



# Washington State Auditor's Office

Independence • Respect • Integrity

## Financial Statements and Federal Single Audit Report

### Educational Service District No. 112

Clark County

For the period September 1, 2013 through August 31, 2014

Published May 26, 2015

Report No. 1014237





## Washington State Auditor

May 26, 2015

Board of Directors  
Educational Service District No. 112  
Vancouver, Washington

### **Report on Financial Statements and Federal Single Audit**

Please find attached our report on Educational Service District No. 112's financial statements and compliance with federal laws and regulations.

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

Sincerely,

A handwritten signature in black ink, reading "Jan M. Jutte".

JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

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## FEDERAL SUMMARY

### **Educational Service District No. 112 Clark County September 1, 2013 through August 31, 2014**

The results of our audit of Educational Service District No. 112 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

#### **Financial Statements**

An unmodified opinion was issued on the financial statements of each major fund and the aggregate remaining fund information.

##### **Internal Control Over Financial Reporting:**

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

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

#### **Federal Awards**

##### **Internal Control Over Major Programs:**

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

We issued an unmodified opinion on the District's compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

## Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.558	Child and Adult Food Program
17.259	WIA Cluster - WIA Youth Activities
84.010	Title I, Part A Cluster - Title I Grants to Local Educational Agencies

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The District qualified as a low-risk auditee under OMB Circular A-133.

## STATUS OF PRIOR FEDERAL AUDIT FINDINGS

### Educational Service District No. 112 Clark County September 1, 2013 through August 31, 2014

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of Educational Service District No. 112. The State Auditor's Office has reviewed the status as presented by the District.

<b>Audit Period:</b> 9/01/2012 – 8/31/2013	<b>Report Ref. No:</b> 1011717	<b>Finding Ref. No:</b> 1	<b>CFDA Number(s):</b> 10.558
<b>Federal Program Name and Granting Agency:</b> Child and Adult Food Program, U.S. Department of Agriculture		<b>Pass-Through Agency Name:</b> Office of Superintendent of Public Instruction	
<b>Finding Caption:</b> The District did not comply with federal procurement requirements for the Child and Adult Care Food Program.			
<b>Background:</b> In fiscal year 2013, the District received \$1,301,538 in federal funds for its Child and Adult Care Food Program. Of this amount, \$189,058 was used to provide lunches and snacks at the District's child care centers. The District purchased food and snack products from two vendors for approximately \$154,000 and \$47,000, of which the majority was paid from federal funds.  While the District made an effort to competitively procure these purchases during fiscal year 2013, it was not able to do so prior to fiscal year end. As a result, the District did not comply with procurement requirements related to its food purchases.			
<b>Status of Corrective Action: (check one)</b> <div style="display: flex; justify-content: space-between;"> <span><input checked="" type="checkbox"/> Fully Corrected</span> <span><input type="checkbox"/> Partially Corrected</span> <span><input type="checkbox"/> No Corrective Action Taken</span> <span><input type="checkbox"/> Finding is considered no longer valid</span> </div>			
<b>Corrective Action Taken:</b> <i>When this was brought to our attention last spring 2013, we started working on a food bid to go out for the following year and quickly found that we were not experts in the field. After much time and effort, we contacted the Department of Enterprise Services and they suggested that we contact KCDA and/or the Puget Sound Joint Purchasing Cooperative, which is an organization comprised of school districts throughout the state of Washington who award bids for food, supplies and commodity processing. After some research, we submitted a formal request to join the cooperative in June. They assessed our needs and sent us an Interlocal agreement, which we signed and returned in July 2013. Because of the late date and the need to meet with</i>			

*representatives from FSA (Food Services of America) to set up deliveries, billings, etc., we did not actually begin purchasing off of the bid until FY 13-14. (We also use some local vendors to meet the needs of our childcare centers, but we make sure that we do price comparisons on best pricing and maintain records as a backup to our decisions.)*

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Educational Service District No. 112  
Clark County  
September 1, 2013 through August 31, 2014**

Board of Directors  
Educational Service District No. 112  
Vancouver, 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 each major fund and the aggregate remaining fund information of Educational Service District No. 112, Clark County, Washington, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 13, 2015. The District has omitted the management's discussion and analysis information that governmental accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable



possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, reading "Jan M. Jutte". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

May 13, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133**

**Educational Service District No. 112  
Clark County  
September 1, 2013 through August 31, 2014**

Board of Directors  
Educational Service District No. 112  
Vancouver, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of Educational Service District No. 112, Clark County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the accompanying Federal Summary.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **PURPOSE OF THIS REPORT**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Jan M. Jutte", with a stylized flourish at the end.

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

May 13, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Educational Service District No. 112 Clark County September 1, 2013 through August 31, 2014**

Board of Directors  
Educational Service District No. 112  
Vancouver, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Educational Service District No. 112, Clark County, Washington, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 18.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Educational Service District No. 112, as of August 31, 2014, and the respective 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.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the risk pools information on pages 41 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis information that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although no 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 appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is 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. The information has been subjected to the 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 taken as a whole.

The Unemployment Fund Claims Development Information and Reconciliation of Claims Liabilities, Public Entity Risk Pool List of Participating Members and Office of Financial Management Schedule of Expenses on pages 49 through 57 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report



is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Jan M. Jutte". The signature is fluid and cursive, with a long horizontal stroke extending from the end.

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA

May 13, 2015

## **FINANCIAL SECTION**

### **Educational Service District No. 112 Clark County September 1, 2013 through August 31, 2014**

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2014  
Statement of Revenues, Expenses and Changes in Fund Net Position – 2014  
Statement of Cash Flows – 2014  
Statement of Fiduciary Net Position – 2014  
Statement of Changes in Fiduciary Net Position – 2014  
Notes to Financial Statements – 2014

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Workers Compensation Trust – Claims Development Information – 2014  
Notes to the Workers Compensation Trust – Claims Development Information – 2014  
Risk Management Insurance Cooperative – Claims Development Information – 2014  
Notes to the Risk Management Insurance Cooperative – Claims Development Information – 2014  
Workers Compensation Trust Reconciliation of Claims Liabilities – 2014  
Risk Management Insurance Cooperative Reconciliation of Claims Liabilities – 2014

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2014  
Notes to the Schedule of Expenditures of Federal Awards – 2014  
Unemployment Compensation Pool – Claims Development Information – 2014  
Notes to the Unemployment Compensation Pool – Claims Development Information – 2014  
Unemployment Compensation Insurance Fund – Reconciliation of Claims Liabilities – 2014  
SW Washington Workers' Compensation Trust – Public Entity Risk Pool List of Participating Members – 2014  
OFM Schedule of Expenses – Southwest Washington Workers' Compensation Trust – 2014  
SW WA Risk Management Insurance Cooperative – Public Entity Risk Pool List of Participating Members – 2014

OFM Schedule of Expenses – Southwest Washington Risk Management Insurance  
Cooperative – 2014  
SW WA Unemployment Compensation Pool – Public Entity Risk Pool List of  
Participating Members – 2014  
OFM Schedule of Expenses – Southwest Washington Unemployment Compensation  
Pool – 2014

**EDUCATIONAL SERVICE DISTRICT #112**  
**STATEMENT OF NET POSITION - ALL FUNDS**  
**AUGUST 31, 2014**

	NOTE REF	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	PROPERTY/CASUALTY FUND	CHILDCARE FUND	TOTAL ALL FUNDS
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and Cash Equivalents	Note 1	144,618.45	308.28	15,242.43	886.09	36,283.30	197,338.55
Net Assets for Pool Participants							-
Investments	Note 2	5,697,700.91					23,618,356.15
Accounts Receivable (net of uncollectible allowance)	Note 1	4,818,960.48	6,946,012.41	4,386,210.55	5,442,425.35	1,146,006.93	4,961,279.39
Other Receivables	Note 8					142,318.91	-
Member Assessments/Contributions			263,417.02	116,087.42			379,504.44
Accrued Deductibles/Co-pays							-
Excess/Reinsurance Recoverable							-
Due from Other Governments	Note 1		75,997.55		428,328.61		504,326.16
Inventory	Note 1						-
Prepays	Note 1						-
Restricted Assets	Note 1						-
Other Current Assets	Note 1						-
<b>TOTAL CURRENT ASSETS</b>		<u>10,661,279.84</u>	<u>7,285,735.26</u>	<u>4,517,540.40</u>	<u>5,871,640.05</u>	<u>1,324,609.14</u>	<u>29,660,804.69</u>
<b>NONCURRENT ASSETS</b>							
Investments	Note 2						-
Capital Assets	Note 3						-
Land		2,017,775.82					2,017,775.82
Construction in Progress		89,930.85					89,930.85
Building							-
Equipment		3,847,434.19					3,847,434.19
Less: Accumulated Depreciation		(2,769,298.20)					(2,769,298.20)
Net Capital Assets		<u>3,185,842.66</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,185,842.66</u>
Other Noncurrent Assets							-
Net Cash/Investments Held for Compensated Absences							-
Net Cash/Investments Held for Unemployment							-
Investment in Joint Venture	Note 12	618,351.00					618,351.00
Contracts Receivable	Note 1						-
<b>TOTAL NONCURRENT ASSETS</b>		<u>3,804,193.66</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,804,193.66</u>
<b>TOTAL ASSETS</b>		<u>14,465,473.50</u>	<u>7,285,735.26</u>	<u>4,517,540.40</u>	<u>5,871,640.05</u>	<u>1,324,609.14</u>	<u>33,464,998.35</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
	Note 1						-
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Accounts Payable	Note 1	1,237,231.02	248,071.30	51,123.81	33,350.62	236,556.06	1,806,332.81
Amount Due to Pool Participants							-
Notes Payable - Current	Note 5						-
Accrued Interest Payable	Note 5						-
Accrued Salaries	Note 1	146,061.88					146,061.88

EDUCATIONAL SERVICE DISTRICT #112  
STATEMENT OF NET POSITION - ALL FUNDS  
AUGUST 31, 2014

	NOTE REF	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	PROPERTY/CASUALTY FUND	CHILDCARE FUND	TOTAL ALL FUNDS
	Note 1	474,679.12					474,679.12
Payroll Deductions & Taxes Payable							-
Public Employees' Retirement System							-
Deferred Compensation							-
Compensated Absences - Current	Note 1	107,000.00					107,000.00
Bonds Payable - Current	Note 5	220,000.00					220,000.00
Capital Leases Payable - Current	Note 5						-
Claim Reserves - Current	Note 8		1,307,566.00	88,716.00	326,400.00		1,722,682.00
IBNR - Current			656,405.00		149,049.00		805,454.00
Open Claims - Current			283,000.00	232,093.00	85,000.00		600,093.00
Unallocated Loss Adjustment Expenses - Current							-
Deposits	Note 1						-
Unearned Revenue	Note 1	329,207.19			53,967.00		383,174.19
Unearned Member Assessments/Contributions	Note 8						-
Other Liabilities and Credits - Current	Note 1						-
<b>TOTAL CURRENT LIABILITIES</b>		<u>2,514,179.21</u>	<u>2,495,042.30</u>	<u>371,932.81</u>	<u>647,766.62</u>	<u>236,556.06</u>	<u>6,265,477.00</u>
<b>NONCURRENT LIABILITIES</b>							
Compensated Absences	Note 1	826,117.43	28,221.49	11,940.70	15,836.82		882,116.44
Unemployment							-
Notes Payable	Note 5						-
Claim Reserves	Note 8		1,470,224.00	10,474.00	555,411.00		2,036,109.00
IBNR			791,048.00		195,844.00		986,892.00
Open Claims							-
Bonds Payable	Note 5	2,230,000.00					2,230,000.00
Capital Leases Payable	Note 5						-
Future L&I Assessments			629,561.00				629,561.00
<b>TOTAL NONCURRENT LIABILITIES</b>		<u>3,056,117.43</u>	<u>2,919,054.49</u>	<u>22,414.70</u>	<u>767,091.82</u>	<u>-</u>	<u>6,764,678.44</u>
<b>TOTAL LIABILITIES</b>		<u>5,570,296.64</u>	<u>5,414,096.79</u>	<u>394,347.51</u>	<u>1,414,858.44</u>	<u>236,556.06</u>	<u>13,030,155.44</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	Note 1						-
<b>NET POSITION</b>							
Net Investment in Capital Assets		735,842.66	-	-	-		735,842.66
Restricted for Debt Service							-
Restricted for Self-Insurance		80,000.00					80,000.00
Restricted for Support Programs		2,068,796.18					2,068,796.18
Restricted for Risk Pool Net Position	Note 10						-
Restricted for Other Items							-
Restricted for Joint Venture	Note 12						-
Unrestricted		6,010,538.02	1,871,638.47	4,123,192.89	4,456,781.61	1,088,053.08	17,550,204.07
<b>TOTAL NET POSITION</b>		<u>8,895,176.86</u>	<u>1,871,638.47</u>	<u>4,123,192.89</u>	<u>4,456,781.61</u>	<u>1,088,053.08</u>	<u>20,434,842.91</u>

EDUCATIONAL SERVICE DISTRICT #112  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED AUGUST 31, 2014

	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	PROPERTY CASUALTY FUND	CHILDCARE FUND	TOTAL ALL FUNDS
<b>OPERATING REVENUES</b>						
Local Sources	1,791,597.65				4,135,307.18	5,926,904.83
State Sources	17,235,336.81				794,017.83	18,029,354.64
Allotment	508,454.48				185,898.68	694,353.16
Federal Sources	8,289,002.53					8,289,002.53
Cooperative Programs	6,537,175.86					6,537,175.86
Other Programs	11,484,137.19				5,496.72	11,489,633.91
Member Assessments/Contributions		5,354,911.96	1,504,011.12	2,926,365.00		9,785,288.08
Supplemental Member Assessments						-
Other Operating Revenue						-
<b>TOTAL OPERATING REVENUE</b>	<b>45,845,704.52</b>	<b>5,354,911.96</b>	<b>1,504,011.12</b>	<b>2,926,365.00</b>	<b>5,120,720.41</b>	<b>60,751,713.01</b>
<b>OPERATING EXPENSES</b>						
General Operations and Administration	4,268,743.38	829,238.36	180,533.43	464,949.38		5,743,464.55
Instructional Support Programs	26,155,086.17				5,011,359.07	31,166,445.24
Non Instructional Support Programs	14,335,701.25					14,335,701.25
Incurred Loss/Loss Adjustment Expenses						-
Paid on Current Losses		2,292,462.42	467,024.58	835,688.43		3,595,175.43
Change in Loss Reserves		1,170,301.00	(21,125.00)	(366,698.00)		782,478.00
Unallocated Loss Adjustment Expenses						-
Paid Unallocated Loss Adjustment Expenses						-
Change in Unallocated Loss Reserves						-
Excess/Reinsurance Premiums		130,143.00		1,378,878.66		1,509,021.66
Professional Fees	833,749.38	10,540.00			4,293.88	848,583.26
Labor & Industries Assessments		1,594,443.08				1,594,443.08
Depreciation/Depletion	329,878.16					329,878.16
Other Operating Expenses		39,974.10	1,250,229.00	135,686.22		1,425,889.32
<b>TOTAL OPERATING EXPENSES</b>	<b>45,923,158.34</b>	<b>6,067,101.96</b>	<b>1,876,662.01</b>	<b>2,448,504.69</b>	<b>5,015,652.95</b>	<b>61,331,079.95</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(77,453.82)</b>	<b>(712,190.00)</b>	<b>(372,650.89)</b>	<b>477,860.31</b>	<b>105,067.46</b>	<b>(579,366.94)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest and Investment Income	18,282.77	26,137.10	19,110.02	22,988.15	5,000.20	91,518.24
Interest Expense and Related Charges	(69,933.67)					(69,933.67)
Lease Income						-
Gains (Losses) on Capital Asset Disposition						-
Change in Joint Venture	7,503.33					7,503.33
Change in Compensated Absences						-
Other Financing Uses						-
Other Nonoperating Revenues	1,200.00					1,200.00
Other Nonoperating Expenses						-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(42,947.57)</b>	<b>26,137.10</b>	<b>19,110.02</b>	<b>22,988.15</b>	<b>5,000.20</b>	<b>30,287.90</b>
<b>INCOME (LOSS) BEFORE OTHER ITEMS</b>	<b>(120,401.39)</b>	<b>(686,052.90)</b>	<b>(353,540.87)</b>	<b>500,848.46</b>	<b>110,067.66</b>	<b>(549,079.04)</b>
Extraordinary Items						-
Special Items						-
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>(120,401.39)</b>	<b>(686,052.90)</b>	<b>(353,540.87)</b>	<b>500,848.46</b>	<b>110,067.66</b>	<b>(549,079.04)</b>
<b>NET POSITION - BEGINNING BALANCE</b>	<b>9,015,578.25</b>	<b>2,557,691.37</b>	<b>4,476,733.76</b>	<b>3,955,933.15</b>	<b>977,985.42</b>	<b>20,983,921.95</b>
<b>PRIOR PERIOD ADJUSTMENT</b>						-
<b>NET POSITION - ENDING BALANCE</b>	<b>8,895,176.86</b>	<b>1,871,638.47</b>	<b>4,123,192.89</b>	<b>4,456,781.61</b>	<b>1,088,053.08</b>	<b>20,434,842.91</b>

**EDUCATIONAL SERVICE DISTRICT #112**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	PROPERTY/CASUALTY FUND	CHILDCARE FUND	TOTAL ALL FUNDS
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Cash Received from Customers	17,309,335.04				4,132,466.74	21,441,801.78
Cash Received from State and Federal Sources	26,460,093.71				955,157.90	27,415,251.61
Cash Received from Members		5,288,924.13	1,490,023.11	2,909,372.00		9,688,319.24
Payments to Suppliers for Goods and Services	(12,965,560.46)				(4,774,161.87)	(17,739,722.33)
Payments to Employees for Services	(30,075,212.28)					(30,075,212.28)
Cash Paid for Benefits/Claims		(2,329,836.19)	(525,360.27)	(835,688.43)		(3,690,884.89)
Internal Activity - Payments to Other Funds	1,816,200.26	(1,003,266.93)	(178,309.02)	(466,680.84)	(167,943.47)	-
Cash Paid for Reinsurance		(130,143.00)		(1,378,878.66)		(1,509,021.66)
Cash Paid for Labor and Industries Assessments		(1,602,002.90)				(1,602,002.90)
Cash Paid for Professional Services	(833,749.38)	(10,540.00)			(4,293.88)	(848,583.26)
Cash Paid for Other Operating Expense	(903,443.04)	(39,974.10)	(1,250,229.00)		(40,151.29)	(2,233,797.43)
Other Receipts (Payments)	33,646.10			(419,547.75)	19,016.35	(366,885.30)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>841,309.95</b>	<b>173,161.01</b>	<b>(463,875.18)</b>	<b>(191,423.68)</b>	<b>120,090.48</b>	<b>479,262.58</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Operating Grants Received						-
Transfer to (from) Other Funds						-
Proceeds from Issuance of Notes						-
Principal and Interest Payment on Notes						-
Other Noncapital Activities	1,200.00					1,200.00
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>1,200.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,200.00</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchase of Capital Assets	(2,322,404.37)					(2,322,404.37)
Proceeds from Capital Debt	1,880,000.00					1,880,000.00
Principal and Interest Paid on Capital Debt	(274,933.67)					(274,933.67)
Capital Contributions						-
Lease Income						-
Other Receipts (Payments)						-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(717,338.04)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(717,338.04)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from Sales and Maturities of Investments						-
Lease Income						-
Purchase of Investments	(7,503.33)					(7,503.33)
Interest and Dividends Received	25,786.10	26,137.10	19,110.02	22,988.15	5,000.20	99,021.57
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>18,282.77</b>	<b>26,137.10</b>	<b>19,110.02</b>	<b>22,988.15</b>	<b>5,000.20</b>	<b>91,518.24</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>143,454.68</b>	<b>199,298.11</b>	<b>(444,765.16)</b>	<b>(168,435.53)</b>	<b>125,090.68</b>	<b>(145,357.22)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING PRIOR PERIOD ADJUSTMENT</b>	<b>5,698,864.68</b>	<b>6,747,022.58</b>	<b>4,846,218.14</b>	<b>5,611,746.97</b>	<b>1,057,199.55</b>	<b>23,961,051.92</b>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b>5,842,319.36</b>	<b>6,946,320.69</b>	<b>4,401,452.98</b>	<b>5,443,311.44</b>	<b>1,182,290.23</b>	<b>23,815,694.70</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
<b>OPERATING NET INCOME</b>	<b>(77,453.82)</b>	<b>(712,190.00)</b>	<b>(372,650.89)</b>	<b>477,860.31</b>	<b>105,067.46</b>	<b>(579,366.94)</b>
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities						
Depreciation Expense	329,878.16					329,878.16
Change in Assets and Liabilities						-
Receivables, Net	(549,918.85)	(65,987.83)	(13,988.01)	9,884.08	(14,079.42)	(634,090.03)
Prepays						-
Inventories						-
Accounts and Other Payables	809,597.27	(181,588.39)	(56,111.28)	(1,731.46)	29,102.44	599,268.58
Accrued Expenses						-
Unearned Revenue	329,207.19			(16,993.00)		312,214.19
Other Changes						-
Claims Reserve-Current		432,708.00	(32,160.00)	33,077.00		433,625.00
Claims Reserve-Prior Year		418,985.00	(5,139.00)	(378,675.00)		35,171.00
IBNR-Current		25,041.00		25,754.00		50,795.00
IBNR-Prior Year		4,603.00		(26,854.00)		(22,251.00)
Future L&I Assessments		229,964.00				229,964.00
Provision for Unallocated Loss Adjustment		59,000.00	16,174.00	(20,000.00)		55,174.00
Unearned Member Assessments						-
Insurance Recoverables		(37,373.77)		(293,745.61)		(331,119.38)
Claim Reserves						-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>841,309.95</b>	<b>173,161.01</b>	<b>(463,875.18)</b>	<b>(191,423.68)</b>	<b>120,090.48</b>	<b>479,262.58</b>

EDUCATIONAL SERVICE DISTRICT #112  
STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS  
AUGUST 31, 2014

	<u>DEFERRED COMPENSATION</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	17,604.30
Investments	
Accounts Receivable	
Assets Used in Operations	
<b>TOTAL ASSETS</b>	<u><u>17,604.30</u></u>
<b>LIABILITIES</b>	
Accounts Payable	
Program Refunds Payable to JV Participants	
Deposits (from school districts)	
<b>TOTAL LIABILITIES</b>	<u><u>-</u></u>
<b>NET POSITION</b>	
Held in Trust for Benefits and Other Purposes	17,604.30
<b>TOTAL NET POSITION</b>	<u><u>17,604.30</u></u>



EDUCATIONAL SERVICE DISTRICT #112  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

	DEFERRED COMPENSATION
<b>ADDITIONS</b>	
Contributions	
Employer	-
Members	
Total Contributions	-
Investment Earnings	260.26
Interest	
Net Increase (Decrease) in the Fair Value of Investments	
Total Investment Earnings	-
Other Additions	
<b>TOTAL ADDITIONS</b>	<b>260.26</b>
<b>DEDUCTIONS</b>	
Distribution to Pool Participants	
Refunds of Contributions	
Administrative Expenses	
Other Payments in Accordance with Trust Agreement	
<b>TOTAL DEDUCTIONS</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>260.26</b>
<b>NET POSITION - BEGINNING</b>	<b>17,344.04</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	
<b>NET POSITION - ENDING</b>	<b>17,604.30</b>

**EDUCATIONAL SERVICE DISTRICT 112**  
**Notes to Financial Statements**  
**September 1, 2013 through August 31, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Educational Service District 112 (the District) were developed under authority of the Office of Superintendent of Public Instruction. Except where noted as exceptions, the rules of generally accepted accounting principles (GAAP) are the basis for accounting and financial reporting in the District. The following summary of the more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

**Reporting Entity**

The District is one of nine municipal corporations of the State of Washington organized pursuant to Title 28A *Revised Code of Washington* (RCW) for the purpose of (1) providing cooperative and informational services to local school districts; (2) assisting the state superintendent of public instruction and the state board of education in the performance of their respective statutory or constitutional duties; and (3) providing services to school districts to assure equal educational opportunities.

As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. Based on the standards set by Governmental Accounting Standards Board (GASB) Statement 14, there were no component units of the District. The District is a separate legal entity and is fiscally independent from all other units of government.

The District serves 30 school districts in Clark, Cowlitz, Klickitat, Pacific, Skamania and Wahkiakum Counties. Oversight responsibility for the District's operations is vested with the Board of Directors who are elected by the school directors of the educational service district, one from each of seven educational service district board-member districts. Management of the District is appointed by and accountable to the Board of Directors. Fiscal responsibility, including budget authority, the power to operate cooperatives, set fees for services and issue debt consistent with the provisions of state statutes, rest with the Board. For financial reporting purposes, the District's financial statements include all fund entities that are controlled by the District's Board of Directors and managed by the administrative staff, unless noted hereafter.

**Basis of Accounting and Reporting**

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

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District reports the following major proprietary funds:

The *General Expense* fund is the District's primary fund. It accounts for all financial resources of the District that are not reported in the following funds.

The *Unemployment Compensation* fund accounts for the collection of premium from members of the fund and the related payment of associated claims and expenses. The SW Washington Unemployment Compensation Pool is an Enterprise Fund established in 1978 for the purpose of providing group insurance and claims control for unemployment compensation to the member districts and such other agencies as the members of the cooperative shall deem appropriate.

The *Property and Casualty Insurance* fund accounts for premiums collected from members and set aside for the payment of deductibles on member property/casualty insurance claims. The SW Washington Risk Management / Insurance Cooperative is an Enterprise Fund established in 1986 for the purpose of providing group self-funding, claims control, and risk management for property / casualty liabilities to member school districts and ESDs.

The *Workers' Compensation* fund accounts for workers' compensation payroll taxes collected from members, and the payment of associated claims, assessments and expenses. The SW Washington Workers' Compensation Trust is an Enterprise Funds established in 1983 for the purpose of providing group insurance and claims control for workers' compensation to the member school districts and ESDs.

The *Child Care Fund* is an Enterprise Fund established in 1991 for the purpose of providing child care services to local school districts, through the collection of parent fees. The Educational Service District provides the administrative support to the cooperative and the cooperative contracts with a non-profit, Children Northwest, for its employees.

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

Fiduciary funds are used to account for assets held by the district in a trustee or agency capacity. The ESD at one time provided a deferred compensation program for its employees. This account is no longer accessible to employees and will close when the final depositor receives their funds.

The District has prepared an annual program report to OSPI in a format issued separately. These reports require specific information and are not prepared on the basis of generally accepted accounting principles.

## **Assets, Liabilities, and Equity**

### Cash and Cash Equivalents

The Clark County Treasurer is the ex-officio treasurer for the District. In this capacity, the county treasurer receives daily deposits and transacts investments on behalf of the District. On August 31, 2014, the treasurer was holding \$23,618,356 in short-term residual investments of surplus cash. This amount is classified on the statement of net position as cash and cash equivalents.

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

## Deposits and Investments – See Note 2

### Receivables

For the operating fund, accounts and contracts receivable represent the value of goods and services provided and invoiced to clients at fiscal year-end. For remaining proprietary and agency funds, the amounts represent balances due from clients within thirty days of payroll dates. Uncollectible accounts are written off on an annual basis.

## Capital Assets and Depreciation – See Note 3

### Compensated Absences

Employees earn vacation leave at varying rates in accordance with District policy. Vacation is payable upon termination.

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

The balance reported in the statement of net position as of August 31, 2014, represents the aggregate amount of vacation and sick leave payable for all eligible employees of the District. Employees of the Insurance pools sick and vacation leave balances appear in those specific funds.

### Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

## Long Term Debt – See Note 4

### Unearned Revenue

Unearned revenue consists of balances acquired by the District from award funders in advance of meeting eligibility requirements and subject to meeting those eligibility requirements. Eligibility requirements are expected to be met within 12-18 months.

## **Operating and Nonoperating Revenues and Expenses**

In conformance with the *Accounting Manual for Educational Service Districts*, Operating Revenues are defined as revenues generated directly from program activity including:

- Revenue from those who purchase, use or directly benefit from the goods or services of the program;
- Revenue from other governments, entities and individuals, if such revenue is restricted to a specific program or programs; and
- Earnings on permanent fund investments if restricted to a program specifically identified in the agreement.

Under these guidelines, program-specific operating grants and contributions are presented as operating revenue.

Nonoperating revenues and expenditures include interest earnings on investments not restricted to program benefit, interest expense on debt, other asset and financing activities and changes from investments in joint ventures.

## **NOTE 2: DEPOSITS AND INVESTMENTS**

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

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

As of August 31, 2014, the District had the following investments:

Investment	Maturity	Fair Value
County Investment Pool	Average Maturity of 15.4 months	\$ 23,618,356.15

### **Credit Risk**

The Clark County Investment Pool is considered extremely low risk. The pool is operated in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The pool's portfolio is made up of high quality, highly liquid securities, and its relatively short average maturity reduces the pool's price sensitivity to market interest rate fluctuations. The pool also has a strong degree of asset diversification to minimize risk and maintain adequate rates of return.

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

The pool is managed and operated by the Office of the State Treasurer for the State of Washington. The LGIP publishes an annual report, which is on the internet at the Treasurer's web site (<http://tre.wa.gov>). As of the most recent report date, fair value equaled amortized cost. It is the policy of the LGIP to permit participants to withdraw their investments on a daily basis; therefore, the District's investment balance in the pool is equal to fair value.

### **Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, the District would not be able to recover the value of the investment or collateral securities. Of the District's total cash and investment position of \$23,618,356, no balances are exposed to custodial credit risk because the investments held by the LGIP are not insured or guaranteed by any government. The District does not have a policy for custodial credit risk.

### **Concentration of Credit Risk**

The District does not have investments in any one issuer that represents five percent or more of total investments.

### **Interest Rate Risk**

As of August 31, 2014, the Clark County Investment Pool's average maturity is 15.4 months (470 days).. As a means of limiting its exposure to rising interest rates, securities purchased in the pool must have a final maturity, or weighted average life, no longer than five years. While the pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The pool distributes earnings monthly using an amortized cost methodology.

**NOTE 3: CAPITAL ASSETS**

Capital assets, which include property, facilities, and large equipment, are capitalized at total acquisition cost, provided such cost exceeds \$50,000 and has an expected useful life of more than five years. Property, facilities, and large equipment that are purchased using Federal money are subject to inventory reporting if the acquisition cost is over \$5,000. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives:

<b>Asset</b>	<b>Years</b>
Vehicles	5-10
Equipment	5-20
Buildings and structures	10-40
Land improvements	5-40

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

Capital assets activity for the fiscal year ended August 31, 2014 was as follows:

	Beginning Balance 9/1/2013	Increases	Decreases	Ending Balance 8/31/2014
Capital assets not depreciated:				
Land	\$ -	\$ 2,017,776	\$ -	\$ 2,017,776
Construction in progress		89,931		89,931
Total capital assets not depreciated	-	2,107,707	-	2,107,707
Depreciable capital assets:				
Buildings				
Leasehold Improvements	2,500,000			2,500,000
Equipment	1,132,736	214,698		1,347,434
Other				
Total depreciable capital assets	3,632,736	214,698	-	3,847,434
Less accumulated depreciation for:				
Buildings				
Improvements other than buildings	(1,958,333)		(166,667)	(2,125,000)
Equipment	(481,087)		(163,211)	(644,298)
Other				
Total accumulated depreciation	(2,439,420)		(329,878)	(2,769,298)
Total depreciable assets, net	1,193,316	214,698	(329,878)	1,078,136
Total assets, net	\$ 1,193,316	\$ 2,322,405	\$ (329,878)	\$ 3,185,843

**NOTE 4: LONG-TERM DEBT, LIABILITIES AND LEASES****Long-Term Debt**

The District issues general obligation bonds and other debt instruments to finance capital facility improvements, construction and land acquisition. The following is a summary of long-term debt instruments of the District for the fiscal year ended August 31, 2014.

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installments
Leasehold Improvements	6/1/2002-12/1/2016	5.55%	\$2,500,000	\$245,000-\$250,000
Land Purchase – NE 1 <sup>st</sup> Street, Vancouver WA	12/1/13-12/1/23	2.55% to 12/1/17; Variable from 2.79% thereafter	\$1,880,000	\$48,000-\$295,000

In September 2013 the ESD Board of Directors entered into a purchase and sale agreement to obtain land on which to construct a building in the future. The ESD has less than four years remaining on its current lease and intends to build a new facility to coincide with the ending of the lease. On October 18, 2013 the ESD closed on 5.2 acres of land at NE 1<sup>st</sup> Street, Vancouver WA 98661. The ESD sold a 10 year Limited General Obligation Bond to Columbia Bank in the amount of \$1,880,000 at an interest rate of 2.55% from the closing date until 12/1/17. From and after December 1, 2017, the interest rate shall mean a fixed rate equal to 0.69 multiplied by the sum of (a) 2.15% plus (b) the Federal Home Loan Bank of Seattle (FHLB) six-year fully amortizing rate, as in effect for December 1, 2017 (the index); provided that if no FHLB six-year rate is published, the index shall be the average of the published FHLB five and seven year fully amortizing rates. In the event of nonpayment of any amounts payable under the bond or loss of the tax-exempt status of the bond, the interest rate will increase, at the election of the purchaser, to 6.00% per annum. Annual debt service tables are presented below, assuming a variable rate from 2.79% after December 1, 2017.

The annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year Ending August 31	Principal	Interest
2015, Current Portion	\$ 220,000	\$ 76,523
2016	\$ 230,000	\$ 64,174
2017	120,000	51,270
2018	245,000	46,778
2019	255,000	42,059
2020 and thereafter	1,380,000	98,349

#### Operating Lease(s)

The District is committed under various leases for space and equipment. All leases are considered operating leases for accounting purposes because the District does not acquire interests in the property. Lease expenses for the year ended August 31, 2014, totaled \$737,014. Future minimum rental commitments for these leases are as follows:

Fiscal Year Ending August 31	Amount
2015	\$ 756,882
2016	620,558
2017	531,590
2018	8,400

#### Changes in Long-Term Liabilities

During the fiscal year ended August 31, 2014, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within
--	-------------------	-----------	------------	----------------	------------

	9/1/13			8/31/14	One Year
Bonds Payable	\$ 775,000	1,880,000	\$ (205,000)	\$2,450,000	\$ 220,000
Compensated Absences (unfunded portion)	856,415	132,701		989,116	107,000
Total Long Term Liabilities	\$1,631,415	\$ 2,012,701	\$ (205,000)	\$ 3,439,116	\$ 327,000

## **NOTE 5: PENSION PLANS**

### **General Information**

Substantially all District full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by the Washington State Department of Retirement Systems (DRS): Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS). Participation in the programs was as follows:

Membership by retirement system program as of June 30, 2013:

Program	Active Members	Inactive Vested Members	Retired Members
TRS	65,935	9,823	44,220
PERS	150,706	31,047	85,328
SERS	52,295	11,588	9,079

*Data is as of last actuarial valuation date of June 30, 2013.*

Certificated public employees are members of TRS. Noncertificated public employees are members of PERS (if Plan 1) or SERS.

Plan 1 under the TRS and PERS programs are defined benefit pension plans whose members joined the system on or before September 30, 1977. Plan 1 members are eligible to retire with full benefits after five years of credited service and attainment of age 60, after 25 years of credited service and attainment of age 55, or after 30 years of credited service.

Plan 2 under the TRS or SERS programs are defined benefit pension plans whose members joined on or after October 1, 1977, but before June 30, 1996 or August 31, 2000, for TRS or SERS programs, respectively. Members of TRS and SERS are eligible to retire with full benefits after five years of credited service and attainment of age 65, after 20 years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65, or 30 years of credited service and receive either a reduced benefit or stricter return-to-work rules.

Plan 3 under the TRS and SERS programs are defined benefit, defined contribution pension plans whose members joined on or after July 1, 1996, or September 1, 2000, for TRS and SERS, respectively. Members are eligible to retire with full benefits at age 65, or they may retire at age 55 with at least ten service years with a reduced benefit amount, or they may retire at age 55 with at least 30 service years and receive either a reduced benefit or stricter return-to-work rules.

Average final compensation (AFC) of Plan 1 TRS and PERS members is the highest average salary during any two consecutive years. For Plan 2 and Plan 3 TRS and SERS members, it is the highest average salary during any five consecutive years.



The retirement allowance of Plan 1 TRS and PERS members is the AFC multiplied by 2 percent per year of service capped at 60 percent with a cost-of-living adjustment. For Plan 2 TRS and SERS members, it is the AFC multiplied by 2 percent per year of service with provision for a cost-of-living adjustment. For the defined benefit portion of Plan 3 TRS and SERS it is the AFC multiplied by 1 percent per year of service with a cost-of-living adjustment.

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

The district contribution represents its full liability under both systems, except that future rates may be adjusted to meet the system needs.

### **Contributions**

Employee contribution rates effective September 1, 2013 through August 31, 2014:

Plan 1 TRS 6.00%	Plan 1 PERS 6.00%
Plan 2 TRS 4.96%	Plan 2 SERS 4.64%
Plan 3 TRS and SERS 5.00% (minimum),	15.00% (maximum)

For Plan 3 TRS and SERS, rates adjusted based upon age may be chosen. The optional rates range begins at 5 percent and increase to a maximum of 15 percent.

Employer contribution rates effective September 1, 2013 through August 31, 2014:

Plan 1 TRS	10.39%	Plan 1 PERS	9.21%
Plan 2 TRS	10.39%	Plan 2 SERS	9.82%
Plan 3 TRS	10.39%	Plan 3 SERS	9.82%

Under current law the employer must contribute 100 percent of the employer-required contribution. Employer required contributions in dollars (Participant information for all plans is as of August 31):

Plan	FY 2013-14	FY 2012-13	FY 2011-12
Plan 1 TRS	\$ -	\$ 4,286	\$ 43,324
Plan 2 TRS	301,039	252,605	216,786
Plan 3 TRS	428,679	322,554	295,252
Plan 1 PERS	16,254	17,967	17,638
Plan 2 SERS	708,059	665,199	549,375
Plan 3 SERS	731,787	688,652	599,461

Historical trend information showing TRS and PERS progress in accumulating sufficient assets to pay benefits when due is presented in the State of Washington's June 30, 2014, comprehensive annual financial report. Refer to said report for detailed trend information. It is available from the State of Washington, Office of Financial Management, 300 Insurance Building, PO Box 43113, Olympia, WA 98504-3113 or on their website at <http://www.drs.wa.gov>.

### **NOTE 6: OTHER POST EMPLOYMENT BENEFIT PLANS**

**457 Plan – Deferred Compensation Plan**

District employees have the option of participating in an IRC, Section 457, deferred compensation plan administered by the district, a state retirement system, or another governmental entity. The plan assets and all related income are held in trust for the exclusive benefit of the participants and their beneficiaries.

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

The district offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under the elective deferral (employee contribution method). The district complies with IRS regulations that require school districts to have written plans to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by CPI, (a third party administrator).

The plan assets are assets of the school district employees, not the educational service district, and are therefore not reflected on these financial statements.

**NOTE 7: SHARED RISK POOL DISCLOSURES****Property and Liability Risk Pool**

The District operates a group self-funding, claims control and risk management fund for property and casualty liabilities to member school districts and ESDs.

**Unpaid Claims Liabilities**

The pool establishes claims liabilities based on estimates of the ultimate cost of claims including future claim adjustment expenses, that have been reported but not settled, and claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage, subrogation, and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

**Reinsurance**

The pool uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the pool as direct insurer of the risks reinsured. The pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. The amount deducted from claims liabilities as of August 31, 2014, for reinsurance was \$428,328.61. Premiums ceded to reinsurers during 2014 were \$1,378,878.66.

**Member Assessments and Unearned Member Assessments**

Member assessments are collected and recognized as revenue in the period for which insurance protection is provided. The assessment is calculated based on exposure data, (student FTE, vehicle count, property values).

### Unpaid Claims

Claims are charged to income as incurred. Claim reserves represent the accumulation of estimates for reported, unpaid claims, and a provision for claims incurred, but not reported. These estimates are continually reviewed and updated, and any resulting adjustments are reflected in current earnings.

### Reserve for Unallocated Loss Adjustment Expenses

The reserve for unallocated loss adjustment expenses represents the estimated cost to be incurred with respect to the settlement of claims in process and claims incurred but not reported. An actuarial firm estimates this liability at the end of each year. The change in the liability each year is reflected in current earnings.

### Exemption from Federal and State Taxes

Pursuant to revenue ruling number 90-74, income of Municipal Risk Pools is excluded from gross income under IRC Section 115(1).

Chapter 48.62 RCW exempts the pool from insurance premium taxes, and business and occupation taxes imposed pursuant to Chapter 82.04 RCW.

### Risk Financing Limits

The following table reflects the risk financing limits on coverage policies issued and retained by the pool at August 31, 2014:

Type of Coverage	Member Deductibles	Self-Insured Retention	Excess Limits
Property	\$1,000	\$250,000	\$500,000,000
Equipment Breakdown	\$1,000	\$25,000	\$500,000,000
Liability	\$0	\$250,000	\$20,250,000
Crime	\$1,000	\$250,000	\$50,000/\$500,000
Governmental Crime	\$1,000	\$5,000	\$1,000,000
Public Official Bonds	\$0	\$0	\$5,000/\$50,000
Privacy & Network Liability	\$1,000	\$10,000/\$25,000	\$1,000,000

### Excess Insurance Contracts/Reinsurance

The pool maintains excess insurance contracts with several insurance carriers, which provide various limits of coverage over the pool's self-insured retention limits. The limits provided by these excess insurance contracts are as follows:

Excess Insurance Contracts	2013-14
WSRMP – Property	\$500,000,000
WSRMP – Liability	\$20,000,000

Per-occurrence coverage limits provided by the pool, including the excess insurance limits combined with the pool's self-insured retention limits, are as follows:

Excess Insurance Contracts	2013-14
WSRMP – Property	\$500,000,000
WSRMP – Liability	\$20,250,000

### Members' Supplemental Assessments and Credits

The interlocal governmental agreement provides for supplemental assessments to members based on actual claim experience. (During fiscal year 2014, the pool did not make a supplemental assessment).

### Unpaid Claims Liabilities

As discussed above, the pool establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. The following represents changes in those aggregate liabilities for the pool during the past two years:

	2014	2013
Unpaid claims and claim adjustment expenses at beginning of year	\$1,678,402	\$1,341,826
Incurring claims and claim adjustment expenses:		
Provision for insured events of current year	765,653	598,398
Increases in provision for insured events of prior years	(296,603)	569,057
Total incurred claims and claim adjustment expenses	469,050	1,167,455
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	290,204	181,780
Claims and claim adjustment expenses attributable to insured events of prior years	545,544	649,099
Total Payments	835,748	830,879
Total unpaid claims and claim adjustment expenses at end of year	\$1,311,704	\$1,678,402

At yearend August 31, 2014, \$1,311,704 of unpaid claims and claim adjustment expenses are presented at their net present value.

### Workers' Compensation Insurance Trust

The Workers' Compensation Trust is organized pursuant to Title 51.14 RCW for the purpose of managing workers' compensation payroll taxes, employee claims, and safety programs. Membership is established by execution of an agreement between the District and each local school district. The District is also a member of the Trust.

The Trust provides industrial injury accident insurance coverage for its membership. The Trust is fully funded by its member participants. Member contributions are calculated based on the members' hours worked. The Trust retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts. The Trust acquires insurance from unrelated underwriters. The Trust's per-occurrence retention limit is \$400,000 and the annual aggregate retention is \$3,749,476. Since the Trust is a cooperative program, there is a joint liability among participating members.

For fiscal year 2014, there are 30 members in the pool including 29 participating school districts. A Board comprised of one designated representative from each participating member and a five member Executive Board governs the Trust. The Executive Board has five members elected by the Board. The District is responsible for conducting the business affairs of the Trust. At August 31, 2014, the amount of liabilities totaled \$5,137,804.00. This liability is the District's best estimate based on available information. Changes in the reported liability since August 31, 2014, resulted in the following:

	Beginning Balance 9/1/2013	Current Year Claims and Changes in	Ending Balance 8/31/2014
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		Estimates	
Incurring but not Reported	\$1,417,809	\$29,644	\$1,447,453
Future L&I Assessments	\$399,597	\$229,964	\$629,561
Estimated Unallocated Loss Adjustment	\$224,000	\$59,000	\$283,000
Claim Reserves	\$1,926,097	\$851,693	\$2,777,790

#### **Unemployment Compensation Insurance Fund**

The Unemployment Compensation Pool is organized pursuant to Title 50.44 RCW for the purpose of managing unemployment compensation payroll taxes and employee claims. Membership is established by execution of an agreement between the District and each local school district. The District is also a member of the pool.

The pool provides unemployment compensation coverage for members of the pool arising from previous employees. The pool is fully funded by its member participants. Member districts pay a percentage of their employee's wages. These contributions plus investment earnings pays for unemployment claims and for the administration of the fund. There is provision that members can be additionally assessed if the Pool needs additional funding.

For fiscal year 2014, there are 29 members in the pool including 28 participating school districts. The pool is governed by a Cooperative Board, which is comprised of one designated representative from each participating member and a five member Executive Board. Five members elected by the Cooperative Board and the District Superintendent comprise the Executive Board. At August 31, 2014, the amount of liabilities totaled \$331,283. This liability is the District's best estimate based on available information. Changes in the reported liability since August 31, 2014, resulted in the following:

	Beginning Balance 9/1/2013	Current Year Claims and Changes in Estimates	Ending Balance 8/31/2014
Claims Reserves and ULAE	\$352,408	\$(21,125)	\$331,283

#### **NOTE 8: RISK MANAGEMENT**

The District is a member of the Southwest Washington Risk Management Insurance Cooperative. This Pool provides property and casualty insurance coverage for its membership as authorized by Chapter 48.62 RCW. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed on September 1, 1985 to pool their self-insured losses and jointly purchase insurance and administrative services. The District joined the Pool effective September 1, 1985.

The Pool purchases excess insurance coverage and provides related services, such as administration, risk management, and claims administration. All coverage is on an occurrence basis. The Pool provides the following forms of group purchased insurance coverage for its members: Property, including owned buildings, automobiles and equipment, Equipment Breakdown, Commercial Crime and Public Official Bonds, General Liability, Errors and Omissions Liability, and Employment Practices Liability and Privacy and Network Liability. Members are responsible for the first \$1,000 of all property claims and the Pool is responsible for the next \$500 million. There is no member deductible for liability claims. Excess insurance covers insured losses over \$750,000 up to the limits of each policy. The Pool is a member of Washington Schools Risk Management Pool to obtain this excess insurance.

The Pool also purchases additional excess crime coverage as well as required Public Official Bonds. The Commercial Crime coverage is subject to a per-occurrence deductible of \$5,000. Members are responsible for \$1,000 of that deductible amount for each claim.

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

The Pool is governed by a board of directors, which is comprised of one designated representative from each participating member. A five member executive committee is responsible for conducting the business affairs of Pool. Financial statements and disclosures for the {Cooperative/Pool} can be obtained from the following address: 2500 NE 65<sup>th</sup> Avenue, Vancouver WA 98661.

#### **NOTE 9: NET POSITION, RESTRICTED**

The District's statement of net position reports \$2,068,796.18 of net assets restricted for support programs as follows:

Support Program	Amount
Restricted for Transportation Equipment	\$ 375,302.37
Restricted for Instructional Programs	1,542,230.06
Restricted for Non-Instructional Programs	151,263.75
Total Restricted for Support Programs	\$ 2,068,796.18

In 2011-12, the ESD began to self-insure for dental benefits. As regulated by RCW 48.62, the ESD has been required to establish a reserve to cover up to three months worth of dental expenses for the agency. Monthly costs range from \$20,000 - \$25,000. As of August 31, 2014, the reserve maintains a restricted reserve balance of \$80,000.

#### **NOTE 10: INVESTMENT IN JOINT VENTURE**

##### **Washington State Information Processing Cooperative**

The District is a member of the Washington Information Processing Cooperative (WSIPC). The WSIPC Board of Directors consists of a member of each the nine Educational Service Districts in the state. ESD 123 is the fiscal agent of the joint venture and answers directly to the WSIPC Board of Directors in financial matters.

Condensed financial information of the joint venture for the fiscal year ended August 31, 2014, is as follows:

Condensed Financial Statements	Amount
Assets	
Current Assets	\$ 3,904,782
Non-Current Assets	2,330,513
Other Assets	-
Total Assets	\$ 6,235,295
Liabilities and Joint Venture Capital	
Current Liabilities	\$ 670,135
Investment in Joint Venture	5,565,160
Total Liabilities and Joint Venture Capital	\$ 6,235,295
Operating Revenues	\$ 19,417,813
Plus/ Minus: Other Income/ Expenses (Net)	4,230
Less: Operating Expenses	(19,354,512)
Net Income	\$ 67,531

The District's share of the total Investment in the Joint Venture is \$618,351. The District contributed \$0 to the Joint Venture during 2014 and 2013. There were no distributions in 2014 and 2013. The Net Investment in Joint venture balance in the Statement of Net Position is an unrestricted net position.

#### **NOTE 11: CONTINGENT LIABILITIES AND LITIGATIONS**

The Educational Service District has no known legal obligations that would materially impact the financial position of the district.

#### **NOTE 12: OTHER DISCLOSURES**

##### **Subsequent Events**

In August 2014 the ESD Board of Directors entered into a purchase and sale agreement to obtain land and a building for development of an early learning center to house Washington State Early Childhood Education and Assistance Program (ECEAP) programs. The building, located at 1801 Esther Street, Vancouver WA 98661, was a former community pool site and requires remodeling to be suitable for program needs. In August 2014, a resolution was approved to issue and sale a limited obligation bond to fund the acquisition of capital improvements to the building. The ESD sold a 20 year Limited General Obligation Bond to Capital One Public Funding, LLC in the amount of \$1,000,000 at an interest rate of 3.87% from the closing date of September 15, 2014 until September 1, 2034. The first semi-annual debt service payment is due on March 1, 2015. Annual debt service payments range from \$71,000-\$73,000.

The District has active construction projects as of November 24, 2014 for the building purchased and described in the previous paragraph. The committed balance with the primary contractor is \$1,439,116 and architectural fees of \$136,571. Overall project costs are estimated at \$2,000,000.

##### **Change in Accounting Pension Liabilities for the fiscal year ending August 31, 2015**

The Governmental Accounting Standards Board (GASB) is a nongovernmental regulatory body charged with setting authoritative standards of accounting and financial reporting for state and local governments. Recently, the GASB fundamentally changed those standards through

issuance of GASB No. 68 as they apply to employers that offer pension benefits, which include employers participating in plans administered by the Washington State Department of Retirement Systems.

GASB No. 68 significantly changes pension accounting and financial reporting for governments by separating pension accounting methodology from pension funding methodology. The new standard:

- Requires employers to report their proportionate share of a net pension liability or asset in their financial statements;
- Changes the amount employers report as pension expense and deferred inflows and outflows in their financial statements; and
- Replaces most of the current note disclosure and required supplementary information.

The new standards do not affect or alter how public employee pensions are funded or how employer contribution rates are calculated. GASB No 68. Is in effect for fiscal years beginning after June 15, 2014.

The Department of Retirement Systems, the Office of the State Actuary, the State Treasurer's Office, the State Auditor's Office, the Office of Financial Management and the Department of Enterprise Services have formed a workgroup to collaborate in implementing the new standards. The Washington Office of the State Actuary (OSA) will be calculating a collective net pension liability (NPL) for each of the plans that DRS administers. Proportionate share information related to fiscal 2013 and fiscal 2014 is not yet available.



EDUCATIONAL SERVICE DISTRICT 112  
SW WA WORKERS' COMPENSATION TRUST

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
1. Required contribution & investment revenue:										
Earned	3,453,478	3,892,246	3,927,799	4,097,833	4,395,463	4,712,507	5,204,861	5,344,051	5,093,041	5,381,049
Ceded	168,512	174,489	161,412	150,310	140,807	148,682	120,478	116,336	113,521	130,143
Net Earned	3,284,966	3,717,757	3,766,387	3,947,523	4,254,656	4,563,825	5,084,383	5,227,715	4,979,520	5,250,906
2. Unallocated expenses (ESD Admin)	529,455	523,336	629,550	733,729	783,957	754,130	870,972	846,578	914,935	829,238
3. Estimated claims & expenses end of policy Year:										
Incurred	1,350,000	1,500,000	2,200,000	2,700,000	2,000,000	2,308,606	2,229,893	2,017,754	2,328,488	2,944,880
Ceded *	0	0	0	0	0	58,606	54,893	67,754	53,488	44,880
Net incurred	1,350,000	1,500,000	2,200,000	2,700,000	2,000,000	2,250,000	2,175,000	1,950,000	2,275,000	2,900,000
4. Net paid (cumulative) as of:										
End of policy year	494,661	536,965	776,502	704,034	692,809	1,004,208	800,166	633,705	768,778	936,029
One year later	992,911	1,118,331	1,595,885	1,576,599	1,401,324	1,659,516	1,559,369	1,243,751	1,466,810	
Two years later	1,186,558	1,368,805	2,014,313	1,931,233	1,784,880	1,858,712	1,876,863	1,405,642		
Three years later	1,280,439	1,552,865	2,142,790	2,114,935	1,964,198	1,907,531	2,071,794			
Four years later	1,354,138	1,706,268	2,204,859	2,220,819	2,165,642	1,975,414				
Five years later	1,358,566	1,825,140	2,214,568	2,270,318	2,308,854					
Six years later	1,361,017	1,865,995	2,252,379	2,278,940						
Seven years later	1,371,865	1,881,610	2,260,213							
Eight years later	1,375,425	1,891,198								
Nine years later	1,384,268									
5. Reestimated net ceded claims and expenses *	9,709	12,874	13,842	181,221	67,910	12,666	19,245	24,937	34,337	44,880
6. Reestimated net incurred claims & expenses:										
End of policy year	1,350,000	1,500,000	2,200,000	2,200,000	2,000,000	2,250,000	2,175,000	1,950,000	2,275,000	2,900,000
One year later	1,500,000	1,650,000	2,500,000	2,400,000	2,025,000	2,250,000	2,225,000	1,800,000	2,450,000	
Two years later	1,500,000	1,700,000	2,340,000	2,325,000	2,125,000	2,150,000	2,300,000	1,675,000		
Three years later	1,420,000	1,740,000	2,335,000	2,385,000	2,225,000	2,115,000	2,360,000			
Four years later	1,450,000	1,885,000	2,370,000	2,475,000	2,380,000	2,150,000				
Five years later	1,430,000	1,940,000	2,325,000	2,445,000	2,415,000					
Six years later	1,415,000	1,910,000	2,330,000	2,520,000						
Seven years later	1,415,000	1,902,000	2,320,000							
Eight years later	1,403,000	1,900,000								
Nine years later	1,413,000									
7. Increase (decrease) in estimated net incurred claims & expenses from end of policy year	63,000	400,000	120,000	-180,000	415,000	-100,000	185,000	-275,000	175,000	0
	4.7%	26.7%	5.5%	-6.7%	20.8%	-4.4%	8.5%	-14.1%	7.7%	0.0%

\* Estimates were not done for years prior to 2009-10

**SW WA Workers' Compensation Trust**  
REQUIRED SUPPLEMENTARY INFORMATION  
September 1, 2013 Through August 31, 2014

This required supplementary information is an integral part of the accompanying financial statements.

**1. Ten-Year Claims Development Information**

The table below illustrates how the Trust's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by re-insurers) and other expenses assumed by the Trust as of the end of each of the last ten years. The rows of the table are defined as follows:

- 1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
- 2) This line shows each fiscal year's operating costs of the Trust including overhead and claims expenses not allocable to individual claims.
- 3) This line shows the Trust's incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- 4) This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
- 5) This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
- 6) This section of ten rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
- 7) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

EDUCATIONAL SERVICE DISTRICT 112  
SW WA RISK MANAGEMENT INSURANCE COOPERATIVE

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
1. Required contribution & investment revenue:										
Earned	2,412,076	2,772,272	3,043,314	3,175,375	3,184,350	3,260,088	3,322,027	3,260,959	2,976,838	2,949,353
Ceded	1,384,513	1,426,694	1,555,211	1,489,622	1,358,576	1,435,897	1,861,825	1,628,803	1,281,592	1,378,879
Net Earned	1,027,563	1,345,578	1,488,103	1,685,753	1,825,774	1,824,191	1,460,202	1,632,156	1,695,246	1,570,474
2. Unallocated expenses	322,796	355,321	390,200	353,785	396,339	357,809	358,608	365,257	343,608	464,949
3. Estimated claims & expenses end of policy Year:										
Incurred	954,181	676,019	471,496	633,019	958,100	1,251,483	1,701,304	1,660,057	1,011,221	1,049,257
Ceded *	0	0	0	0	0	391,144	802,721	589,604	412,823	283,604
Net incurred	954,181	676,019	471,496	633,019	958,100	860,339	898,583	1,070,453	598,398	765,653
4. Net paid (cumulative) as of:										
End of policy year	490,547	187,252	127,157	331,685	314,939	386,235	312,911	390,972	181,780	290,204
One year later	638,405	344,131	167,816	395,572	761,004	893,404	622,000	709,917	274,480	
Two years later	969,267	384,726	162,510	483,837	843,632	904,033	648,377	1,051,953		
Three years later	1,210,853	396,909	173,620	623,956	887,723	915,982	608,635			
Four years later	1,271,614	433,271	188,990	642,861	948,479	937,935				
Five years later	1,308,423	433,271	189,054	856,582	1,076,246					
Six years later	1,316,310	433,271	166,750	856,582						
Seven years later	1,316,199	470,324	166,750							
Eight years later	1,316,045	470,639								
Nine years later	1,315,872									
5. Reestimated net ceded claims and expenses *	1,653,743	22,867	118,532	160,542	880,480	91,610	253,644	1,081,293	199,735	283,604
6. Reestimated net incurred claims & expenses:										
End of policy year	954,181	676,019	471,496	633,019	958,100	860,339	898,583	1,070,453	598,398	765,653
One year later	999,494	537,399	284,816	617,107	985,601	1,067,690	763,596	1,291,492	653,224	
Two years later	1,333,132	463,399	243,816	637,107	958,446	982,690	722,150	1,302,684		
Three years later	1,320,809	501,099	214,816	697,044	1,071,854	972,690	672,325			
Four years later	1,336,654	451,399	206,209	779,044	1,134,818	948,677				
Five years later	1,322,295	441,715	195,209	865,044	1,085,818					
Six years later	1,325,295	438,715	179,209	863,044						
Seven years later	1,321,295	687,715	177,709							
Eight years later	1,320,295	473,715								
Nine years later	1,318,411									
7. Increase (decrease) in estimated net incurred claims & expenses from end of policy year	364,230	-202,304	-293,787	230,025	127,718	88,338	-226,258	232,231	54,826	0
	38.2%	-29.9%	-62.3%	36.3%	13.3%	10.3%	-25.2%	21.7%	9.2%	0.0%

\* Estimates were not done for years prior to 2009-10

## **SW WA Risk Management Insurance Cooperative**

### **REQUIRED SUPPLEMENTARY INFORMATION**

September 1, 2013 Through August 31, 2014

This required supplementary information is an integral part of the accompanying financial statements.

#### **1. Ten-Year Claims Development Information**

The table below illustrates how the Cooperative's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Cooperative as of the end of each of the last ten years. The rows of the table are defined as follows:

- 1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
- 2) This line shows each fiscal year's operating costs of the Cooperative including overhead and claims expenses not allocable to individual claims.
- 3) This line shows the cooperative's incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- 4) This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
- 5) This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
- 6) This section of ten rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
- 7) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

## Reconciliation of Claims Liabilities by Type of Contract

The schedule below presents the changes in claims liabilities for the past two fiscal years by individual insurance pool.

	Workers' Compensation Insurance Fund	
	Year Ended 8/31/14	Year Ended 8/31/13
Unpaid Claims and Claim Adjustment Expenses at Beginning of the Fiscal Year	3,967,503	3,683,918
<u>Incurring Claims and Claim Adjustment Expenses:</u>		
Provision for Insured Events of the Current Fiscal Year	2,900,000	2,275,000
Provision for Insured Events of the Current Fiscal Year - L & I Assessments	1,824,407	1,720,096
Increases (Decreases) in Provision for Insured Events of Prior Years	277,400	58,000
Changes in Provision for ULAE	59,000	9,000
Total Incurred Claims and Claim Adjustment Expenses	5,060,807	4,062,096
<u>Payments:</u>		
Claim Expenses Attributable to Insured Events of the Current Year	936,029	768,778
Claim Expenses Attributable to Insured Events of Prior Years	1,360,034	1,329,588
Washington State L & I Assessment Payments	1,594,443	1,680,145
Total Payments	3,890,506	3,778,511
Total Unpaid Claims and Claim Adjustment Expenses at the End of the Year	5,137,804	3,967,503
<u>Components:</u>		
Reserve for Open Claims	2,777,790	1,926,097
Claims Incurred But Not Reported (IBNR)	1,447,453	1,417,809
Unallocated Loss Adjustment Exp (ULAE)	283,000	224,000
Washington State L & I Assessment (L & I)	629,561	399,597
Total Claims Liabilities	5,137,804	3,967,503

## Reconciliation of Claims Liabilities by Type of Contract

The schedule below presents the changes in claims liabilities for the past two fiscal years by individual insurance pool.

	<b>Property/Casualty Insurance Fund</b>	
	<b>Year Ended 8/31/14</b>	<b>Year Ended 8/31/13</b>
Unpaid Claims and Claim Adjustment Expenses at Beginning of the Fiscal Year	1,678,402	1,341,826
<i><u>Incurred Claims and Claim Adjustment Expenses:</u></i>		
Provision for Insured Events of the Current Fiscal Year	765,653	598,398
Increases (Decreases) in Provision for Insured Events of Prior Years	(276,603)	551,057
Changes in Provision for ULAE	(20,000)	18,000
Total Incurred Claims and Claim Adjustment Expenses	469,050	1,167,455
<i><u>Payments:</u></i>		
Claim Expenses Attributable to Insured Events of the Current Year	290,204	181,780
Claim Expenses Attributable to Insured Events of Prior Years	545,544	649,099
Total Payments	835,748	830,879
Total Unpaid Claims and Claim Adjustment Expenses at the End of the Year	1,311,704	1,678,402
<i><u>Components:</u></i>		
Reserve for Open Claims	881,811	1,227,409
Claims Incurred But Not Reported (IBNR)	344,893	345,993
Unallocated Loss Adjustment Exp (ULAE)	85,000	105,000
Total Claims Liabilities	1,311,704	1,678,402

**ESD 112 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDING AUGUST 31, 2014**

Grantor/Pass through Agency	Program Name	CFDA No.	Award Number	EXPENDITURES		Note Reference
				Direct	Pass Through Indirect	
US DEPARTMENT OF AGRICULTURE						
WA SPI	Child and Adult Care Food Program	10.558	06021286.6010333	\$	\$ 1,254,950	2
Total US Department of Agriculture				\$	- \$	\$ 1,254,950
US DEPARTMENT OF JUSTICE						
WA Office of Juvenile Justice	Juvenile Justice and Delinquency Prevention Allocation to States	16.540	I-300-00213/00114	\$	\$ 108,369	2
Total US Department of Justice				\$	- \$	\$ 108,369
US DEPARTMENT OF LABOR						
Private Industry Council	WIA Youth Activities	17.259	WDC13-14/14-15	\$	\$ 1,037,641	2,3
Total US Department of Labor				\$	- \$	\$ 1,037,641
US DEPARTMENT OF EDUCATION						
WA SPI	Title 1 Grants to Local Educational Agencies	84.010	0227742,0227751,022448,0222470,0222623,0222634	\$	\$ 414,589	2
WA SPI	Special Education Grants to States	84.027	0320213,0304873,0305090,0337621	\$	\$ 2,905,948	2
WA SPI	Special Education Preschool Grants	84.173	0380263,0364861,0363089	\$	\$ 122,651	2
WA SPI	Mathematics and Science Partnerships	84.366	0555361	\$	\$ 224,031	2,4
WA SPI	Improving Teacher Quality State Grants	84.367	0539043	\$	\$ 50,000	2
WA Student Achievement Council	Improving Teacher Quality State Grants	84.367	15-IA037	\$	\$ 138,812	2,4
WA DEL	Race to the Top--Early Learning Challenge	84.412	01-110-201113/5-61	\$	\$ 423,723	2,3,5
WA SPI	Race to the Top--Early Learning Challenge	84.412	0619903,0619913	\$	\$ 55,212	2,3
Total US Department of Education				\$	- \$	\$ 4,334,966
US DEPARTMENT OF HEALTH & HUMAN SERVICES						
N/A	Drug-Free Communities Support Program Grants	93.276	11SP18597A, 13SP20118A, 12SP14467A	\$	\$ 187,287	2,3
WA Dept of Health	PPHF-Community Transformation Grants and Nat'l Dissemination and Support for Community Transformation Grants - Financed Solely by Prevention and Public Health Funds	93.531	N19902,N20504	\$	\$ 76,647	2,3
Comprehensive Health Education Foundation	Community Transformation Grants and Nat'l Dissemination and Support for Community Transformation Grants - Financed Solely by Prevention and Public Health Funds	93.531	N19390/ 2014-ESD112-SW HLC	\$	\$ 16,084	2,3
WA Dept of Early Learning	Child Care and Development Block Grant	93.575	01-110-201114/5-61, 14-1068	\$	\$ 288,937	2,3,5
N/A	Early Head Start	93.600	10CHO182/02, /03	\$	\$ 588,437	2,3
WA Health Care Authority	Medical Assistance Program, Medicaid Title XIX	93.778	0765-19178	\$	\$ 72,279	2
WA SPI	Block Grants for Prevention and Treatment of Substance Abuse	93.959	0998153,0998167	\$	\$ 473,687	2
Total US Department of Health & Human Services				\$	\$ 775,724	\$ 1,703,358
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$	\$ 775,724	\$ 7,663,560
						\$ 8,439,284

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

**ESD 112 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDING AUGUST 31, 2014**

E X P E N D I T U R E S					Note Reference
Grantor/Pass through Agency	Program Name	CFDA No.	Award Number	Direct	
				Pass Through Indirect	Total

**NOTE 1 - BASIS OF ACCOUNTING**

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

**NOTE 2 - FEDERAL INDIRECT COST RATE**

The amount expended includes \$575,041 claimed as an indirect cost recovery using an approved indirect cost rate of 9 percent.

**NOTE 3 - PROGRAM COSTS / MATCHING CONTRIBUTIONS**

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the district's portion, are more than shown.

**NOTE 4 - AMOUNTS AWARDED TO SUBRECIPIENTS**

Included in the total amount expended for this program are awards that were passed through to a subrecipient that administered its own project.

**NOTE 5 - PERFORMANCE BASED CONTRACTS**

Revenues received based on performance standards. Revenues are allowed to be carried forward for expenditure in the following fiscal year. Cash management rules apply.



EDUCATIONAL SERVICE DISTRICT 112  
SW WA UNEMPLOYMENT COMPENSATION POOL

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
1. Required contribution & investment revenue:									
Earned	610,979	641,412	691,224	725,377	706,927	2,140,056	2,110,945	1,664,882	1,504,011
Investment Income	68,131	102,852	103,416	61,675	25,813	13,346	12,365	14,187	19,110
Ceded									
Net Earned	679,110	744,264	794,640	787,052	732,740	2,153,401	2,123,310	1,679,068	1,523,121
2. Unallocated expenses (ESD Admin)	140,080	148,884	150,312	171,788	179,746	181,165	193,309	187,197	180,533
3. Estimated claims & expenses end of policy Year:									
Incurred				1,309,650	1,059,312	898,305	893,371	711,703	442,005
Ceded									
Net incurred	0	0	0	1,309,650	1,059,312	898,305	893,371	711,703	442,005
4. Net paid (cumulative) as of:									
End of policy year									
One year later				1,005,472	839,270	617,799	728,633	578,679	362,249
Two years later				770,415	1,058,589	957,795	1,421,961	485,377	
Three years later									
Four years later									
Five years later									
Six years later									
5. Reestimated net ceded claims and expenses									
6. Reestimated net incurred claims & expenses:									
End of policy year				1,309,650	1,059,312	898,305	893,371	711,703	442,005
One year later				1,026,641	1,068,343	970,184	1,430,885	489,558	
Two years later									
Three years later									
Four years later									
Five years later									
Six years later									
7. Increase (decrease) in estimated net incurred claims & expenses from end of policy year	0	0	0	-283,009	9,031	71,879	537,514	-222,145	0

8/31/2010 the actuary changed review method. This data was not available in this format before then.

## **SW WA Unemployment Compensation Pool**

### **REQUIRED SUPPLEMENTARY INFORMATION**

September 1, 2013 Through August 31, 2014

This required supplementary information is an integral part of the accompanying financial statements.

#### **1. Six-Year Claims Development Information**

The table below illustrates how the Pool's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by re-insurers) and other expenses assumed by the Pool as of the end of each of the last six years. The rows of the table are defined as follows:

- 1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
- 2) This line shows each fiscal year's operating costs of the Pool including overhead and claims expenses not allocable to individual claims.
- 3) This line shows the Pool's incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses ( both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- 4) This section of three rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
- 5) This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
- 6) This section of six rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
- 7) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

## Reconciliation of Claims Liabilities by Type of Contract

The schedule below presents the changes in claims liabilities for the past two fiscal years by individual insurance pool.

	<b>Unemployment Insurance Fund</b>	
	<b>Year Ended 8/31/14</b>	<b>Year Ended 8/31/13</b>
Unpaid Claims and Claim Adjustment Expenses at Beginning of the Fiscal Year	136,489	216,758
<i><u>Incurring Claims and Claim Adjustment Expenses:</u></i>		
Provision for Insured Events of the Current Fiscal Year	695,595	751,508
Increases (Decreases) in Provision for Insured Events of Prior Years	(49,950)	(263,800)
Changes in Provision for ULAE	16,174	(3,965)
Total Incurred Claims and Claim Adjustment Expenses	661,819	483,743
<i><u>Payments:</u></i>		
Claim Expenses Attributable to Insured Events of the Current Year	368,996	403,409
Claim Expenses Attributable to Insured Events of Prior Years	98,029	160,603
Total Payments	467,025	564,012
Total Unpaid Claims and Claim Adjustment Expenses at the End of the Year	331,283	136,489

## SW WA Workers' Compensation Trust

### PUBLIC ENTITY RISK POOL LIST OF PARTICIPATING MEMBERS

#### Workers' Compensation:

Battle Ground School District #119  
Camas School District # 117  
Castle Rock School District #401  
Centerville School District #215  
Educational Service District 112  
Evergreen School District #114  
Glenwood School District #401  
Green Mountain School District #103  
Hockinson School District #98  
Kalama School District #402  
Kelso School District #458  
Klickitat School District #402  
LaCenter School District #101  
Longview School District #122  
Lyle School District #406  
Mill A School District #31  
Mount Pleasant School District #029-93  
Naselle-Grays River School District #155  
Ocean Beach School District #101  
Ridgefield School District #122  
Roosevelt School District #403  
Skamania School District #2  
Stevenson-Carson School District #303  
Toutle Lake School District #130  
Trout Lake School District #R-400  
Wahkiakum School District #200  
Washougal School District #112-6  
White Salmon Valley School District #405-17  
Wishram School District #94  
Woodland School District #404

# OFM SCHEDULE OF EXPENSES

## SOUTHWEST WASHINGTON WORKERS' COMPENSATION TRUST

For the Fiscal Year Ended August 31, 2014

Excess Insurance	<u>130,143.00</u>
Contracted Services:	
Third Party Administrator Fees	
Actuarial	<u>43,382.00</u>
Audit Expenses	
Brokerage Fees	<u>10,540.00</u>
Legal Fees	<u>0.00</u>
Other Consultant Fees	<u>6,251.04</u>
General Administrative Expenses:	
Payroll	<u>652,381.44</u>
Communication & Network	<u>25,881.11</u>
Supplies and Materials	<u>34,433.57</u>
Dues and Conferences	<u>4,045.89</u>
Retreat/Board Meetings	<u>423.84</u>
Training	<u>2,720.73</u>
Depreciation	
Travel	<u>10,187.71</u>
Lease	<u>42,845.76</u>
Printing/Copier	<u>6,299.76</u>
Miscellaneous	<u>385.51</u>
Other:	
Claims Paid	<u>2,292,462.42</u>
Change in Claim Reserves	<u>1,170,301.00</u>
Labor & Industry Assessment	<u>1,594,443.08</u>
Right to Know	<u>17,474.10</u>
Safe Schools Online Training	<u>22,500.00</u>
<b>Total Operating Expenses</b>	<b><u>6,067,101.96</u></b>

## **SW WA Risk Management Insurance Cooperative**

### **PUBLIC RISK POOL LIST OF PARTICIPATING MEMBERS**

As of August 31, 2014

#### **Risk Management:**

Bickleton School District #203  
Camas School District #117  
Castle Rock School District #401  
Centerville School District #215  
East Valley (Yakima) School District #90  
Educational Service District 112  
Glenwood School District #401  
Green Mountain School District #103  
Hockinson School District #98  
KWRL Transportation  
Kalama School District #402  
Kelso School District #458  
Klickitat School District #402  
La Center School District #101  
Lyle School District #406  
Mabton School District #120  
Mill A School District #31  
Mount Pleasant School District #029-93  
Naselle-Grays River School District #155  
Ocean Beach School District #101  
Roosevelt School District #403  
Skamania School District #2  
Stevenson-Carson School District #303  
Toutle Lake School District #130  
Trout Lake School District #R-400  
Wahkiakum School District #200  
Washougal School District #112-6  
White Salmon Valley School District #405-17  
Wishram School District #94  
Woodland School District #404  
(WSIPC) Washington School Information Processing  
Cooperative  
Southwest Washington Unemployment Compensation Pool  
Southwest Washington Workers' Compensation Trust

## DES SCHEDULE OF EXPENSES

### SOUTHWEST WASHINGTON RISK MANAGEMENT INSURANCE COOPERATIVE

For the Fiscal Year Ended August 31, 2014

Excess Insurance	<u>1,378,878.66</u>
Contracted Services:	
Third Party Administrator Fees	
Actuarial	<u>50,303.50</u>
Audit Expenses	
Brokerage Fees	
Legal Fees	<u>6,194.94</u>
Other Consultant Fees	<u>437.24</u>
General Administrative Expenses:	
Payroll	<u>340,333.37</u>
Communication & Network	<u>3,928.59</u>
Supplies and Materials	<u>2,202.74</u>
Dues and Conferences	<u>3,686.26</u>
Retreat/Board Meetings	<u>4,287.96</u>
Training	<u>6,007.23</u>
Depreciation	
Travel	<u>18,491.09</u>
Lease	<u>16,447.02</u>
Printing/Copier	<u>10,729.88</u>
Miscellaneous	<u>1,899.56</u>
Other:	
Claims Paid	<u>835,688.43</u>
Change in Claim Reserves	<u>-366,698.00</u>
State Risk Manager Fee	<u>11,734.40</u>
Refund to Member Districts	
District Security Audits	<u>113,958.70</u>
Pre-Loss Attorney Consultation	<u>193.75</u>
Miscellaneous	<u>9,799.37</u>
<b>Total Operating Expenses</b>	<b><u>2,448,504.69</u></b>

## **SW WA Unemployment Compensation Pool**

### **PUBLIC ENTITY RISK POOL LIST OF PARTICIPATING MEMBERS**

#### **Unemployment:**

Camas School District # 117  
Castle Rock School District #401  
Centerville School District #215  
Educational Service District 112  
Evergreen School District #114  
Glenwood School District #401  
Green Mountain School District #103  
Hockinson School District #98  
Kalama School District #402  
Kelso School District #458  
Klickitat School District #402  
LaCenter School District #101  
Longview School District #122  
Lyle School District #406  
Mill A School District #31  
Mount Pleasant School District #029-93  
Naselle-Grays River School District #155  
Ocean Beach School District #101  
Ridgefield School District #122  
Roosevelt School District #403  
Skamania School District #2  
Stevenson-Carson School District #303  
Toutle Lake School District #130  
Trout Lake School District #R-400  
Wahkiakum School District #200  
Washougal School District #112-6  
White Salmon Valley School District #405-17  
Wishram School District #94  
Woodland School District #404



## DES SCHEDULE OF EXPENSES

### SOUTHWEST WASHINGTON UNEMPLOYMENT COMPENSATION POOL

For the Fiscal Year Ended August 31, 2014

Excess Insurance	
Contracted Services:	
Third Party Administrator Fees	
Actuarial	17,440.00
Audit Expenses	
Brokerage Fees	
Legal Fees	
Other Consultant Fees	
General Administrative Expenses:	
Payroll	144,383.28
Communication & Network	4,175.42
Supplies and Materials	5,267.00
Dues and Conferences	385.13
Retreat/Board Meetings	
Training	1,070.74
Depreciation	
Travel	740.42
Lease	5,726.22
Printing/Copier	1,345.22
Miscellaneous	
Other:	
Claims Paid	467,024.58
Change in Claim Reserves	-21,125.00
Miscellaneous	1,250,229.00
<b>Total Operating Expenses</b>	<b>1,876,662.01</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
<b>Deputy Director for Communications</b>	Thomas Shapley <a href="mailto:Thomas.Shapley@sao.wa.gov">Thomas.Shapley@sao.wa.gov</a> (360) 902-0367
<b>Public Records requests</b>	(360) 725-5617
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>