricted	1,395,131,024	1,331,602,525
Restricted	185,954	119,041
Total net position	**1,395,316,978**	**1,331,721,566**

The net position increased from $1,331,713,757 as of June 30, 2023, to $1,395,316,978 as of June 30, 2024. This increase is mostly due to the balance of loans receivable. The net position is comprised solely of resources restricted for the CWSRF program. The CWSRF program has no capital assets and no related debt.

During SFY24 the CWSRF total activity cash decreased by $147,787,579, as seen on the Statement of Cash Flows. The decrease in cash is a result of a decrease in repayments received. The State Treasurer's office credited $9,695,165 in interest to the CWSRF account. The EPA capitalization grant funds provided $49,293,000 and the State of Washington provided $6,432,300 in matching funds.

The change in loans receivable is caused by less loans being in repayment. Ecology disbursed $284,099,073 in loans during the year. Ecology received $57,556,222 in principal payments from borrowers and applied $15,272,021 in principal forgiveness during the year. Ecology paid $3,302,646 in administrative expenses to employees, vendors, and for indirect costs.

Changes in Net Position

	June 30, 2024	June 30, 2023
REVENUES		
Operating revenues:		
Loan interest income	11,714,294	13,002,365
Loan service fee	5,043,129	4,154,257
Non-operating revenues:		
Investment income	9,695,165	8,863,449
Total revenues	**26,452,588**	**26,020,071**
EXPENSES		
Operating expenses:		
Administrative expenses	3,302,646	2,243,768
Principal forgiveness	15,272,021	3,928,909
Total expenses	**18,574,667**	**6,172,677**
Income before contributions	**7,877,921**	**19,847,394**
Capital contributions:		
EPA capitalization grant	49,293,000	51,073,000
State and other contributions	6,432,300	7,119,500
Total capital contributions	**55,725,300**	**58,192,500**
Change in net position	**63,603,221**	**78,039,894**
Net position - beginning of year, as previously reported	**1,331,721,566**	**1,253,681,672**
Prior period adjustment	(7,809)	
Net position - beginning of year, as restated	1,331,713,757	1,253,681,672
Net position - end of year	**1,395,316,978**	**1,331,721,566**

Income for Fiscal Year 2024

Income before contributions of the CWSRF for SFY24 was $7,877,921, which includes $9,695,165 of investment income. Operating income or loss includes those amounts earned by the ordinary activities of the program, minus the related expenses. Ordinary activities of the program include interest earned on loans, the loan service fee, and interest earned on balances held with the State Treasurer's Office. Related expenses include salaries and benefits, supplies, travel, indirect costs, and equipment.

Net operating income increases the net position in the program. Other increases to net position include amounts received from the EPA capitalization grant and amounts contributed as grant match by the state of Washington. In 2024, the CWSRF earned $49,293,000 in federal funds and $6,432,300 in state matching funds.

State Matching Funds

For SFY 2024, state matching funds came from the State Taxable Building Construction Account. Revenue from that account comes from a combination of bond proceeds and other miscellaneous revenue. CWSRF received cash match of $6.4 million.

Economic Conditions and Outlook

Ecology continues to improve Washington State's CWSRF program through strategic planning and funding program updates to address changing economic conditions. Annually, Ecology addresses changes and updates of policies, procedures, and guidelines to ensure financial health and sustainability of the fund. They also periodically review and update program statute and rules to address emerging water quality financial assistance needs. SFY24 demand for funds continued to be higher than funds available. This demand indicates that local governments are moving forward with their infrastructure projects and points to a general improvement in the local government economic outlook after the economic downturn.

For SFY24 (FFY23) the federal capitalization grant was approximately $60.9 million (including match and supplemental funding – Bipartisan Infrastructure Law (BIL)), which was higher than the previous year. BIL authorized two new capitalization grants to fund CWSRF (CWSRF BIL Capitalization grant and the CWSRF Emerging Contaminants Capitalization grant), in addition to the regular CWSRF Base Capitalization grant. Based on the BIL authorization, Ecology anticipates an increase in federal funding through FFY26. The CWSRF Base Capitalization grant has been lower than previous years', due to the legislature taking funding off the top of the national allotment to fund Community grants (earmarks). If this trend continues after the BIL supplemental funding ends in FFY26, there may be a reduction in future capitalization grants to the SRF programs. Although capitalization grants are an important source of revenue, the CWSRF has a sound level of repayment and interest income that would sustain the revolving loan fund at a lower level. Ecology uses a cash flow model to project and predict available fund resources each funding year, with a 20-year projected outlook. This model has allowed Ecology to award additional loan funding through available cash resources and includes ongoing repayments, program income, and disbursements. Ecology accounts for possible reductions in the capitalization grant through the model.

Ecology has a well-structured loan agreement with conditions that limit risk of non-payment. To date, there have been no issues related to non-payment of a CWSRF loan in Washington State.

Conclusion

This MD&A is intended to provide a summary of the financial condition of the CWSRF loan program and should be read in conjunction with the remainder of this report. The financial statements and footnotes contained in this annual report provide a detailed analysis of the program's financial position and results of operations.

Requests for Information

The financial report is designed to provide interested parties with a general overview of the CWSRF program finances. For questions, concerning the information provided in this report or requests for additional information should contact Jeff Nejedly, Financial Management Section Manager, Department of Ecology, Water Quality Program, at jeffrey.nejedly@ecy.wa.gov or (360) 407-6572.

WASHINGTON STATE DEPARTMENT OF ECOLOGY
CWSRF PROGRAM
Statement of Net Position
June 30, 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2024
ASSETS	
Current Assets:	
Cash and cash equivalents	$221,372,599
Receivables:	
Due from other state funds	722,695
Loans receivable	64,456,817
Total current assets	**286,552,111**
Noncurrent Assets:	
Loans receivable	1,116,826,454
Net pension asset	534,377
Total noncurrent assets	**1,117,360,831**
Total Assets	**1,403,912,942**
DEFERRED OUTFLOWS OF RESOURCES	
Resources for pensions	746,084
Resources for OPEB	334,472
Total deferred outflows of resources	**1,080,556**
Total Assets and Deferred Outflows of Resources	**1,404,993,498**
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued expenses	94,984
Due to other state funds	150,424
Total OPEB Liability	11,076
Total current liabilities	**256,484**
Noncurrent Liabilities:	
Unearned revenue	7,653,535
Net pension liability	275,669
Total OPEB liability	428,446
Total noncurrent liabilities	**8,357,650**
Total Liabilities	**8,614,134**
DEFERRED INFLOWS OF RESOURCES	
Resources for pensions	580,950
Resources for OPEB	481,436
Total deferred inflows of resources	**1,062,386**
NET POSITION	
Unrestricted	1,395,131,024
Restricted for pension	185,954
Total net position	**1,395,316,978**
Total Liabilities, Deferred Inflows of Resources, and Net Position	**1,404,993,498**

The accompanying notes are an integral part of the financial statements

WASHINGTON STATE DEPARTMENT OF ECOLOGY
CWSRF PROGRAM
Statement of Revenues, Expenses, and Changes in Net Position
for the year ended June 30, 2024

OPERATING REVENUE	**2024**
Loan interest income	11,714,294
Loan service fee	5,043,129
Total operating revenue	**16,757,423**
OPERATING EXPENSES	
Personnel services	2,652,360
Other expenses	650,286
Loan forgiveness	15,272,021
Total operating expenses	**18,574,667**
NET OPERATING INCOME (LOSS)	**(1,817,244)**
NONOPERATING REVENUE (EXPENSE)	
Net investment income	9,695,165
Total nonoperating revenue (expense)	**9,695,165**
INCOME BEFORE CONTRIBUTIONS	**7,877,921**
CONTRIBUTIONS	
EPA capitalization grant	49,293,000
State match revenue	6,432,300
Total contributions	**55,725,300**
CHANGE IN NET POSITION	**63,603,221**
NET POSITION - BEGINNING OF YEAR, as previously reported	1,331,721,566
Prior period adjustment	(7,809)
NET POSITION-Beginning of year, as restated	**1,331,713,757**
NET POSITION - END OF YEAR	**1,395,316,978**

The accompanying notes are an integral part of the financial statements

WASHINGTON STATE DEPARTMENT OF ECOLOGY
CWSRF PROGRAM
Statement of Cash Flows
for the year ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	**2024**
Cash paid to employees and vendors	(3,422,616)
Cash received from interest on loans	11,714,294
Loan service fee	5,043,129
Loans disbursed	(284,099,073)
Principal received on loans receivable	57,556,222
Net Cash flows provided (required) by operating activities	**(213,208,044)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Funds received from EPA	49,293,000
Funds received from the state of Washington	6,432,300
Net Cash flows provided (Required) by noncapital operating activities	**55,725,300**
CASH FLOWS FROM INVESTING ACTIVITIES	
Net investment income received	9,695,165
Net Cash provided (required) by investing activities	**9,695,165**
NET INCREASE IN CASH AND CASH EQUIVALENTS	(147,787,579)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	369,160,178
CASH AND CASH EQUIVALENTS - END OF YEAR	**221,372,599**
Reconciliation of operating income to net cash required by operating activities	
Income from operations	(1,817,244)
Changes In Assets: Decrease (Increase)	
Loans receivable	(214,514,935)
Due from other state funds	296,505
Change in Deferred Outflows of Resources: (Increase) Decrease	(367,947)
Changes In Liabilities: Increase (Decrease)	
Accounts payable and accrued expenses	(240,126)
Due to other state funds	(47,024)
Pension & OPEB liabilities	164,406
Unavailable revenue	3,244,104
Change in Deferred Inflows of Resources: Decrease (Increase)	74,217
Net cash provided (required) by operating activities	**(213,208,044)**

The accompanying notes are an integral part of the financial statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

Washington's Water Pollution Control Revolving Account (The Account) was established pursuant to Title VI of the Federal Water Quality Act of 1987 (the Act) and RCW 90.50A.020. The Act established the Clean Water State Revolving Fund (CWSRF-Loan Activities) program to replace the construction grants program. The Washington State Department of Ecology (Ecology) has exclusive responsibility for management of the CWSRF, per the Operating Agreement between the U.S. Environmental Protection Agency (EPA), Region 10, and Ecology. The accompanying financial statements are for the CWSRF and the Account, neither of which are legally separate entities.

The Water Pollution Control Revolving Admin (WPCRA-Program Activities) account was established in 2013. This account was funded from an administrative charge of 1% charged on the declining principal of loans that went into repayment after the new rule was effective December 21, 2013. Ecology reduced the rate to 0.3 percent on FY21 and future loans. Once loans charged 1% are repaid, projection shows that 0.3 percent bring in revenue closer to the amount needed for administrative costs. This account is for program administrative activities to manage the CWSRF.

Operation of the CWSRF and the Account

The CWSRF provides loans at reduced interest rates to finance qualified projects for the construction of publicly owned water pollution control facilities, non-point source pollution control projects, and the development and implementation of estuary conservation and management plans. Loans made by the Account must be repaid within 30 years. All repayments, including interest and principal, must be credited to the Account.

States are required to provide an additional 20 percent of the Federal capitalization grant amount as matching funds in order to receive the grant from EPA. The State has been awarded $824,157,560 in capitalization grants from 1989 through June 30, 2024. The State match share for that awarded amount is $164,832,627.

States are required to provide an additional 10 percent of the Federal Bipartisan Infrastructure Law (BIL) grant amount as matching funds in order to receive the grant from EPA. The State has been awarded $67,199,000 in BIL grants from 2023 through June 30, 2024. The State match share for that awarded amount is $6,719,900.

States are not required to provide additional match for the Federal Emerging Contaminants (EC) grant in order to receive the grant from EPA. The State has been awarded $5,324,000 in EC grants through June 30, 2024.

The Account is administered by the Ecology through the Water Quality Program (WQP). The WQP's primary responsibilities for the CWSRF includes obtaining capitalization grants from EPA, soliciting potential interested parties, negotiating loan agreements with local communities, reviewing and approving payment requests from loan recipients, managing the loan repayments, and conducting inspection and engineering reviews to ensure compliance with all applicable laws, regulations, and program requirements.

The Account does not have any full-time employees. Ecology employees charge the Account for actual time worked on CWSRF activities. The charges include the salaries and benefits of the employees as well as indirect costs allocated to the Account based on direct salary and benefit costs. Employees charging time to the Account are covered by the benefits available to Washington State Employees.

Basis of Accounting

The Account follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

The financial statements for the Account are presented as enterprise funds and are reported using the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recorded as earned and expenses are recorded when the liability is incurred. The enterprise fund is used since the Account’s powers are related to those operated in a manner similar to a for profit business where an increase in net position is an appropriate determination of accountability. The Account is included in the State’s basic financial statements as a special revenue account, which uses the modified accrual basis of accounting. Due to differences in reporting methods, there may be differences between the amounts reported in these financial statements and the basic financial statements.

Implementation of New Standards

For the years ended June 30, 2024, the following GASB standards were adopted, which did not have material impact on the Account’s financial statements:

- GASB 100 is to improve the reporting requirements for accounting changes and error corrections with the goal of providing clearer and more reliable information to better inform an organization's decision making while providing clarity to the users of financial statements.

For FY24, Ecology had an immaterial prior period adjustment from PERS 1, PERS2/3, and OPEB in the amount of $(7,809).

Cash and Cash Equivalents

All monies of the Account are deposited with the State Treasurer's Office and considered cash. According to State law, the Treasurer is responsible for maintaining the cash balances and investing excess cash of the Account. Consequently, Ecology staff that provide management of the Account do not have control over the investment of the excess cash. The statement of cash flows considers all funds deposited with the Treasurer to be cash or cash equivalents, regardless of actual maturities of the underlying investments.

Loans Receivable

Ecology operates the Account as a direct loan program, which makes loans to communities through funding by the Federal capitalization grant for 83.3 percent of the loan amount, and funding by State matching for 16.7 percent of the loan amount. Loan funds are disbursed to local entities after they expend funds for the purposes of the loan and then request reimbursement from the Account. Interest is calculated from the date the state warrant is mailed, or the Electronic Fund Transfer settlement date. After the final disbursement, the loan amount and repayment schedule are adjusted for actual funds disbursed and interest accrued during the project period. No provision for uncollectible accounts has been made as management believes that all loans will be repaid according to the loan terms.

Loan Forgiveness

During the June 30, 2012, fiscal year, the federal Appropriations Act of 2011 was passed by Congress. This Act authorized some of the same requirements that were introduced in the American Recovery and Reinvestment Act of 2010. One of these requirements is forgivable principal hardship loans. The maximum forgivable loan amount for each hardship recipient is $5 million. Ecology disbursed $15,272,021 as hardship in forgivable loans during the years ended June 30, 2024, which is recognized when disbursement is made on approved projects.

Operating Revenues and Expenses

The Account distinguishes between operating revenues and expenses and non-operating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from carrying out the purpose of the Account of providing low interest loans to communities and providing assistance for prevention programs and administration. Operating revenues consist of loan interest repayments from borrowers. Operating expenses include direct salary costs and benefits expenses and allocated indirect costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

In accordance with generally accepted accounting principles (GAAP), funds received from EPA and Washington State for the capitalization of the Account are recorded as funds from EPA and the state of Washington, as discussed in Note 4.

When both restricted and unrestricted resources are available for use, it is the Account's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes during the reporting period. Actual results could differ from those estimates.

Note 2: Deposits and Investments

All monies of the Account are deposited with the State Treasurer's Office (OST) as part of the State's Treasury/Trust Portfolio and are considered cash equivalents. The Treasurer is responsible for maintaining and investing the pooled cash balances in accordance with State laws. The Treasurer is required to maintain a mix of investment portfolios to allow funds to be withdrawn at any time to meet normal operating needs without prior notice or penalty. The Account's proportionate share of the investment income, based on the average daily balance for the period, is credited to the Account monthly. The Treasurer charges the Account 0.02 of one percent of the average daily balance for administration costs. As of June 30, 2024, total Treasurer's invested balance of the Treasury/Trust Fund Portfolio was $19.4 billion. Details of the investments can be obtained from the State Treasurer's Office.

The OST reports investments held for U.S. government and agency debt securities at fair value. OST categorizes the fair value measurements of these investments within the fair value hierarchy established by generally accepted accounting principles as Level 2 investments, as they are valued using observable inputs including quoted prices for similar securities and interest rates. All other investments are reported at amortized cost.

The necessary disclosures for the State's pooled investment program are included in the Annual Comprehensive Financial Report of the State of Washington.

	Carrying Amount	Market Value
Treasury/Trust Portfolio June 30, 2024	$221,372,599	$221,372,599

In accordance with the State investment policies, the State Treasurer participates in securities lending transactions. The securities lending balances relating to investment securities, owned by CWSRF, and deposited into the OST, are shown on the following table:

	2024
CWSRF Securities on loan:	
Fair Value	13,280,234.95
*Cash Collateral held by CWSRF:	
Fair Value	-
Reported Value	-
OST Securities on loan:	
Fair Value	1,173,964,520.39
Cash Collateral held by OST:	
Fair Value	-
Reported Value	-

Revised Code of Washington (RCW) 43.84.080, contract dated March 1, 2024, between the OST and Northern Trust Company that runs through September 30,2027. There were no violations of legal or contractual provisions.

The OST lending agent lends US Treasury securities, US Agency securities, Corporate Notes, and Supranational securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent. The cash is invested by the lending agent in repurchase agreements and deposit accounts or money market instruments, in accordance with investment guidelines. The securities held as collateral, and the securities underlying the cash collateral are held by the custodian. The contract with the lending agent requires them to indemnify the OST if the borrowers fail to return the securities (and if collateral is inadequate to replace the securities lent) or if the borrower fails to pay the OST for income distribution by the securities' issuers while the securities are on loan. The OST cannot pledge or sell collateral securities received unless the borrower defaults.

As of June 30, 2024, investment portfolio activity for the treasurer and treasurer trust account which include SRF fund securities on loan totaled $221,372,599 book value and $1,173,964,520 fair value.

On June 30, 2024, the average life of both the loans and the investment of cash received as collateral was one day.

The investment policy requires that any securities on loans be made available by the lending agent for next day liquidity at the option of the OST. During fiscal year 2024, the OST had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the OST.

There were no losses resulting from a default of a borrower or lending agent during the year.

Note 3: Loans Receivable

The Account makes loans to qualified entities for projects that meet the eligibility requirements of The Act. Loans are financed by capitalization grants, state matches, and revolving funds. Interest rates for SFY 2024 were established at 0.5 percent for a five year-term, 1.1 percent for loans with more than a five-year term, but no more than 20 years, and 1.4 percent for loans with no more than 30 years. The Account also makes hardship loans with a variable interest rate, as low as zero, to communities that can demonstrate financial hardship on residential ratepayers in the form of sewer user fees. Loan repayments are required to start one year after initiation of operations or project completion, whichever occurs first.

As of June 30, 2024, the Account had total new binding commitments of $235,148,740, which meets the program requirement of committing 120% of the federal grant payment within one year following receipt. Federal funds awarded to date including ARRA Federal funds is $964,832,460 as of June 30, 2024. Loan obligations as of June 30, 2024, which include state matching requirements and principal and interest collected from repayment, were $2,892,035,436.

Loans by Category

Fiscal Year 2024	Loans Authorized	Remaining Commitment	Outstanding Balance
Completed projects	1,308,231,504	514,013,397	794,218,106
Projects in progress	826,387,186	439,322,022	387,065,164
Total			1,181,283,270
Payment request in progress			0
(Received as of June 30, 2024, but not yet paid)			
Less amount due in one year			64,456,816
Loans receivable, June 30, 2024			1,116,826,454
(Net of current maturities)			

Loans mature at various intervals. The scheduled minimum repayments on completely disbursed loans in subsequent years are as follows:

Year Ending June 30	Interest	Principal	Total
2025	15,943,249.54	61,202,321.85	77,145,571.39
2026	19,296,184.78	70,467,330.06	89,763,514.84
2027	22,225,205.21	82,419,705.16	104,644,910.37
2028	21,144,942.55	80,809,270.72	101,954,213.27
2029	19,789,086.03	76,619,688.64	96,408,774.67
2030-2034	79,194,202.22	360,052,091.98	439,246,294.20
2035-2039	49,774,290.37	321,743,473.62	371,517,763.99
2040-2044	28,260,407.08	237,451,766.96	265,712,174.04
2045-2070	19,694,403.01	238,674,520.77	258,368,923.78
Total	275,321,970.79	1,529,440,169.76	1,804,762,140.55
*Less adjustment for static report		(735,222,063.06)	
Loans not yet in repayment		387,065,164.26	
Total loans receivable		1,181,283,270.96	

*Report does not account for extra payments, early payments, etc.

Loans to Major Local Entities

As of June 30, 2024, the Account made loans to the following major local entities. The aggregate outstanding balance for each of these entities exceeds 5 percent of total loans receivable. The combined outstanding balances of these loans on June 30, 2024, is $634,704,972 and represents approximately 54.0 percent of the total loans receivable of $1,181,283,270 and are as follows:

2024

Borrower	Authorized Loan Amount	Outstanding Loan Balance
King County Dept of Natural Resources	384,645,846.10	286,626,544.89
City of Seattle	199,970,362.61	178,935,354.09
City of Spokane	124,203,966.00	89,650,414.60
City of Oak Harbor	100,520,835.37	79,492,658.34
Total	**809,341,010.08**	**634,704,971.92**

The loan amount at completion may not agree with the authorized loan amount plus capitalized project period interest. Communities may elect to pay capitalized project period interest separately or add the amount to the final loan amount. Further, the authorized loan amount is based on estimates, and final project costs may be different than estimated.

Note 4: Capital Contributions

The Account is funded by grants from EPA authorized by the Clean Water Act and by matching funds from the State. All funds drawn are recorded as non-operating revenue from the EPA and Washington State. Since 1989, EPA has awarded a total of approximately $964,832,460 in grants to the State, of which approximately $959,508,460 has been drawn for loans and administrative expenses. The State has provided a total of approximately $171,552,527 in matching funds for that total drawn amount. The following summarizes the grants awarded; amounts drawn on each grant as of the balance sheet date and balances available for future loans: (Figures are expressed in thousands).

Year	Grant Award	Funds Drawn as of June 30, 2023 & Prior	Funds Drawn during year ended June 30, 2024	Funds Drawn as of June 30, 2024	Available for Loans or Admin as of June 30, 2024
1989-2009	476,311	476,311		476,311	
2010-2019	259,413	259,413		259,413	
2020	27,635	27,635		27,635	
2021	27,631	27,631		27,631	
2022	20,122	20,122		20,122	
2023	13,045		13,045	13,045	
Total	824,157	811,112	13,045	824,157	0
2022-BIL	30,951	30,951		30,951	
2023-BIL	36,248		36,248	36,248	
Total	67,199	30,951	36,248	67,199	0
2023-EC	5,324	0	0	0	5,324
Total	5,324	0	0	0	5,324
2008-ARRA	68,152	68,152	0	68,152	
Total	68,152	68,152	0	68,152	0
Grand Total	**$964,832**	**$910,215**	**$49,293**	**$959,508**	**$5,324**

	State match applied as of June 30, 2023 & Prior	State Match applied during year ended June 30, 2024	State Match applied as of June 30. 2024
State Disbursed	$165,319	$6,234	$171,553
		Drawn	State Match

The 2008-ARRA grant was fully expended during the year ending June 30, 2024. Of the $68,151,900 expended, $40,123,209 was used for principal forgiveness.

Administrative Fund

In July 2013, legislation in the state of Washington became effective which allows CWSRF program to collect a service charge on loans which will be used for administrative costs. This is the Water Pollution Control Revolving Admin (WPCRA) account. Revenue collected and expenses incurred for the administrative fund are as follows:

	June 30, 2024
Administrative fee collected	5,043,129
Interest on admin fee collected	143,774
Net Administrative Revenue	5,186,903
Operating expenses incurred	(3,253,449)

Note 5: Contingencies

Contingencies

The Account is exposed to various risks of loss, related to torts, thefts of assets, errors or omissions, injuries to state employees while performing Account business, or acts of God. The state of Washington operates a self-insurance liability program pursuant to RCW 4.92.130. The Account maintains insurance for all risks of loss, which is included in the indirect costs allocated to the Account. There have not been any claims against the Account since its inception in 1989. Refer to the State's Risk Management disclosure in the June 30, 2024, Annual Comprehensive Financial Reports.

Note 6: Retirement Plans

Clean Water State Revolving Program employees participate in the Washington State Public Employees' Retirement System (PERS) administered by the Department of Retirement Systems (DRS).

The table below shows the net pension liability, deferred outflows of resources, and deferred inflows of resources reported on June 30, 2024, for the Clean Water State Revolving Program's proportionate share of the liabilities for the PERS 2/3 and PERS 1 Plans. Additional detail is provided later in this note.

Clean Water State Revolving Program Proportionate Share
June 30, 2024

Plan	Net Pension Asset	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS 2/3	534,377	0	672,420	549,853
PERS 1	0	275,669	73,664	31,097

DRS prepares a stand-alone financial report of the retirement plans that is compliant with the requirements of GASB Statement No. 67. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, P.O. Box 48380, Olympia, Washington 98504-8380 or online at DRS Annual Financial Reports.

Note 6.A: Public Employees' Retirement System

Plan Descriptions

The Legislature established the PERS in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes elected officials; state employees; employees of the Supreme Court, Court of Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college, and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS 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 combination defined benefit/defined contribution plan. 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 a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by February 28, 2002, for state and higher education employees, are Plan 2 members, unless they exercised an option to transfer their membership to Plan 3.

PERS participants joining the system on or after March 1, 2002, have the irrevocable option of choosing membership in either Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 2.

Benefits Provided

PERS plans provide retirement, disability, and death benefits to eligible members.
Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement 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. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, capped at 60 percent. The AFC is the average of the member's 24 highest consecutive service months.

Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Plan 1 members may elect to receive an optional cost of living allowance

(COLA) that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months. Plan 2 members have the option to retire early with reduced benefits.

Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44. The defined benefit portion of Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. There is no cap on years of service credit. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months. Plan 3 members have the option to retire early with reduced benefits.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

Contributions

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Plan 1 member contribution rates are established in statute. The Office of the State Actuary (OSA) develop contributions for Plan 2/3 employer and employee contribution rates to fully fund Plan 2 and the defined benefit portion of Plan 3. The contribution rate for Plan 2 state agency employees on June 30, 2024, was 6.36 percent of the employee's annual covered salary.

Each biennium, the state Pension Funding Council adopts employer contribution rates for Plan 1 and Plan 3, and for employer and employee contribution rates for Plan 2.

The methods used to determine contribution requirements are established under statute and are subject to change by the Legislature.

Upon separation from covered employment, members can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit.
The employer contribution rate for the Clean Water State Revolving Program at the close of fiscal year 2024 for each of Plans 1, 2, and 3 was 9.53 percent.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2022, with the results rolled forward to June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25%
Investment rate of return	7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates which vary by member status (e.g., active, retiree, or survivor), as the base table. The Office of the State Actuary (OSA) applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

The actuarial assumptions used in the June 30, 2022, valuation was based on the results of the 2013-2018 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.

The 7.00 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense but including inflation) are developed for each major asset class by the WSIB. Refer to the 2021 Report on Financial Condition and Economic Experience Study located on the OSA website for additional information and background on the development of the long-term rate of return assumption.

The WSIB’s Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets in which the WSIB currently invests:

- 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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	1.5%
Tangible assets	7%	4.7%
Real estate	18%	5.4%
Global equity	32%	5.9%
Private equity	23%	8.9%
Total	100%	

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

Discount Rate

The discount rate of 7.00 percent was also used for the prior measurement date. 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 those assumptions in OSA's Certification Letter, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.00 percent on pension plan investments was applied to determine the total pension liability.

The following presents the net pension liability/(asset) of the employers, calculated using the discount rate of 7.00 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

Employers' Proportionate Share of Net Pension Liability/(Asset)

	PERS 2/3	PERS 1
1% Decrease	581	385,131
Current Discount Rate	(534,377)	275,669
1% Increase	(1,450,894)	180,135

Net Pension Asset/Liability

On June 30, 2024, the Clean Water State Revolving Program reported an asset of $534,377 for PERS 2/3 and a liability of $275,669 for PERS 1, for its proportionate share of the collective net pension. The Clean Water State Revolving Program's proportion for PERS 2/3 was .026 percent, and increase of .011 percent, and PERS 1 was .28 percent, an increase of .13 percent, since the prior reporting period, the proportions are based on the Clean Water State Revolving Program's contributions to the pension plan relative to the contributions of all participating employers.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended June 30, 2024, a pension expense of $(185,954) for PERS 2/3, and $71,706 for PERS 1, was recognized.

On June 30, 2024, PERS 2/3 and PERS 1 reported deferred outflows and inflows of resources related to pensions from the following sources:

Deferred Outflows and Inflows of Resources
June 30, 2024

	PERS 2/3		PERS 1	
	Outflows	**Inflows**	**Outflows**	**Inflows**
Difference between expected and actual experience	108,852	5,971		
Changes in assumptions	224,350	48,899		
Net difference between projected and actual earnings on pension plan investments		201,386		31,097
Changes in proportionate share of contributions	207,002	293,597		
Contributions subsequent to measurement date	132,215		73,664	
Total	672,419	549,853	73,664	31,097

Pension contributions made subsequent to the measurement date for PERS 2/3 and PERS 1, were reported as deferred outflows of resources on June 30, 2024, and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2025.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Net Deferred Outflows and (Inflows) of Resources
Fiscal Year ended June 30, 2024

Year	PERS 2/3	PERS 1
2025	(111,393)	(21,157)
2026	(118,642)	(26,607)
2027	147,715	16,405
2028	52,583	262
2029	47,276	-
Thereafter	(27,188)	-

Note 7: Other Postemployment Benefits

The Clean Water State Revolving Program is administered by Department of Ecology, an agency of the state of Washington and part of the primary government. Employees of the Clean Water State Revolving Program are eligible to participate in the state of Washington's defined benefit Other Postemployment Benefit (OPEB) plan, a single employer defined benefit plan, as administered by the state through the Washington State Health Care Authority (HCA).

Plan Description and Funding Policy

Per RCW 41.05.065, the Public Employees Benefits Board (PEBB) created within the HCA is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

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

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported in governmental funds using the modified accrual basis and the current financial resources measurement focus. For all proprietary and fiduciary funds, the OPEB plan is reported using the economic resources measurement focus and the accrual basis of accounting. It has no assets and does not issue a publicly available financial report.

The PEBB retiree OPEB plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums under the provisions of the retirement system to which they belong. Retirees' access to PEBB plans depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: Public Employees' Retirement System, Public Safety Employees' Retirement System, Teachers' Retirement System, School Employees' Retirement System, Washington State Patrol Retirement System, Higher Education, Judicial, and LEOFF 2. However, not all employees who participate in these plans offer PEBB to retirees.

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claim costs and the premium. In calendar year 2023, the average weighted implicit subsidy was valued at $420 per adult unit. In calendar year 2024, the average weighted implicit subsidy is projected to be $445 per adult unit per month.

Retirees enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the Legislature. In calendar year 2024, the explicit subsidy was up to $183 per member per month and it will remain $183 per member per month in calendar year 2025.

Administrative costs, as well as implicit and explicit subsidies are funded by required contributions (RCW 41.05.050) from participating employers. The subsidies provide monetary assistance for medical benefits.

Contributions are set each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis.

For information on the results of the most recent actuarial valuation for the OPEB plan, refer to the Washington State Legislature OPEB valuations.

Total OPEB Liability

As of June 30, 2024, the Clean Water State Revolving Program reported a total OPEB liability of $439,522. Changes in Total OPEB Liability

The following table shows changes in the Clean Water State Revolving Program's total OPEB liability.

Changes to Total OPEB Liability
for Year Ending June 30, 2024

	Ecology
Total OPEB Liability-Beginning	389,005
Changes for the year:	
Service cost	15,398
Interest cost	15,467
Difference between Expected and Actual	0
Changes of assumptions*	(7,438)
Benefit payments	(10,774)
Changes in proportionate share	37,864
Other	0
Net Change in Total OPEB Liability	50,517
Total OPEB Liability-Ending	439,522

*The recognition period for these changes is nine years. This is equal to the average expected remaining service live of all active and inactive members.
Note: Figures may not total due to rounding

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan, (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation, the historical pattern of sharing of benefit costs between the employer provided at the time of each valuation, and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Inflation rate	2.35%
Projected salary changes	3.25% plus service-based salary increases
Healthcare trend rates	*Initial trend rate ranges from 2-11%, reaching an ultimate rate of approximately 3.8% in 2080*
Post-retirement participation percentage	60.0%
Percentage with spouse coverage	45.0%

Based on trend assumptions, no change in the explicit subsidy cap of $183 per month is expected through the end of calendar year 2025. The Legislature determines the value of the cap, and no future increases are guaranteed, however, based on historical growth patterns, future increases to the cap are assumed.

Sensitivity of the Healthcare Cost Trend Rate

	Ecology
1% Decrease	369,334
Current Discount Rate	439,522
1% Increase	529,866

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates which vary by member status (e.g., active, retiree, or survivor), as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year, throughout their lifetime.

Most demographic actuarial assumptions, including mortality, and when members are expected to terminate and retire, were based on the results of the 2023 PEBB OPEB Demographic Experience Study Report. The post-retirement participation percentage and percentage with spouse coverage were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2021 Economic Experience Study.

Actuarial Assumptions

The total OPEB liability was determined using the following methodologies:

Actuarial Valuation Date	6/30/2022
Actuarial Measurement Date	6/30/2023
Actuarial Cost Method	Entry Age
Amortization Method	9 years
Asset Valuation Method	N/A – No Assets

C

Discount Rate

Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.54 percent for the June 30, 2022, measurement date and 3.65 percent for the June 30, 2023, measurement date.

The following represents the Clean Water State Revolving Program's proportionate share of the total OPEB liability, calculated using the discount rate of 3.65 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.65 percent) or one percentage point higher (4.65 percent) than the current rate.

Sensitivity of the Discount Rate OPEB Liability

	Ecology
1% Decrease	514,273
Current Discount Rate	439,522
1% Increase	379,397

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

The following table shows components of the Clean Water State Revolving Program's allocated annual OPEB costs for fiscal year ending June 30, 2024. The Clean Water State Revolving Program's will recognize OPEB expense of $(15,074).

Proportionate Share of OPEB Expense

	Ecology
Current year allocated Costs:	
Service cost	15,398
Interest cost	15,467
Amortization of Differences between Expected and Actual	257
Amortization of changes of assumptions	(47,140)
Amortization of changes in proportion	12,020
Transactions subsequent to the measurement date	(11,076)
Other Changes in Fiduciary Net Position	0
Total OPEB Expense	(15,074)

*The changes in proportionate share were not included in the OPEB expense amount booked as it was not completed until after the Office of the State Actuary's (OSA) valuation.

For fiscal year ending June 30, 2024, Ecology reported its proportionate share of the state reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

OPEB Expense, Deferred Outflows and Inflows of Resources

	Outflows	Inflows
Difference between expected and actual experience	6,674	13,052
Changes of assumptions	28,560	263,338
Transactions subsequent to the measurement date	11,076	
Changes in Proportion	288,162	205,046
Totals	334,472	481,436

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2025.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future OPEB expense in the fiscal years ended June 30 as follows:

Net Deferred Outflows and (Inflows) of Resources

Subsequent Years	Ecology
2025	(34,863)
2026	(34,866)
2027	(25,110)
2028	(17,565)
2029	(17,470)
Thereafter	(28,166)

CWSRF is reporting a portion of the state's OPEB plan, and the total number of employees covered by the benefit terms is available in the state's ACFR.

A complete description of the funded status and actuarial assumptions of the state of Washington's OPEB plan is included in the Annual Comprehensive Financial Report for the state of Washington. A copy of this report may be obtained by contacting the Statewide Accounting Division of the Office of Financial Management at P.O. Box 43127, Olympia, Washington 98504-3127, or online at Office of Financial Management Annual Comprehensive Financial Report.

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedule of the CWSRF's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 2/3
Measurement Date of June 30*

	2023	2022	2021	2020	2019	2018	2017
PERS Plan 2/3 employers' proportion of the net pension liability/(asset)	0.03%	0.01%	0.03%	0.01%	0.03%	0.02%	0.03%
PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	(534,377)	(283,568)	(1,455,216)	94,268	149,326	140,143	514,378
PERS Plan 2/3 covered payroll	1,054,342	1,812,741	896,366	1,796,898	890,443	1,544,694	1,453,653
PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	-50.68	-15.64%	-162.35%	5.25%	16.77%	9.07%	35.39%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%

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

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 2/3
Fiscal Year Ended June 30*

	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contributions	130,727	67,385	116,770	70,739	141,857	67,154	114,728
Contributions in relation to the contractually required contributions	130,727	67,385	116,770	70,739	141,857	67,154	114,728
Contribution deficiency (excess)	0	0	0	0	0	0	0
Covered payroll	1,984,041	1,033,939	1,785,361	896,366	1,796,898	890,443	1,544,694
Contributions as a percentage of covered payroll	6.59%	6.52%	6.54%	7.89%	7.89%	7.54%	7.43%

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

WASHINGTON STATE DEPARTMENT OF ECOLOGY
CWSRF PROGRAM
Required Supplementary Information for fiscal year 2024

Schedule of the CWSRF's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 1
Measurement Date of June 30*

	2023	2022	2021	2020
PERS Plan 1 employers' proportion of the net pension liability/(asset)	0.03%	0.01%	0.03%	0.01%
PERS Plan 1 employers' proportionate share of the net pension liability/(asset)	275,674	176,101	150,912	216,401
PERS Plan 1 covered payroll	3,268	7,631	5,117	13,366
PERS Plan 2/3 covered payroll	1,054,342	1,812,741	896,366	1,796,898
Covered Payroll	1,057,610	1,820,372	901,483	1,810,264
PERS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	26.07	9.67%	16.74%	11.95%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	80.16	76.56%	88.74%	68.64%

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

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 1
Fiscal Year Ended June 30*

	2024	2023	2022	2021
Contractually Required Contributions	39,081	43,593	73,686	47,054
Employer contributions related to covered payroll of employees participating in PERS Plan 1	242	329	792	665
Employer UAAL Contributions related to covered payroll of employees participating in PERS Plan 2/3	38,839	43,264	72,894	46,390
Contributions in relation to the contractually required contributions	39,081	43,593	73,686	47,054
Contribution deficiency (excess)	0	0	0	0
Covered payroll of employees participating in PERS Plan 1	4,876	3,268	7,631	5,117
Covered payroll of employees participating in PERS Plan 2/3	1,984,041	1,054,342	1,812,741	896,366
Covered Payroll	1,988,917	1,057,610	1,820,372	901,483
Contributions as a percentage of covered-employee payroll	1.96%	4. 12%	4.05%	5.22%

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

OTHER POSTEMPLOYMENT BENEFITS INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios
As of the Measurement Date June 30*

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service cost	15,398	28,697	27,622	21,163	20,500	29,533	33,611
Interest	15,467	13,315	11,938	17,704	17,782	20,304	15,743
Changes in benefit terms	0	0	0	0	0	0	0
Difference between expected and actual experience	0	(13,186)	0	(2,713)	0	18,533	0
Changes in assumptions	(7,438)	(222,637)	5,101	11,476	33,115	(129,292)	(76,797)
Benefit payments	(10,744)	(9,783)	(9,095)	(8,429)	(8,134)	(8,575)	(8,024)
Other	37,864	39,942	7,092	(35,484)	(29,349)	46,089	2,949
Net Changes in Total OPEB Liability	50,517	(163,652)	42,658	3,717	33,914	(23,408)	(32,518)
Total OPEB Liability - Beginning	389,005	552,657	510,000	506,282	472,368	495,775	528,293
Total OPEB Liability - Ending	439,522	389,005	552,658	509,999	506,282	472,367	495,775
Covered payroll	1,045,645	867,613	816,406	782,048	760,902	781,443	670,419
Total OPEB liability as a percentage of covered payroll	42.05%	44.85%	67.71%	65.23%	66.55%	60.53%	73.95%

*The recognition period for these changes is nine years. This is equal to the average expected remaining service live of all active and inactive members.

Note: Figures may not total due to rounding

PENSION PLAN INFORMATION

Notes to Required Supplementary Information

Methods and assumptions used in calculations of Actuarially Determined Contributions (ADC) for PERS, TRS, LEOFF, and WSPRS.

The Office of the State Actuary (OSA) calculates the ADC based on the results of an actuarial valuation consistent with the state's funding policy defined under chapter 41.45 of the Revised Code of Washington (RCW). Consistent with the state's contribution rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. The actuarial valuation with a June 30, 2019, valuation date, completed in the fall of 2020, plus any supplemental contribution rates from the preceding legislative session, determined the ADC for the period beginning July 1, 2021, and ending June 30, 2023.

Methods and assumptions used in calculations of the ADC for JRS and Judges.

The OSA calculates the ADC based on the results of an actuarial valuation and sets the ADC equal to the expected benefit payments from the plan. Consistent with the state's funding policy defined under RCWs 2.10.90 and 2.12.60, the Legislature makes biennial appropriations to ensure the fund is solvent to make the necessary benefit payments.

OSA calculates the ADC consistent with the methods described above. Adopted contribution rates may be different pending the actions of the governing bodies.

Notes to Required Supplementary Information

The Public Employee's Benefits Board OPEB plan does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis. Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, salary projections, and participation percentages.

SI
Supplementary Information

WASHINGTON STATE DEPARTMENT OF ECOLOGY
CWSRF PROGRAM
Supplementary Information for fiscal year 2024

Comparative Activity of Net Position as of June 30, 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2024	2023
ASSETS		
Current Assets:		
Cash and cash equivalents	$221,372,599	$369,160,178
Receivables:		
Due from other state funds	722,695	1,019,200
Loans receivable	64,456,817	60,577,677
Total current assets	**286,552,111**	**430,757,055**
Noncurrent Assets:		
Loans receivable	1,116,826,454	906,190,659
Net pension asset	534,377	107,467
Total noncurrent assets	**1,117,360,831**	**906,298,126**
Total Assets	**1,403,912,942**	**1,337,055,181**
DEFERRED OUTFLOWS OF RESOURCES		
Resources for pensions	746,084	643,000
Resources for OPEB	334,472	320,418
Total deferred outflows of resources	**1,080,556**	**963,418**
Total Assets and Deferred Outflows of Resources	**1,404,993,498**	**1,338,018,599**
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	94,984	335,110
Due to other state funds	150,424	197,448
Total OPEB liability	11,076	9,259
Total current liabilities	**256,484**	**541,817**
Noncurrent Liabilities:		
Unearned revenue	7,653,535	4,409,431
Net pension liability	275,669	
Total OPEB liability	428,446	357,616
Total noncurrent liabilities	**8,357,650**	**4,767,047**
Total Liabilities	**8,614,134**	**5,308,864**
DEFERRED INFLOWS OF RESOURCES		
Resources for pensions	580,950	436,585
Resources for OPEB	481,436	551,584
Total deferred inflows of resources	**1,062,386**	**988,169**
NET POSITION		
Unrestricted	1,395,131,024	1,331,602,525
Restricted for pension	185,954	119,041
Total net position	**1,395,316,978**	**1,331,721,566**
Total Liabilities, Deferred Inflows of Resources, and Net Position	**1,404,993,498**	**1,338,018,599**

WASHINGTON STATE DEPARTMENT OF ECOLOGY
CWSRF PROGRAM
Supplementary Information for fiscal year 2024

Comparative Activity of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2024

OPERATING REVENUE	2024	2023
Loan interest income	11,714,294	13,002,365
Loan service fee	5,043,129	4,154,257
Total operating revenue	**16,757,423**	**17,156,622**
OPERATING EXPENSES		
Personnel services	2,652,360	1,751,905
Other expenses	650,286	491,863
Loan forgiveness	15,272,021	3,928,909
Total operating expenses	**18,574,667**	**6,172,677**
NET OPERATING INCOME (LOSS)	**(1,817,244)**	**10,983,945**
NONOPERATING REVENUE (EXPENSE)		
Net investment income	9,695,165	8,863,449
Total nonoperating revenue (expense)	**9,695,165**	**8,863,449**
INCOME BEFORE CONTRIBUTIONS	**7,877,921**	**19,847,394**
CONTRIBUTIONS		
EPA capitalization grant	49,293,000	51,073,000
State match revenue	6,432,300	7,119,500
Transfers in	6,000,000	0
Transfers out	(6,000,000)	0
Total contributions	**55,725,300**	**58,192,500**
CHANGE IN NET POSITION	**63,603,221**	**78,039,894**
NET POSITION - BEGINNING OF YEAR, as previously reported	1,331,721,566	1,253,681,672
Prior period adjustment	(7,809)	0
NET POSITION-Beginning of year, as restated	**1,331,713,757**	**1,253,681,672**
NET POSITION - END OF YEAR	**1,395,316,978**	**1,331,721,566**

WASHINGTON STATE DEPARTMENT OF ECOLOGY
CWSRF PROGRAM
Supplementary Information for fiscal year 2024

Comparative Activity of Cash Flows for Year Ending June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	2024	2023
Cash paid to employees and vendors	(3,422,616)	(2,830,360)
Cash received from interest on loans	11,714,294	13,002,365
Loan service fee	5,043,129	4,154,257
Loans disbursed	(284,099,073)	(163,018,101)
Principal received on loans receivable	57,556,222	49,276,274
Net Cash flows provided (required) by operating activities	**(213,208,044)**	**(99,415,565)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Funds received from EPA	49,293,000	51,073,000
Funds received from the state of Washington	6,432,300	7,119,500
Transfers out	6,000,000	
Loan services	(6,000,000)	
Net Cash flows provided (Required) by noncapital operating activities	**55,725,300**	**58,192,500**
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment income received	9,695,165	8,863,449
Net Cash provided (required) by investing activities	**9,695,165**	**8,863,449**
NET INCREASE IN CASH AND CASH EQUIVALENTS	(147,787,579)	(32,359,616)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	369,160,178	401,519,794
CASH AND CASH EQUIVALENTS - END OF YEAR	**221,372,599**	**369,160,178**
Reconciliation of operating income to net cash required by operating activities		
Income from operations	(1,817,244)	10,983,945
Changes In Assets: Decrease (Increase)		
Loans receivable	(214,514,935)	(109,453,928)
Due from other state funds	296,505	(744,008)
Change in Deferred Outflows of Resources: (Increase) Decrease	(367,947)	1,281,010
Changes In Liabilities: Increase (Decrease)		
Accounts payable and accrued expenses	(240,126)	269,333
Due to other state funds	(47,024)	103,391
Pension & OPEB liabilities	164,406	(336,695)
Unavailable revenue	3,244,104	(358,991)
Change in Deferred Inflows of Resources: Decrease (Increase)	74,217	(1,159,622)
Net cash provided (required) by operating activities	**(213,208,044)**	**(99,415,565)**

Disbursements and Accruals for the year ended June 30, 2024

SFY 2024	Totals	Federal	State-Match	State-Repmt-Other	564 Acct
Disbursements for Loans	284,099,073	49,293,000	6,233,800	228,572,273	
Disbursements for Admin	3,431,969	-	-	49,198	3,382,771
Total Disbursements	287,531,042	49,293,000	6,233,800	228,621,471	3,382,771
Cash Draw from Capitalization Grants	49,293,000				
State Match (Cash Draws)	6,233,800				
100% State Fund Disbursements	228,621,471				
Percentage of Cash Draw from Capitalization Grants to Total Disbursements	17.14%				
Admin Calculation	6.18%				

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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