



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

Puget Sound Educational Service District

King County

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

Published May 26, 2015

Report No. 1014293





Washington State Auditor

May 26, 2015

Board of Directors
Puget Sound Educational Service District
Renton, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Puget Sound Educational Service District'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,

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

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FEDERAL SUMMARY

**Puget Sound Educational Service District
King County
September 1, 2013 through August 31, 2014**

The results of our audit of the Puget Sound Educational Service District 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>
84.412	Race to the Top - Early Learning Challenge
84.416	Race to the Top - District Grants
93.600	Head Start Cluster - Head Start

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$1,062,188.

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

**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**

**Puget Sound Educational Service District
King County
September 1, 2013 through August 31, 2014**

Board of Directors
Puget Sound Educational Service District
Renton, 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 the Puget Sound Educational Service District, King 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 19, 2015. The District has omitted the management's discussion and analysis information that 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.



JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

May 19, 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**

**Puget Sound Educational Service District
King County
September 1, 2013 through August 31, 2014**

Board of Directors
Puget Sound Educational Service District
Renton, Washington

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

We have audited the compliance of the Puget Sound Educational Service District, King 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.

We noted certain matters that we have reported to the management of the District in a separate letter dated May 19, 2015.

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, 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, WA

May 19, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Puget Sound Educational Service District King County September 1, 2013 through August 31, 2014

Board of Directors
Puget Sound Educational Service District
Renton, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Puget Sound Educational Service District, King 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 14.

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 the Puget Sound Educational Service District, 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 39 through 41 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 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. 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 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.



JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

May 19, 2015

FINANCIAL SECTION

**Puget Sound Educational Service District
King County
September 1, 2013 through August 31, 2014**

BASIC FINANCIAL STATEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

Workers' Compensation Pool – Schedule of Claims Development Information – 2014
Workers' Compensation Pool – Schedule of Notes to the Claims Development
Information – 2014
Workers' Compensation Pool – Reconciliation of Claims Liabilities by Type and
Contract – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards and Notes – 2014

EDUCATIONAL SERVICE DISTRICT #121
STATEMENT OF NET POSITION - ALL FUNDS
AUGUST 31, 2014

	NOTE REF	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	Note 1	12,301,567.42	46,154,767.78	10,138,898.28	68,595,233.48
Accounts Receivable (net of uncollectible allowance)	Note 1	8,337,268.38			8,337,268.38
Other Receivables	Note 1				
Member Assessments/Contributions			1,444,656.96	166,189.90	1,610,846.86
Due from Other Governments	Note 1	5,197.86	19,578.97	4,199.55	28,976.38
Prepays	Note 1	45,593.83	26,856.08		72,449.91
TOTAL CURRENT ASSETS		20,689,627.49	47,645,859.79	10,309,287.73	78,644,775.01
NONCURRENT ASSETS					
Capital Assets	Note 3				
Land		2,445,000.00			2,445,000.00
Building		15,728,857.54			15,728,857.54
Equipment		3,273,639.95	88,136.10		3,361,776.05
Less: Accumulated Depreciation		(9,666,896.28)	(56,255.27)		(9,723,151.55)
Net Capital Assets		11,780,601.21	31,880.83	-	11,812,482.04
Other Noncurrent Assets					
Investment in Joint Venture	Note 12	618,351.00			618,351.00
TOTAL NONCURRENT ASSETS		12,398,952.21	31,880.83	-	12,430,833.04
TOTAL ASSETS		33,088,579.70	47,677,740.62	10,309,287.73	91,075,608.05
DEFERRED OUTFLOWS OF RESOURCES					
	Note 1	791,725.22			791,725.22

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

EDUCATIONAL SERVICE DISTRICT #121
STATEMENT OF NET POSITION - ALL FUNDS
AUGUST 31, 2014

	NOTE REF	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	Note 1	6,886,538.81			7,578,874.93
Accrued Interest Payable	Note 5	44,589.67	691,677.07	659.05	44,589.67
Accrued Salaries	Note 1	62,994.65			62,994.65
Payroll Deductions & Taxes Payable	Note 1	494,559.78			494,559.78
Compensated Absences - Current	Note 1	261,238.82			261,238.82
Bonds Payable - Current	Note 5	455,000.00			455,000.00
Capital Leases Payable - Current	Note 5	84,110.96			84,110.96
Claim Reserves - Current	Note 8				
IBNR - Current					
Open Claims - Current			4,333,678.00	1,989,269.51	6,322,947.51
Unallocated Loss Adjustment Expenses - Current			3,262,874.00		3,262,874.00
Deposits	Note 1	10,011.00		128,969.20	1,808,969.20
Unearned Revenue	Note 1	1,472,968.64			10,011.00
TOTAL CURRENT LIABILITIES		9,772,012.33	9,968,229.07	2,118,897.76	21,859,139.16
NONCURRENT LIABILITIES					
Compensated Absences	Note 1	973,816.15			973,816.15
Claim Reserves	Note 8				
IBNR			6,153,990.00		6,153,990.00
Open Claims			11,414,453.00		11,414,453.00
Bonds Payable	Note 5	10,035,543.21			10,035,543.21
Capital Leases Payable	Note 5	63,478.85			63,478.85
Future L&I Assessments	Note 8		2,901,523.92		2,901,523.92
TOTAL NONCURRENT LIABILITIES		11,072,838.21	20,469,966.92	-	31,542,805.13
TOTAL LIABILITIES		20,844,850.54	30,438,195.99	2,118,897.76	53,401,944.29
DEFERRED INFLOWS OF RESOURCES					
	Note 1				-

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

EDUCATIONAL SERVICE DISTRICT #121
STATEMENT OF NET POSITION - ALL FUNDS
AUGUST 31, 2014

	NOTE REF	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
NET POSITION					
Net Investment in Capital Assets		1,934,193.41	31,880.83	-	1,966,074.24
Restricted for Debt Service	Note 10	856,269.91			856,269.91
Restricted for Support Programs	Note 10	4,923,127.97			4,923,127.97
Restricted for Risk Pool Net Position			17,207,663.80	8,190,389.97	25,398,053.77
Restricted for Other Items	Note 10	2,117,134.28			2,117,134.28
Restricted for Joint Venture	Note 12	618,351.00	-	-	618,351.00
Unrestricted		2,586,377.81		-	2,586,377.81
TOTAL NET POSITION		13,035,454.38	17,239,544.63	8,190,389.97	38,465,388.98

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

EDUCATIONAL SERVICE DISTRICT #121
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2014

	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
OPERATING REVENUES				
Local Sources	4,586,388.23			4,586,388.23
State Sources	18,832,731.86			18,832,731.86
Allotment	510,850.71			510,850.71
Federal Sources	35,407,086.56			35,407,086.56
Cooperative Programs	5,050,876.77			5,050,876.77
Other Programs	2,917,689.64			2,917,689.64
Member Assessments/Contributions		24,126,543.71	1,864,571.19	25,991,114.90
Other Operating Revenue			200.00	200.00
TOTAL OPERATING REVENUE	67,305,623.77	24,126,543.71	1,864,771.19	93,296,938.67
OPERATING EXPENSES				
General Operations and Administration	5,382,131.03	3,364,550.13	145,090.34	8,891,771.50
Instructional Support Programs	54,310,206.81			54,310,206.81
Non Instructional Support Programs	5,848,131.26			5,848,131.26
Incurred Loss/Loss Adjustment Expenses				
Paid on Current Losses		4,033,027.00	770,626.48	4,803,653.48
Change in Loss Reserves		10,827,205.92	96,119.19	10,923,325.11
Unallocated Loss Adjustment Expenses				
Change in Unallocated Loss Reserves		145,000.00	(31,155.66)	113,844.34
Excess/Reinsurance Premiums		629,629.01		629,629.01
Professional Fees		63,300.00		63,300.00
Labor & Industries Assessments		5,190,361.89		5,190,361.89
Depreciation/Depletion	840,221.17	12,026.10		852,247.27
TOTAL OPERATING EXPENSES	66,380,690.27	24,265,100.05	980,680.35	91,626,470.67
OPERATING INCOME (LOSS)	924,933.50	(138,556.34)	884,090.84	1,670,468.00
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	116,523.54	411,157.98	85,530.00	613,211.52
Interest Expense and Related Charges	(440,396.69)			(440,396.69)
Gains (Losses) on Capital Asset Disposition		1,100.00		1,100.00
Change in Joint Venture	7,503.00			7,503.00
TOTAL NONOPERATING REVENUES (EXPENSES)	(316,370.15)	412,257.98	85,530.00	181,417.83
INCOME (LOSS) BEFORE OTHER ITEMS	608,563.35	273,701.64	969,620.84	1,851,885.83
Extraordinary Items				-
Special Items				-
INCREASE (DECREASE) IN NET POSITION	608,563.35	273,701.64	969,620.84	1,851,885.83
NET POSITION - BEGINNING BALANCE	12,426,891.03	16,965,842.99	7,220,769.13	36,613,503.15
PRIOR PERIOD ADJUSTMENT				-
NET POSITION - ENDING BALANCE	13,035,454.38	17,239,544.63	8,190,389.97	38,465,388.98

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

**EDUCATIONAL SERVICE DISTRICT #121
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2014**

	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
CASH FLOW FROM OPERATING ACTIVITIES				
Cash Received from Customers	7,366,909.42			7,366,909.42
Cash Received from State and Federal Sources	52,798,168.50			52,798,168.50
Cash Received from Members	5,050,876.77	23,668,089.16	1,698,581.29	30,417,547.22
Payments to Suppliers for Goods and Services	(33,119,762.77)	(3,314,875.93)	(144,990.90)	(36,579,629.60)
Payments to Employees for Services	(27,997,255.54)			(27,997,255.54)
Cash Paid for Benefits/Claims		(12,403,484.87)	(770,626.48)	(13,174,111.35)
Cash Paid for Reinsurance		(24,083.00)		(24,083.00)
Cash Paid for Labor and Industries Assessments		(5,724,792.61)		(5,724,792.61)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	4,098,936.38	2,200,852.75	782,963.91	7,082,753.04
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal and Interest Payment on Notes	(793,305.52)			(793,305.52)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(793,305.52)	-	-	(793,305.52)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	(52,548.91)	1,100.00		(51,448.91)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(52,548.91)	1,100.00	-	(51,448.91)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends Received	111,325.68	408,431.65	84,741.48	604,498.81
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	111,325.68	408,431.65	84,741.48	604,498.81
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,364,407.63	2,610,384.40	867,705.39	6,842,497.42
CASH AND CASH EQUIVALENTS - BEGINNING PRIOR PERIOD ADJUSTMENT	8,937,159.79	43,544,383.38	9,271,192.89	61,752,736.06
CASH AND CASH EQUIVALENTS - ENDING	12,301,567.42	46,154,767.78	10,138,898.28	68,595,233.48
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
OPERATING NET INCOME	924,933.50	(138,556.34)	884,090.84	1,670,468.00
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	840,221.17	12,026.10		852,247.27
Change in Assets and Liabilities				
Receivables, Net	(2,321,961.57)	(415,638.50)	(166,189.90)	(2,903,789.97)
Prepays	(45,593.83)	605,546.01		559,952.18
Accounts and Other Payables	4,469,044.62	(421,456.52)	99.44	4,047,687.54
Unearned Revenue	232,292.49			232,292.49
Other Changes				
Provision for Unallocated Loss Adjustment		145,000.00	(31,155.66)	113,844.34
Claim Reserves		2,413,932.00	96,119.19	2,510,051.19
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	4,098,936.38	2,200,852.75	782,963.91	7,082,753.04

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

EDUCATIONAL SERVICE DISTRICT #121
STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS
AUGUST 31, 2014

	<u>COMPENSATED ABSENCES</u>
ASSETS	
Cash and Cash Equivalents	1,994,351.53
Accounts Receivable	999.42
TOTAL ASSETS	<u>1,995,350.95</u>
LIABILITIES	
Accounts Payable	138.55
Deposits (from school districts)	1,995,212.40
TOTAL LIABILITIES	<u>1,995,350.95</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles (GAAP) applicable to governmental enterprise units. 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

Puget Sound Educational Service District No. 121 (ESD 121) 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 ESD 121. The District is a separate legal entity and is fiscally independent from all other units of government.

The District serves thirty-five school districts in King and Pierce counties as well as the Bainbridge Island School District in Kitsap County. These districts comprise approximately 40% of the total enrollment of Washington's public schools. Oversight responsibility for the District's operations is vested with the Board of Directors who are elected by the school directors of the districts served by the educational service district, one from each of nine 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, rests with the Board and/or its designee. 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* in the State of Washington, 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: 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 *Operating* fund is the ESD's primary fund. It accounts for all financial resources of the ESD that are not reported in the following funds.

The *Workers Compensation* fund accounts for workers' compensation payroll taxes collected from members, and the payment of associated claims, assessments and expenses.

The *Unemployment Compensation* fund accounts for the collection of premium from members of the fund and the related payment of associated claims and expenses.

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.

In addition, the District reports the following fund type:

The *Compensated Absences Pool Agency Fund* accounts for assets held by the district to provide a funding mechanism for members to pay for the cash-out of liabilities for compensated absences when employees of member districts leave service or retire.

Trust or agency funds are used to account for assets held by the district in a trustee or agency capacity.

The District has prepared an annual program report to OSPI in a format issued under separate cover. 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 King County Treasurer is the ex-officio treasurer for the District. In this capacity the county treasurer receives daily deposits and transacts investments on the district's behalf. On August 31, 2014, the treasurer was holding \$68,543,733 in the Operating and other proprietary funds and \$1,994,352 for the Agency fund in short term residual investments of surplus cash. These amounts are classified on the statement of net position and the statement of fiduciary net assets as cash and cash equivalents. Additionally, the district has a carrying amount in Imprest Checking Accounts of \$51,500. These bank balances are covered by collateral held by the District's agent in the District's name.

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.

All receivables are shown net of an allowance for un-collectibles. Uncollectible accounts are written off on an annual basis.

Interfund Receivables and Payables

Interfund payables from the Workers' Compensation Trust and Unemployment Pool to the Operating Fund consist of reimbursements of administrative expenses paid by the Operating Fund on behalf of the other funds.

Interfund payables from the Compensated Absences Pool to the Operating Fund consist of claims for reimbursement from the Pool for paid sick leave and vacation leave cashouts and reimbursement of administrative expenses paid by the Operating Fund.

All of these amounts are included in either the Accounts Receivable or Accounts Payable of the respective fund.

Due from Other Governments

Due from Other Governments represents the amount of investment earnings receivable from the King County Investment pool to the various funds.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Inventory

The District does not maintain material amounts of inventory.

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 balance of the liabilities that are not fully funded by the pool in the statement of net position.

Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

Long Term Debt – See Note 5

Unearned Revenue and Unearned Member Assessments/Contributions

Unearned Revenue and Unearned Member Assessments/Contributions represents memberships and other payments for services that pertain to the 2014-15 fiscal year and that are not available for expenses of the 2013-14 fiscal year. Unearned Revenue represent payments from entities received based on enrollment participation, not on an expenditure reimbursement method of payment. In the Operating fund, unearned revenue also includes accounts receivable which, under GAAP, are measurable but not yet available.

Unpaid Claims Liabilities (Claims Payable, Claims Incurred but Not Reported, and Liability for Unallocated Loss Adjustment Expenses)

The liability for losses and loss adjustment expenses represent estimates of future payments to settle workers' compensation and unemployment claims and includes case-basis reserves for individual losses, administrative costs directly attributable to specific losses and a provision for losses incurred but not reported (IBNR). IBNR includes case-development and reopened claims liabilities. The Workers Compensation Trust uses an independent actuary to assist in the development of a range of loss estimates and the Trust recognizes the liability within that range provided by the actuary. Such liabilities are necessarily based on estimates and, while the Trustees believe that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected currently in earnings.

Reserve for Unallocated Loss Adjustment Expense (ULAE)

The reserve for ULAE represents a liability for the estimated cost to be incurred with respect to the settlement of claims in process and claims incurred by not reported, that cannot be related to a specific claim.

Deferred Outflows and Deferred Inflows

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so is not recognized as an outflow of resources (expense/expenditure) until then. The district only has one item that qualifies for reporting in this category. It is the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district does not have this type of item.

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.

Impaired Investments

In September 2008, King County bifurcated its Investment Pool to separate out the investments in impaired commercial paper assets. The County has restricted pool member access to these funds by placing them in Impaired Investment Retainage accounts (Impaired Pool) at the County. As cash is received by the County on these investments, these Impaired Pool accounts are reduced and the cash is placed into the County Pool members unrestricted cash accounts. As of August 31, 2014, all impaired commercial paper investments have completed enforcement events. The Impaired Pool held one commercial paper asset in which the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The Impaired Pool also held residual investments in four commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash out option. The District's share of the impaired investment pool principal is \$168,211 and the district's fair value of these investments is \$100,573.

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

Investment	Fair Value
County Investment Pool	\$70,437,512
County Impaired Pool	100,573
Total Investments	\$70,538,085

Interest Rate Risk

As of August 31, 2014 the Pool's effective duration was 1.34 years. 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.

Credit Risk

As of August 31, 2014, the district's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

Concentration of Credit Risk

The District does not have investments in any one issuer that represents 5% or more of total investments.

The following is a breakdown of the King County Investment Pool holdings for August 2014:

	% of Portfolio
U.S. Agency Securities	41.5%
Commerical Paper	1.6%
Treasury Securities	38.0%
Local Government Investment Pool	16.9%
U.S. Agency Mortgage-backed Securities	0.2%
Bank Corporate Notes	0.3%
Repurchase Agreements	1.5%
	<u>100.0%</u>

Note 3 CAPITAL ASSETS

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

Asset	Years
Automobiles	5
Vans	10
School Buses	8-13
Equipment	5
Computers	4
Leasehold Improvements	Term of lease
Buildings and structures	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.

Operating fund 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 being depreciated:				
Land	\$2,445,000	\$		\$ 2,445,000
Construction in Progress				
Total capital assets not being depreciated	2,445,000	0	0	2,445,000
Depreciable capital assets:				
Buildings	15,728,858			15,728,858
Improvements other than buildings				
Equipment	3,239,510	52,549	18,419	3,273,640
Other				
Total depreciable capital assets	18,968,368	52,549	18,419	19,002,498
Less accumulated depreciation for:				
Buildings	6,318,806	646,329		6,965,134
Improvements other than buildings				
Equipment	2,526,289	193,892	18,419	2,701,762
Other				
Total accumulated depreciation	8,845,094	840,221	18,419	9,666,896
Total depreciable assets, net	10,123,273	(787,672)	0	9,335,601
Total assets, net	\$12,568,273	\$(787,672)	\$0	\$11,780,601

Workers' Compensation Trust 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
Depreciable capital assets:				
Equipment	\$107,520	\$0	\$19,384	\$88,136
Less accumulated depreciation for:	63,613	12,026	19,384	56,255
Equipment				
Total assets, net	\$ 43,907	\$(12,026)	\$ 0	\$31,881

Construction Commitments

The District has no active construction projects as of August 31, 2014.

Note 4 SHORT-TERM DEBT

The district had no short-term debt activity for the fiscal year ended August 31, 2014.

Note 5 LONG-TERM DEBT, LIABILITIES AND LEASES

Long-Term Debt

The District issued limited general obligation bonds and other debt instruments to finance the purchase of the Black River Building. 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
Black River Building Purchase 2006 LGO	2014-2015	4.15-4.20	\$11,850,000	355,000 – 370,000
2014 Refunding LGO	2014-2031	2.00-4.00	9,490,000	70,000 – 750,000

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

Fiscal Year Ending August 31	Principal	Interest
2015	\$ 455,000	\$ 300,570
2016	440,000	330,833
2017	455,000	317,813
2018	465,000	306,288
2019	480,000	294,013
2020-2024	2,615,000	1,233,413
2025-2029	3,140,000	689,675
2030-2032	2,165,000	123,844
Total	\$10,215,000	\$3,596,449

Advance Refunding of 2006 LGO Bonds

On July 23, 2014 the district sold \$9,490,000 in limited general obligation refunding bonds at a premium of \$348,460. These bonds advance refunded \$8,890,000 of the 2006 LGO bonds. The total net refunding savings of \$668,077 had a net present value of \$506,595 as of July 23, 2014, the bond sale settlement date. The percentage savings of the refunded bonds was 5.73%. The net interest cost was 3.30%. Net proceeds of \$9,689,375 were used to purchase United States Treasury Notes. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded bonds. As a result, these bonds are considered defeased. The District advance refunded these bonds to reduce its total debt service payments.

Operating Leases and Subleases

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 \$813,420. Future minimum rental commitments for these leases are as follows:

Fiscal Year Ending August 31	Amount
2015	\$ 823,803
2016	1,175,961
2017	1,341,175
2018	1,343,551
2019	1,232,759
2020-2024	5,267,530
2025-2029	5,243,530
2030-2031	1,398,275
Total	\$17,826,584

The District sublets office space at its Blackriver facility in Renton. The future minimum sublease revenue for this facility is as follows:

Fiscal Year Ending August 31	Amount
2015	\$109,269
2016	109,269
2017	109,269
2018	109,269
2019	100,163
Total	\$537,239

Capital Lease(s)

The District has entered into a lease agreement for financing cubicles and a phone system with a down payment of \$100,000. The lease agreement qualifies as a capital lease for accounting purposes, therefore, it has been recorded at the present value of their future minimum lease payments as of the inception date.

Assets acquired through capital leases are as follows:

Asset	Amount
Cubicles	\$709,895
Phone System	180,747
Less accumulated depreciation	(807,820)
Total	\$82,822

The future minimum lease obligation and the net present value of these minimum lease payments as of August 31, 2014 were as follows:

Fiscal Year Ending August 31	Amount
2015	88,416
2016	44,208
Total minimum lease payments	\$132,623
Less: Interest	(5,034)
Present Value of Minimum Lease Payments	\$127,589

Changes in Long-Term Liabilities

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

	Beginning Balance 9/1/2013	Additions	Reductions	Ending Balance 8/31/2014	Due Within One Year
Bonds Payable					
2006 LGO Bonds	\$9,955,000	\$	\$9,230,000	\$ 725,000	\$355,000
2014 LGO Refunding		9,490,000		9,490,000	100,000
Total Bonds Payable	9,955,000	9,490,000	9,230,000	10,215,000	455,000
Unamortized Premium		348,460	6,344	342,116	47,560
Unamortized Discount		(67,003)	(430)	(66,573)	(3,323)
Net Bonds Payable	9,955,000	9,771,457	9,235,914	10,490,543	499,237
Capital Leases	208,044		80,455	127,589	84,111
Compensated Absences (unfunded portion)	1,078,183	156,872		1,235,055	261,239
Total long-term liabilities	\$11,241,227	\$ 9,928,329	\$9,316,369	\$11,853,187	\$844,587

Note 6 PENSION PLANS

A. General Information

Substantially all of the District's 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:

<u>Program</u>	<u>Active Members</u>	<u>Inactive Vested Members</u>	<u>Retired Members</u>
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. 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 set by statute and varies from year to year. 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.

B. 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):

<u>Plan</u>	<u>FY13-14</u>	<u>FY12-13</u>	<u>FY11-12</u>
Plan 1 TRS	0	17,347	\$27,712
Plan 2 TRS	27,154	17,058	13,600
Plan 3 TRS	91,600	59,388	72,797
Plan 1 PERS	29,093	24,539	30,890
Plan 2 SERS	880,474	622,697	607,082
Plan 3 SERS	1,063,053	778,435	791,670

Historical trend information showing TRS, PERS and SERS progress in accumulating sufficient assets to pay benefits when due is presented in the state of Washington's June 30, 2013, comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

State of Washington
Office of Financial Management
300 Insurance Building
PO BOX 43113
Olympia, WA 98504-3113

Note 7 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 Washington State Department of Retirement Systems and Great American Financial Resources, Inc (a third party administrator).

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 OMNI Group, (a third party administrator).

The plan assets are assets of District employees, not the ESD, and are therefore not reflected in these financial statements.

Note 8 SHARED RISK POOL DISCLOSURES

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 and 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 \$500,000 and the annual aggregate retention is \$21,709,106. Since the Trust is a cooperative program, there is a joint liability among participating members.

For fiscal year 2014, there are thirty-five members in the Pool including thirty-four participating school districts. A Board comprised of one designated representative from each participating member and a seven member Executive Board governs the Trust. The Executive Board is elected by the Board. The District is responsible for conducting the business affairs of the Trust. At August 31, 2014, the amount of claims related liabilities totaled \$29,746,519. This liability is the District's best estimate based on available information. Changes in the reported liability since August 31, 2013, resulted in the following:

	Beginning Balance 9/1/2013	Current Year Claims and Changes in Estimates	Ending Balance 8/31/2014
Incurring but not Reported	\$11,436,335	\$(948,667)	\$10,487,668
Open Claims Reserves	11,314,728	3,362,599	14,677,327
Future L & I Assessments	3,593,495	(691,971)	2,901,524
Est. Unallocated Loss Adj.	1,535,000	145,000	1,680,000

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.

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 pay 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 twenty-one members in the Pool including twenty 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. Four members of the Executive Board are elected by the Cooperative Board and the fifth member is appointed by the District. At August 31, 2014, the amount of claims related liabilities totaled \$2,118,239. This liability is the District's best estimate based on available information. Changes in the reported liability since August 31, 2013, resulted in the following:

	Beginning Balance 9/1/2013	Current Year Claims and Changes in Estimates	Ending Balance 8/31/2014
Claims Reserves	\$1,893,150	\$96,120	\$1,989,270
Est. Unallocated Loss Adj.	160,125	(31,156)	128,969

Note 9 RISK MANAGEMENT

The District is a member of the Washington Schools Risk Management Pool. 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 August 30, 1986 to pool their self-insured losses and jointly purchase insurance and administrative services. The District joined the Pool effective August 30, 1986.

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, General Liability, Errors and Omissions Liability and Employment Practices Liability. PSESD is responsible for the first \$1,000 of all property claims. There is no member deductible for liability claims. The Pool self-insures the first \$1,000,000 and purchases excess insurance to cover losses over \$1,000,000 up to the limits of each policy.

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 \$1,000. Members are responsible for \$1,000 of that deductible amount for each claim.

Pool members contract to automatically renew from year to year. A member may withdraw from the Pool by giving written notice by May 31st of any year. The member must remain in the Pool until August 31st of the third subsequent year (two years and three months notice). 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 has a board of directors comprised of one designated representative from each participating member which elects an Executive Board. The nine member Executive Board is responsible for governance of the Pool. Financial statements and disclosures for the Pool can be obtained from the following address:

Kent Paul, Executive Director
 Washington Schools Risk Management Pool
 320 Andover Park East, Suite 275
 Tukwila, WA 98188

Note 10 NET POSITION, RESTRICTED

The District's financial statements include the following items shown as being Restricted. These amounts are restricted to the purpose listed, and are not available for other uses of the District.

Restricted for Debt Service: The District has a restriction of \$856,269 worth of net assets to pay for future debt service.

Restricted for Support Programs: The District maintains accounts for various support programs. Any excess of program revenue over the related expenditures is carried over for use by that program in future years. The District has chosen to report these amounts as a restriction on its financial statements, to reflect the amounts being used for specifically identified programs. The following table is the listing of the support programs and the dollar amount set aside for that program's future use.

Support Program	Amount
Instructional Resources	\$ 85,926
Special Education	276,669
Staff Development	555,962
Educational Technology	40,975
Safe and Drug Free Schools	144,196
Math and Science	406,745
Art	64,185
Highly Capable	475
Early Childhood	1,723,320
Alternative Learning Exp	226,730
Professional Development Centers	43,230
Other Instructional Support	170,535
Adult Education	96,413
Public Communications	32,963
Transportation	12,038
Human Resource Services	18,889
Fiscal Agent Services	67,597
Other Non-Instructional Support	574,089
Transportation Equipment	382,191
Total Restricted for Support Programs	\$4,923,128

Restricted for Risk Pool Net Position: The District operates various risk pools for items such as worker's compensation and unemployment insurance. Member districts may contribute to the pool for financing future risk of loss relating to the appropriate pool activity. The amount reported as restricted for these pools is the amount of total deposits in excess of current claims that are expected to be paid out.

Restricted for Other Items: The District has a restriction for payment of Property Taxes for the Educare Early Learning Center, Capital Improvement funds and reserves for potential close out expenditures related to New Market Tax Credit closeout costs and other future liabilities of \$2,117,134.

Other Restricted Balances	Amount
Future Liability Reserves	\$1,241,000
Educare Early Learning Center Property Taxes	226,134
Facility Capital Improvements	650,000
Total Restricted for Other Items	\$2,117,134

Note 11 JOINT VENTURE WITH UNDIVIDED INTEREST

Compensated Absences Liability Fund

The Compensated Absences Liability Fund is organized under the provisions of Chapter 39.34 Interlocal Cooperation Act for the purpose of managing leave payouts. Membership is established by execution of an agreement between the District and each local school district. The District is also a member of the Fund.

For fiscal year 2014, there are five members in the Fund including four participating school districts. The Fund allows members to accumulate dedicated funds for payment of leave related to sick leave and vacation leave buy out at retirement and certain other instances. Payroll contributions are made to the Fund at the time leave is earned to reserve assets for expenditures. Coverage is on an "occurrence" basis. Expenditures of leave taken during employment continue to be recorded when paid.

The District contributes to the Compensated Absences Liability Pool (CALP) for liabilities relating to sick leave and vacation leave cash outs. As of August 31, 2014, the District's total compensated absences balance in the pool was \$399,805. The District only reports the balance of the liabilities that are not fully funded by the pool in the statement of net position.

Changes for the fiscal year are summarized below.

	CALP activity FY 2013-14		Balance at 8/31/2014
Beginning unfunded liability			\$ 1,078,183
Beginning Pool balance	369,839		
Payments to Pool	270,781		
Interest	3,811		
Withdrawals from Pool	<u>(244,625)</u>		
Ending Pool Balance	399,805	(399,805)	
Estimated Total Liability 8/31/2014		<u>1,634,860</u>	
Unfunded Liability Amount (Est Total Liability less CALP Balance)		1,235,055	
Increase (decrease) to estimate of unfunded long-term liability			156,872
Ending unfunded liability			\$ 1,235,055

Note 12 INVESTMENT IN JOINT VENTURE

Washington State Information Processing Cooperative

The District is a member of the Washington Information Processing Cooperative. 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	0
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 made no capital contributions to the Joint Venture during 2013 and 2014, respectively. There were no distributions in 2013 and 2014.

Note 13 RELATED PARTY TRANSACTIONS

Puget Sound ESD (PSESD) successfully operates several early childhood learning centers in the region. With intent to expand the number and quality of early learning centers, state and private foundation leaders approached the PSESD to build and operate a new early learning center demonstration project.

Funding to build the new early learning center was originally planned to come from grants and donations. As fundraising gained momentum, an advantageous financing opportunity emerged through the possibility of using Federal New Market Tax Credits (FNMTCs). FNMTCs are available to nonprofit and community organizations.

An Internal Revenue Code section 501(c)3 entity, the PSESD Foundation, was formed in 2008 for the purpose of obtaining FNMTCs. The PSESD Foundation owns the building that will be occupied and used by the Puget Sound Educational Service District for operation of the early childhood center demonstration program.

In December of 2008, Puget Sound Educational Service District entered into a Master Lease Agreement with the PSESD Foundation for occupancy and use of the building.

The Lease agreement, which is also included as a part of Note 5, Long-Term Debt, Liabilities and Leases under Operating Leases is as follows:

Year Ending 8/31	Obligation Amount
2015	485,319
2016	860,910
2017	1,048,706
2018	1,048,706
2019	1,048,706
2020-2024	5,243,530
2025-2029	5,243,530
2030-2031	1,398,275
Total	\$16,377,682

The PSESD Foundation has independent financial statements available from Novogradic and Co., LLP , 121 SW Morrison, Suite 350, Portland, OR 97204.

Note 14 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

Note 15 SUBSEQUENT EVENTS

PSESD has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended August 31, 2014 through May 19, 2015, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

Note 16 UNPAID CLAIMS LIABILITIES

As discussed in Note 1, the Workers Compensation Trust establishes a liability for both reported and unreported insured events, which includes estimates for both future payments of losses and related claim adjustment expenses, both allocated and unallocated. The following represents changes in those aggregate liabilities for the Trust during the past two years (in Thousands of Dollars):

	<u>8/31/2014</u>	<u>8/31/2013</u>
Unpaid claims and claim adjustment expenses at beginning of year	<u>\$22,751</u>	<u>\$21,389</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	14,000	12,300
Increase (decrease) in provision for insured events of prior years	<u>1,114</u>	<u>2,511</u>
Total incurred claims and claim adjustment expenses	<u><u>15,114</u></u>	<u><u>14,811</u></u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	4,033	3,942
Claims and claim adjustment expenses attributable to insured events of prior years	<u>8,667</u>	<u>9,507</u>
Total payments	<u><u>12,700</u></u>	<u><u>13,449</u></u>
Total unpaid claims and claim adjustment expenses at end of year (undiscounted)	<u><u>\$25,165</u></u>	<u><u>\$22,751</u></u>
Unallocated loss adjustment expense/claim reserve at end of year	<u><u>1,680</u></u>	<u><u>1,535</u></u>
Total claims reserves at end of year	<u><u>\$ 26,845</u></u>	<u><u>\$ 24,286</u></u>

Reserve for Open Claims	\$ 14,677	\$ 11,315
Claims Incurred But Not Reported (IBNR)	10,488	11,436
ULAE	<u>1,680</u>	<u>1,535</u>
	26,845	24,286
Current Portion - Claims Reserves	3,263	3,799
Current Portion - IBNR	4,334	4,127
Current Portion - ULAE	<u>1,680</u>	<u>1,535</u>
Noncurrent Portion	<u>\$ 17,568</u>	<u>\$ 14,825</u>

PSESD Workers Compensation Pool
Comparative Schedule of Claims Development Information
For the Ten Year Period Ended August 31, 2014
(In thousands)

	8/31/2005	8/31/2006	8/31/2007	8/31/2008	8/31/2009	8/31/2010	8/31/2011	8/31/2012	8/31/2013	8/31/2014
1 Required contribution and investment revenues										
Ceded	19,892	19,943	21,422	22,445	24,747	25,250	25,257	24,321	23,943	24,539
Net earned	603	596	530	557	539	613	623	656	617	630
	19,289	19,347	20,892	21,888	24,208	24,637	24,633	23,665	23,326	23,909
2 Unallocated expenses	10,659	8,515	7,747	7,969	8,754	9,604	10,180	8,073	10,343	8,775
3 Estimated incurred claims and expense, end of policy year	8,300	9,850	11,500	11,200	11,800	11,838	12,627	13,189	12,480	14,105
Ceded						338	327	221	180	105
Net incurred	8,300	9,850	11,500	11,200	11,800	11,500	12,300	12,968	12,300	14,000
4 Net paid (cumulative) as of:										
end of policy year	3,981	3,554	3,467	3,923	4,166	4,228	4,416	4,831	3,942	4,033
one year later	7,621	6,732	7,044	7,746	7,956	8,089	8,154	9,171	7,561	
two years later	9,086	8,083	8,626	9,311	9,479	10,129	10,193	11,112		
three years later	10,020	8,700	9,207	9,933	10,409	11,427	11,191			
four years later	10,476	9,211	9,823	10,464	10,988	12,099				
five years later	10,795	9,184	10,337	10,912	11,275					
six years later	11,038	9,268	10,592	11,353						
seven years later	11,232	9,348	10,716							
eight years later	11,415	9,514								
nine years later	11,509									
5 Reestimated ceded claims and expenses:	357	288	196	50	238	106	77	100	137	105
6 Reestimated incurred claims and expense:										
end of policy year	11,500	11,200	11,800	11,500	12,300	12,968	12,975	13,750	12,300	14,000
one year later	11,800	10,750	11,150	11,750	12,238	12,525	12,550	13,900	12,500	
two years later	11,600	10,500	11,050	11,942	12,025	12,750	13,200	14,100		
three years later	11,500	10,150	10,717	11,675	12,100	13,550	13,400			
four years later	11,650	10,315	10,850	11,650	12,185	13,700				
five years later	11,535	9,900	11,125	11,925	12,300					
six years later	11,550	9,750	11,250	12,100						
seven years later	11,625	9,800	11,200							
eight years later	11,788	9,925								
nine years later	11,800									
7 Increase (decrease) in estimated incurred claims and expense from end of policy year	3,500	75	(300)	900	500	2,200	1,100	1,132	200	0

PSESD Workers Compensation Pool
Notes to the Comparative Schedule of Claims Development Information
For the Ten Year Period Ended August 31, 2014
(In Thousands of Dollars)

The Comparative Schedule of Claims Development Information presented as required supplemental information illustrates how the PSESD's Workers Compensation Trust's earned revenue (net of reinsurance) and investment income compared to related costs of loss (net of loss assumed by reinsurers) 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 other operating costs of the Trust including overhead and claims expense not allocable to individual claims.
- (3) This line shows the incurred claims and allocated claim adjustment expense (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 rows shows the cumulative 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 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 reestimated 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 reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years. Amounts shown have not been discounted to present value.

PSESD Workers Compensation Trust
Reconciliation Of Claims Liabilities by Type of Contract
For The Fiscal Years Ended August 31, 2014 and 2013

	Employee Health and Accident	
	2014	2013
Unpaid claims and claim adjustment expenses at beginning of year	\$ 22,751,063	\$ 21,388,994
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	14,000,000	12,300,000
Increases in provision for insured events of prior years	1,113,500	2,511,000
Changes in Unallocated loss adjustment expense		
Total incurred claims and claim adjustment expenses	15,113,500	14,811,000
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	4,033,027	3,941,584
Claims and claim adjustment expenses attributable to insured events of prior years	8,666,541	9,507,347
Total payments	12,699,568	13,448,931
Total unpaid claims and claim adjustment expenses at end of year	\$ 25,164,995	\$22,751,063

Puget Sound Educational Service District #121
Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2014

CFDA Number	Federal Agency	Federal Program Title	Grant Name	PPSS Number	Pass-Through Agency	Expenditures			Foot-note Ref.
						From	Pass-Through Awards	From Direct Awards	
U.S. Department of Agriculture									
10.558		Child and Adult Care Food Program	ECEAP	3400-312-3449	OSPI	32,168			32,168
10.558		Child and Adult Care Food Program	ECEAP	3400-013-3449	OSPI	334,222			334,222
10.558		Child and Adult Care Food Program	Head Start	3440-012-3449	OSPI	22,494			22,494
10.558		Child and Adult Care Food Program	Head Start	3440-013-3449	OSPI	319,610			319,610
10.558		Child and Adult Care Food Program	Head Start	3440-313-3449	OSPI	46,644			46,644
10.558		Child and Adult Care Food Program	Early Head Start	3474-012-3449	OSPI	2,877			2,877
10.558		Child and Adult Care Food Program	Early Head Start	3474-013-3449	OSPI	31,274			31,274
10.558		Child and Adult Care Food Program	Early Head Start	3474-313-3449	OSPI	3,598			3,598
		Subtotal for CFDA #10.558:				792,886		-	792,886
		U.S. Department of Agriculture Subtotal:				792,886		-	792,886
U.S. Department of Transportation									
20.516		Job Access and Reverse Commute Program	Pierce County Van Program	6201-013	WA DOT	231,648			231,648
20.516		Job Access and Reverse Commute Program	Pierce County Van Program	6201-014	WA DOT	30,504			30,504
		Subtotal for CFDA #20.516:				262,152		-	262,152
		U.S. Department of Transportation Subtotal:				262,152		-	262,152
National Endowment for the Arts									
45.024		Promotion of the Arts. Grants to Organizations and Individuals	National Endowment for the Arts	2605-014	NEA	-		1,323	1,323
		Subtotal for CFDA #45.024:				-		1,323	1,323
45.025		Promotion of the Arts. Partnership Agreements	Washington Arts Commission	2602-013	WAC	10,000		-	10,000
		Subtotal for CFDA #45.025:				10,000		-	10,000
		National Endowment for the Arts Subtotal:				10,000		1,323	11,323
U.S. Department of Education									
84.010		Title I Grants to Local Educational Agencies	CSA Title I School Improvement	1630-013	OSPI	144,718			144,718
84.010		Title I Grants to Local Educational Agencies	CSA Title I School Improvement	1630-014	OSPI	1,800			1,800
84.010		Title I Grants to Local Educational Agencies	Education Advocate PC Detention	5915-012	OSPI	3,537			3,537
84.010		Title I Grants to Local Educational Agencies	Education Advocate PC Detention	5915-013	OSPI	77,333			77,333
84.010		Title I Grants to Local Educational Agencies	Education Advocate King Co	5917-012	OSPI	2,882			2,882
84.010		Title I Grants to Local Educational Agencies	Education Advocate King Co	5917-013	OSPI	70,829			70,829
84.010		Title I Grants to Local Educational Agencies	Education Advocate Pierce Co	5918-012	OSPI	3,419			3,419
84.010		Title I Grants to Local Educational Agencies	Education Advocate Pierce Co	5918-013	OSPI	70,176			70,176
84.010		Title I Grants to Local Educational Agencies	Education Advocate Jail	5932-012	OSPI	546			546
84.010		Title I Grants to Local Educational Agencies	Education Advocate Jail	5932-013	OSPI	9,729			9,729
84.010		Title I Grants to Local Educational Agencies	EA Middle/High School	5935-012	OSPI	949			949
84.010		Title I Grants to Local Educational Agencies	EA Middle/High School	5935-013	OSPI	36,230			36,230
		Subtotal for CFDA #84.010:				422,148		-	422,148

Puget Sound Educational Service District #121
Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2014

CFDA Number	Federal Agency	Federal Program Title	Grant Name	PPSS Number	Pass-Through Agency	Expenditures			Foot-note Ref.
						From	Pass-Through Awards	From Direct Awards	
U.S. Department of Education (cont.)									
84.027		Special Education_Grants to States	Special Education IDEA	1240-012	OSPI	14,628			14,628
84.027		Special Education_Grants to States	Special Education IDEA	1240-013	OSPI	402,737			402,737
84.027		Special Education_Grants to States	WSDS	1251-012	NCESD	11,432			11,432
84.027		Special Education_Grants to States	WSDS	1251-013	NCESD	276,782			276,782
84.027		Special Education_Grants to States	ITEIP	1253-013	NCESD	35,462			35,462
84.027		Special Education_Grants to States	ITEIP	1253-014	NCESD	6,188			6,188
		Subtotal for CFDA #84.027:				747,229	-		747,229
84.060		Indian Education_Grants to Local Educational Agencies	Native American Ed	3694-013	Peninsula SD	234,862			234,862
84.060		Indian Education_Grants to Local Educational Agencies	Native American Ed	3694-014	Sumner SD	7,875			7,875
		Subtotal for CFDA #84.060:				242,737	-		242,737
84.173		Special Education_Preschool Grants	Special Education Preschool	1244-012	OSPI	3,915			3,915
84.173		Special Education_Preschool Grants	Special Education Preschool	1244-013	OSPI	62,372			62,372
84.173		Special Education_Preschool Grants	WSDS Preschool	1255-012	NCESD	1,520			1,520
84.173		Special Education_Preschool Grants	WSDS Preschool	1255-013	NCESD	38,332			38,332
		Subtotal for CFDA #84.173:				106,140	-		106,140
84.181		Special Education-Grants for Infants and Families	Family Resource Coordinator	1232-013	ESD 112	6,580			6,580
		Subtotal for CFDA #84.181:				6,580	-		6,580
84.287		Twenty-First Century Community Learning Centers	Achievers After School	5927-012	OSPI	4,325			4,325
84.287		Twenty-First Century Community Learning Centers	Achievers After School	5927-013	OSPI	366,000			366,000
84.287		Twenty-First Century Community Learning Centers	Achievers After School 2	5928-012	OSPI	2,528			2,528
84.287		Twenty-First Century Community Learning Centers	Achievers After School 2	5928-013	OSPI	74,541			74,541
84.287		Twenty-First Century Community Learning Centers	Tacoma Impact	5930-012	OSPI	1,878			1,878
84.287		Twenty-First Century Community Learning Centers	Project Grad	5938-012	OSPI	6,041			6,041
84.287		Twenty-First Century Community Learning Centers	Project Grad	5938-013	OSPI	486,172			486,172
		Subtotal for CFDA #84.287:				941,486	-		941,486
84.299		Indian Education -- Special Programs for Indian Children	Red Road Demonstration Project	5933-013			303,039		303,039
84.299		Indian Education -- Special Programs for Indian Children	Red Road Demonstration Project	5933-014			15,143		15,143
84.299		Indian Education -- Special Programs for Indian Children	Native American Early Learning Project	5939-013			123,623		123,623
84.299		Indian Education -- Special Programs for Indian Children	NAELP Grandview	5941-013			214,972		214,972
84.299		Indian Education -- Special Programs for Indian Children	NAELP Grandview	5941-014			48,978		48,978
		Subtotal for CFDA #84.299:				-	705,756		705,756
84.326		Special Education_Technical Assistance and	Deaf/Blind	1252-012	NCESD	15,937			15,937
84.326		Dissemination to Improve Services and Results for Children with Disabilities	Deaf/Blind	1252-013	NCESD	168,067			168,067
		Subtotal for CFDA #84.326:				184,004	-		184,004

**Puget Sound Educational Service District #121
Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2014**

CFDA Number	Federal Agency	Federal Program Title	Grant Name	PPSS Number	Pass-Through Agency	Expenditures			Foot-note Ref.
						From	Pass-Through Awards	From Direct Awards	
U.S. Department of Education (cont.)									
84.351		Arts in Education	Arts Impact Dissemination and Expansion	2610-013			263,652	263,652	
84.351		Arts in Education	Arts Impact Dissemination and Expansion	2610-014			401	401	
84.351		Arts in Education	Teacher Training Arts as Literacy	2612-012			24,790	24,790	
84.351		Arts in Education	Teacher Training Arts as Literacy	2612-013			182,890	182,890	
		Subtotal for CFDA #84.351:				-	471,732	471,732	
84.359		Early Reading First	Early Reading First	3484-012			98,806	98,806	
		Subtotal for CFDA #84.359:				-	98,806	98,806	
84.367		Improving Teacher Quality State Grants	CSA Qualified Teachers	1670-012	OSPI	3,277		3,277	
84.367		Improving Teacher Quality State Grants	CSA Qualified Teachers	1670-013	OSPI	42,472		42,472	
		Subtotal for CFDA #84.367:				45,749	-	45,749	
84.412		Race to the Top – Early Learning Challenge	HS/EECAP Early Achievers Pilot	3455-013	Dept of Early Learning	134,389		134,389	
84.412		Race to the Top – Early Learning Challenge	HS/EECAP Early Achievers Pilot	3455-014	Dept of Early Learning	50,358		50,358	
84.412		Race to the Top – Early Learning Challenge	WaKIDS	3468-13	OSPI	204,164		204,164	
84.412		Race to the Top – Early Learning Challenge	WaKIDS	3468-14	OSPI	21,687		21,687	
		Subtotal for CFDA #84.412:				410,599	-	410,599	2
84.416		Race to the Top - District Grants	Kent East Hill Partnership	5801-013		177,026		177,026	
84.416		Race to the Top - District Grants	White Center Partnership	5802-013		348,484		348,484	
84.416		Race to the Top - District Grants	Dev AddtnL Site-Based Ptnrshp	5803-012		1,156		1,156	
84.416		Race to the Top - District Grants	Dev AddtnL Site-Based Ptnrshp	5803-013		209,476		209,476	
84.416		Race to the Top - District Grants	Invest in Teaching & Leadership	5810-012		1,747		1,747	
84.416		Race to the Top - District Grants	Invest in Teaching & Leadership	5810-013		1,201,217		1,201,217	
84.416		Race to the Top - District Grants	Dev Rgnl Data Prtl & Data Agrmnts	5820-012		1,974		1,974	
84.416		Race to the Top - District Grants	Dev Rgnl Data Prtl & Data Agrmnts	5820-013		420,261		420,261	
84.416		Race to the Top - District Grants	Hgh Frctng PreK-3rd Grd Sys-Wd	5831-012		14,204		14,204	
84.416		Race to the Top - District Grants	Hgh Frctng PreK-3rd Grd Sys-Wd	5831-013		505,114		505,114	
84.416		Race to the Top - District Grants	Hgh Frctng PreK-3rd Grd Dist-Lvl	5832-013		601,212		601,212	
84.416		Race to the Top - District Grants	Expand Use of Digital STEM Tools	5840-012		2,673		2,673	
84.416		Race to the Top - District Grants	Expand Use of Digital STEM Tools	5840-013		1,043,721		1,043,721	
84.416		Race to the Top - District Grants	Rgnl Sys for Career Awrness	5850-013		84,035		84,035	
84.416		Race to the Top - District Grants	Crt Ingtgd Sys of Mid & HS Advnsng	5860-012		5,935		5,935	
84.416		Race to the Top - District Grants	Crt Ingtgd Sys of Mid & HS Advnsng	5860-013		366,699		366,699	
84.416		Race to the Top - District Grants	Adpt Collg Board & Carer Rdy Pthwy	5870-012		1,871		1,871	
84.416		Race to the Top - District Grants	Adpt Collg Board & Carer Rdy Pthwy	5870-013		698,144		698,144	
84.416		Race to the Top - District Grants	Collg & Career Readiness Invst Frnd	5880-013		1,212,349		1,212,349	
84.416		Race to the Top - District Grants	Proj Mgt & Ovrsght & Fiscal Mgt	5890-012		(9,338)		(9,338)	
84.416		Race to the Top - District Grants	Proj Mgt & Ovrsght & Fiscal Mgt	5890-013		496,970		496,970	
84.416		Race to the Top - District Grants	Program Evaluation	5895-012		11,667		11,667	
84.416		Race to the Top - District Grants	Program Evaluation	5895-013		248,307		248,307	
		Subtotal for CFDA #84.416:				-	7,644,905	7,644,905	2
U.S. Department of Education Subtotal:									
						3,106,673	8,921,199	12,027,872	

Puget Sound Educational Service District #121
Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2014

CFDA Number	Federal Agency	Federal Program Title	Grant Name	PPSS Number	Pass-Through Agency	Expenditures			Foot-note Ref.
						From Pass-Through Awards	From Direct Awards	Total	
U.S. Department of Health and Human Services									
93.276		Drug-Free Communities Support Program Grants	SS/HS Coalition	2056-012			14,337	14,337	
93.276		Drug-Free Communities Support Program Grants	SS/HS Coalition	2056-013		-	79,834	79,834	
		Subtotal for CFDA #93.276:					94,171	94,171	
93.279		Drug Abuse and Addiction Research Programs	ONE-DA	1830-013	UW				
93.279		Drug Abuse and Addiction Research Programs	ONE-DA	1830-014	UW	31,401		31,401	
93.279		Drug Abuse and Addiction Research Programs	HDIL (How Do I Learn)	1835-013	UW	7,234		7,234	
93.279		Drug Abuse and Addiction Research Programs	HDIL (How Do I Learn)	1835-014	UW	57,177		57,177	
		Subtotal for CFDA #93.279:				-	-	-	
93.575		Child Care and Development Block Grant	ECEAP	3400-014	DEL	286,173		286,173	
		Subtotal for CFDA #93.575:				286,173		286,173	
93.600		Head Start	HeadStart Recompensation	3435-012			423,257	423,257	
93.600		Head Start	HeadStart Recompensation	3435-013			1,019,762	1,019,762	
93.600		Head Start	Head Start	3440-012			3,858,922	3,858,922	
93.600		Head Start	Head Start	3440-013			12,963,482	12,963,482	
93.600		Head Start	Early Head Start	3474-012			660,060	660,060	
93.600		Head Start	Early Head Start	3474-013			2,434,680	2,434,680	
		Subtotal for CFDA #93.600:				-	21,360,163	21,360,163	
93.778		Medical Assistance Program	ECEAP EPSDT	3405-012	DSHS	671		671	
		Subtotal for CFDA #93.778:				671	-	671	
93.959		Block Grants for Prevention and Treatment of Substance Abuse	MIDD - Professional Development	2042-014	King County Public Health	-		-	
93.959		Block Grants for Prevention and Treatment of Substance Abuse	P/I Federal	2082-013	OSPI	471,547		471,547	
93.959		Block Grants for Prevention and Treatment of Substance Abuse	P/I Federal	2082-014	OSPI	3,481		3,481	
		Subtotal for CFDA #93.959:				475,028	-	475,028	
		Department of Health and Human Services Subtotal:				857,685	21,454,334	22,312,018	

Total Federal Awards Expended:

5,029,395 30,376,856 35,406,251

Notes to the Schedule

Note 1 - Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared using modified accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

Note 2 - American Recovery and Reinvestment Act (ARRA)

The funding for this program was authorized by the American Recovery and Reinvestment Act.

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.

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