



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

**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE
FINANCIAL STATEMENTS**

The Honorable Jay Inslee
State of Washington
Olympia, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate discretely presented component units and remaining fund information of the State of Washington, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the financial section of our report.

We did not audit the financial statements of the Department of Retirement Systems, Local Government Investment Pool, University of Washington, funds managed by the State Investment Board, Fred Hutchinson Cancer Center, Health Benefits Exchange, Valley Medical Center, and Washington State Housing Finance Commission. Those financial statements represent part or all the total assets, net position, and revenues or additions of the governmental activities, the business-type activities, each major fund, and aggregate discretely presented component units and remaining fund information as follows:

Opinion Unit	Percent of Total Asset	Percent of Net Position	Percent of Total Revenues /Additions
Governmental Activities	15.1%	22.2%	7.5%
Business-Type Activitie	70.1%	100.0%	28.0%
Higher Education Special Revenue	87.1%	53.6%	49.1%
Higher Education Endowment Fund	97.4%	97.2%	88.4%
Higher Education Student Services	65.8%	80.3%	78.8%
Workers' Compensation Fund	94.3%	87.9%	25.6%
Discretely Presented Component Units	95.5%	92.1%	98.7%
Aggregate Remaining Funds	98.1%	95.9%	64.5%

Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the entities and funds listed above, is based solely on the reports of the other auditors. The financial statements of the Washington State Housing Finance Commission were not audited in accordance with *Government Auditing Standards*.

Qualified Opinion on Aggregate Discretely Presented Component Units, Higher Education Special Revenue Fund and Higher Education Student Services Fund

In our opinion, except for the possible effects of the matter described below, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units, Higher Education Special Revenue Fund and Higher Education Student Service Fund of the State, as of June 30, 2024, and the changes in financial position thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities, Business-type Activities, Remaining Fund Information and Other Major Funds

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each of the governmental activities, the business-type activities, remaining fund information and other major funds, as of June 30, 2024, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We were unable to obtain sufficient appropriate audit evidence as described below for certain elements of the Aggregate Discretely Presented Component Units, Higher Education Special Revenue Fund and Higher Education Student Services Fund.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 State and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matters for Giving Rise to Qualified Opinions on Aggregate Discretely Presented Component Units, Higher Education Special Revenue Fund and Higher Education Student Services Fund

The State did not report the financial activity of the state university and college foundations as a component unit in the state's financial statements. Additionally, the State did not report complete financial activity of the Washington State Housing Finance Commission in the state's financial statements. Accounting principles generally accepted in the United States of America require reporting of a discretely presented component units of legally separate, tax-exempt entities. If the State included this activity assets and deferred outflows, liabilities and deferred inflows, revenue and expenses would be increased by \$2.6 billion, \$1.1 billion, \$506.6 million, and \$417.7 million respectively.

We were unable to obtain sufficient and appropriate audit evidence about reported cash and cash equivalents, investments, due from other funds, due from other governments, accrued liabilities, due to other funds, due to other governments, miscellaneous revenue, transfers in, and transfers out in the Higher Education Special Revenue Fund because the State needed additional time to investigate balances and make necessary corrections, Consequently, we were unable to determine whether any adjustments to these amounts were necessary. The effects on these balances are not reasonably determinable but are presumed to be material.

We were unable to obtain sufficient and appropriate audit evidence about reported cash and cash equivalents, investments, due from other funds, due from other governments, other noncurrent assets, accounts payable, other long-term liabilities, miscellaneous revenue, transfers in, and transfers out the Higher Education Student Services Fund because the State needed additional time to investigate balances and make necessary corrections, Consequently, we were unable to determine whether any adjustments to these amounts were necessary. The effects on these balances are not reasonably determinable but are presumed to be material.

Matters of Emphasis

As explained in Note 1.D.1, the financial statements include pension trust fund investments valued at \$93.9 billion, which comprise 38.9 percent of the total assets and 43.5 percent of the net position of the remaining fund information. The fair values of those investments have been estimated by management in the absence of readily determinable fair values. Management's estimates are based upon information provided by the fund managers or, in the case of investments in partnerships, the general partners. 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 State'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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State'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 State'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 as listed in the table of contents 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 opinions on the financial statements that collectively comprise the State's basic financial statements. The Combining Financial Statements and Individual Fund Schedules 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 Information

The other information comprises Introductory and Statistical Sections but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included in the financial statements. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with the audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated December 23, 2024, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

Sincerely,

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

Pat McCarthy, State Auditor

Olympia, WA

December 23, 2024