

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

Puget Sound Educational Service District
King County

Audit Period
September 1, 2012 through August 31, 2013

Report No. 1012003

Issue Date
May 29, 2014



Washington State Auditor
Troy Kelley

Independence • Respect • Integrity



Washington State Auditor Troy Kelley

May 29, 2014

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,

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

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King County
September 1, 2012 through August 31, 2013**

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Federal Summary

Puget Sound Educational Service District King County September 1, 2012 through August 31, 2013

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>
84.027	Special Education Cluster (IDEA) - Special Education - Grants to States (IDEA, Part B)
84.173	Special Education Cluster (IDEA) - Special Education - Preschool Grants (IDEA Preschool)
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 \$846,004.

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, 2012 through August 31, 2013**

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, 2013, 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 22, 2014. 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. As discussed in Note 1 to the financial statements, during the year ended August 31, 2013, the District implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

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.

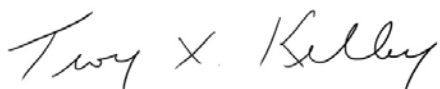
COMPLIANCE AND OTHER MATTERS

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.



TROY KELLEY
STATE AUDITOR

May 22, 2014

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, 2012 through August 31, 2013**

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, 2013. 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, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

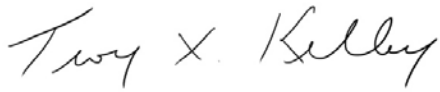
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR

Independent Auditor's Report on Financial Statements

Puget Sound Educational Service District King County September 1, 2012 through August 31, 2013

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 11.

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, 2013, 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.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2013, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the risk pools information on pages 34 through 37 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 22, 2014 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.



TROY KELLEY
STATE AUDITOR

May 22, 2014

Financial Section

**Puget Sound Educational Service District
King County
September 1, 2012 through August 31, 2013**

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2013
Statement of Revenues, Expenses and Changes in Fund Net Position – 2013
Statement of Cash Flows – 2013
Statement of Fiduciary Net Position – 2013
Notes to Financial Statements – 2013

REQUIRED SUPPLEMENTARY INFORMATION

Workers' Compensation Pool – Comprehensive Schedule of Claims Development
Information – 2013
Workers' Compensation Pool – Comprehensive Schedule of Notes to the Claims
Development Information – 2013
Workers' Compensation Pool – Reconciliation of Claims Liabilities by Type and
Contract – 2013
Workers' Compensation Pool – Public Entity Risk Pool List of Participating Members –
2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards and Notes – 2013

EDUCATIONAL SERVICE DISTRICT #121
STATEMENT OF NET POSITION - ALL FUNDS
AUGUST 31, 2013

	NOTE REF	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	Note 1	8,937,159.79	43,544,383.38	9,271,192.89	61,752,736.06
Accounts Receivable (net of uncollectible allowance)	Note 1	6,015,306.81			6,015,306.81
Other Receivables	Note 8				
Member Assessments/Contributions			1,029,018.46		1,029,018.46
Due from Other Governments	Note 1		16,852.64	3,411.03	20,263.67
Prepays	Note 1		632,402.09		632,402.09
TOTAL CURRENT ASSETS		14,952,466.60	45,222,656.57	9,274,603.92	69,449,727.09
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		3,239,510.04	107,519.65		3,347,029.69
Less: Accumulated Depreciation		(8,845,094.11)	(63,612.72)		(8,908,706.83)
Net Capital Assets		12,568,273.47	43,906.93	-	12,612,180.40
Other Noncurrent Assets					
Investment in Joint Venture	Note 12	610,848.00			610,848.00
TOTAL NONCURRENT ASSETS		13,179,121.47	43,906.93	-	13,223,028.40
TOTAL ASSETS		28,131,588.07	45,266,563.50	9,274,603.92	82,672,755.49
DEFERRED OUTFLOWS OF RESOURCES					
	Note 1				-
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	Note 1	3,071,380.70	421,162.15	559.61	3,493,102.46
Accrued Interest Payable	Note 5	80,862.01			80,862.01
Payroll Deductions & Taxes Payable	Note 1	60,539.91			60,539.91
Compensated Absences	Note 1	261,357.37			261,357.37
Bonds Payable - Current	Note 5	340,000.00			340,000.00
Capital Leases Payable - Current	Note 5	80,455.38			80,455.38
Claim Reserves	Note 8				
IBNR			4,126,668.00	1,893,150.32	6,019,818.32
Open Claims			3,799,255.00		3,799,255.00
Unallocated Loss Adjustment Expenses			1,535,000.00	160,124.86	1,695,124.86
Unearned Revenue	Note 1	1,250,687.15			1,250,687.15
TOTAL CURRENT LIABILITIES		5,145,282.52	9,882,085.15	2,053,834.79	17,081,202.46
NONCURRENT LIABILITIES					
Compensated Absences	Note 1	816,825.61			816,825.61
Claim Reserves	Note 8				
IBNR			7,309,667.00		7,309,667.00
Open Claims			7,515,473.00		7,515,473.00
Future L&I Assessments			3,593,495.36		3,593,495.36
Bonds Payable	Note 5	9,615,000.00			9,615,000.00
Capital Leases Payable	Note 5	127,588.91			127,588.91
TOTAL NONCURRENT LIABILITIES		10,559,414.52	18,418,635.36	-	28,978,049.88
TOTAL LIABILITIES		15,704,697.04	28,300,720.51	2,053,834.79	46,059,252.34
DEFERRED INFLOWS OF RESOURCES					
	Note 1				-
NET POSITION					
Net Investment in Capital Assets		2,405,229.18	43,906.93	-	2,449,136.11
Restricted for Debt Service	Note 10	894,626.02			894,626.02
Restricted for Support Programs	Note 10	4,997,538.60			4,997,538.60
Restricted for Risk Pool Net Position	Note 10		16,921,936.06	7,220,769.13	24,142,705.19
Restricted for Other Items	Note 10	1,742,909.21			1,742,909.21
Restricted for Joint Venture	Note 12	610,848.00	-	-	610,848.00
Unrestricted		1,775,740.02	-	-	1,775,740.02
TOTAL NET POSITION		12,426,891.03	16,965,842.99	7,220,769.13	36,613,503.15

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, 2013

	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
OPERATING REVENUES				
Local Sources	4,627,486.04			4,627,486.04
State Sources	17,203,210.55			17,203,210.55
Allotment	495,553.74			495,553.74
Federal Sources	28,130,771.15			28,130,771.15
Cooperative Programs	4,821,267.77			4,821,267.77
Other Programs	2,343,874.30			2,343,874.30
Member Assessments/Contributions		23,719,908.60	2,087,240.42	25,807,149.02
TOTAL OPERATING REVENUE	57,622,163.55	23,719,908.60	2,087,240.42	83,429,312.57
OPERATING EXPENSES				
General Operations and Administration	4,757,752.39	2,997,608.15	180,167.01	7,935,527.55
Instructional Support Programs	46,047,690.62			46,047,690.62
Non Instructional Support Programs	5,570,170.49			5,570,170.49
Incurred Loss/Loss Adjustment Expenses				
Paid on Current Losses		3,941,583.71	1,221,889.59	5,163,473.30
Change in Loss Reserves		11,027,524.58		11,027,524.58
Unallocated Loss Adjustment Expenses				
Change in Unallocated Loss Reserves		52,000.00	(23,303.79)	28,696.21
Excess/Reinsurance Premiums		616,643.48		616,643.48
Professional Fees		47,000.00		47,000.00
Labor & Industries Assessments		7,233,406.52		7,233,406.52
Depreciation/Depletion	874,131.10	13,080.42		887,211.52
TOTAL OPERATING EXPENSES	57,249,744.60	25,928,846.86	1,378,752.81	84,557,344.27
OPERATING INCOME (LOSS)	372,418.95	(2,208,938.26)	708,487.61	(1,128,031.70)
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	55,687.37	214,270.21	43,555.31	313,512.89
Interest Expense and Related Charges	(574,795.16)			(574,795.16)
Gains (Losses) on Capital Asset Disposition		8,235.50		8,235.50
Change in Joint Venture	4,349.00			4,349.00
Other Financing Uses				
Other Nonoperating Revenues	895,770.00			895,770.00
Other Nonoperating Expenses				-
TOTAL NONOPERATING REVENUES (EXPENSES)	381,011.21	222,505.71	43,555.31	647,072.23
INCOME (LOSS) BEFORE OTHER ITEMS	753,430.16	(1,986,432.55)	752,042.92	(480,959.47)
Extraordinary Items				-
Special Items				-
INCREASE (DECREASE) IN NET POSITION	753,430.16	(1,986,432.55)	752,042.92	(480,959.47)
NET POSITION - BEGINNING BALANCE	11,673,460.87	18,952,275.54	6,468,726.21	37,094,462.62
NET POSITION - ENDING BALANCE	12,426,891.03	16,965,842.99	7,220,769.13	36,613,503.15

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, 2013**

	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
CASH FLOW FROM OPERATING ACTIVITIES				
Cash Received from Customers	6,946,685.84			6,946,685.84
Cash Received from State and Federal Sources	43,608,516.17			43,608,516.17
Cash Received from Members	7,494,988.14	23,925,149.28	2,087,240.42	33,507,377.84
Payments to Suppliers for Goods and Services	(29,733,323.80)	(3,052,888.98)	(180,594.97)	(32,966,807.75)
Payments to Employees for Services	(28,611,146.27)			(28,611,146.27)
Cash Paid for Benefits/Claims		(13,631,804.86)	(1,205,588.02)	(14,837,392.88)
Cash Paid for Reinsurance		(616,537.00)		(616,537.00)
Cash Paid for Labor and Industries Assessments		(6,475,591.19)		(6,475,591.19)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(294,279.92)	148,327.25	701,057.43	555,104.76
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	(589,998.48)	(42,145.66)		(632,144.14)
Principal and Interest Paid on Capital Debt	(900,891.82)			(900,891.82)
Other Receipts (Payments)	895,770.00			895,770.00
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(595,120.30)	(42,145.66)	-	(637,265.96)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends Received	55,687.37	216,751.64	43,765.76	316,204.77
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	55,687.37	216,751.64	43,765.76	316,204.77
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(833,712.85)	322,933.23	744,823.19	234,043.57
CASH AND CASH EQUIVALENTS - BEGINNING	9,770,872.64	43,221,450.15	8,526,369.70	61,518,692.49
CASH AND CASH EQUIVALENTS - ENDING	8,937,159.79	43,544,383.38	9,271,192.89	61,752,736.06
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
OPERATING NET INCOME	372,418.95	(2,208,938.26)	708,487.61	(1,128,031.70)
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	874,131.10	13,080.42		887,211.52
Change in Assets and Liabilities				
Receivables, Net	(2,328,271.45)	180,475.11		(2,147,796.34)
Prepays	330,335.64	106.48		330,442.12
Accounts and Other Payables	374,528.16	749,534.50	(427.96)	1,123,634.70
Accrued Expenses	82,577.68			82,577.68
Other Changes				
Provision for Unallocated Loss Adjustment		52,000.00	(23,303.79)	28,696.21
Claim Reserves		1,362,069.00	16,301.57	1,378,370.57
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(294,279.92)	148,327.25	701,057.43	555,104.76

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

**EDUCATIONAL SERVICE DISTRICT #121
STATEMENT OF FIDUCIARY NET POSITION
AUGUST 31, 2013**

	<u>Compensated Absences Pool</u>
ASSETS	
Cash and Cash Equivalents	2,408,056.44
Accounts Receivable	964.10
TOTAL ASSETS	<u>2,409,020.54</u>
LIABILITIES	
Accounts Payable	236.92
Deposits (from school districts)	2,408,783.62
TOTAL LIABILITIES	<u>2,409,020.54</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, 2013, the treasurer was holding \$61,701,237 in the Operating and other proprietary funds and \$2,408,056 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.

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, 2013 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 2013-14 fiscal year and that are not available for expenses of the 2012-13 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.

New Accounting Standards

For the year ended August 31, 2013, the District implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position.

The District also chose to adopt GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, earlier than required. This statement classifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources.

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, 2013, 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 \$198,769 and the district's fair value of these investments is \$117,374.

As of August 31, 2013, the District had the following investments for all funds:

Investment	Fair Value
County Investment Pool	\$63,991,919
County Impaired Pool	117,374
Total Investments	\$64,109,293

Interest Rate Risk

As of August 31, 2013 the Pool's effective duration was 1.45 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, 2013, 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 depositaries, 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 2013:

	% of Portfolio
U.S. Agency Securities	53.1%
Treasury Securities	25.6%
Local Government Investment Pool	21.0%
U.S. Agency Mortgage-backed Securities	0.3%
	<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, 2013 was as follows:

	Beginning Balance 9/1/2012	Increases	Decreases	Ending Balance 8/31/2013
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	15,171,030	557,828		15,728,858
Improvements other than buildings				
Equipment	3,337,867	32,171	130,528	3,239,510
Other				
Total depreciable capital assets	18,508,897	589,999	130,528	18,968,368
Less accumulated depreciation for:				
Buildings	5,634,822	683,984		6,318,806
Improvements other than buildings				
Equipment	2,466,669	190,147	130,528	2,526,289
Other				
Total accumulated depreciation	8,101,491	874,131	130,528	8,845,094
Total depreciable assets, net	10,407,406	(284,133)	0	10,123,273
Total assets, net	\$12,852,406	\$(284,133)	\$0	\$12,568,273

Workers' Compensation Trust Capital assets activity for the fiscal year ended August 31, 2013 was as follows:

	Beginning Balance 9/1/2012	Increases	Decreases	Ending Balance 8/31/2013
Depreciable capital assets:				
Equipment	\$104,639	\$50,382	\$47,501	\$107,520
Less accumulated depreciation for:	98,033	13,081	47,501	63,613
Equipment				
Total assets, net	\$ 6,606	\$37,301	\$ 0	\$43,907

Construction Commitments

The District has no active construction projects as of August 31, 2013.

Note 4 SHORT-TERM DEBT

The district had no short-term debt activity for the fiscal year ended August 31, 2013.

Note 5 LONG-TERM DEBT, LIABILITIES AND LEASESLong-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, 2013:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installments
Black River Building Purchase	2014-2032	4.00-4.83	\$11,850,000	340,000 – 780,000

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

Fiscal Year Ending August 31	Principal	Interest
2014	\$ 340,000	\$ 469,076
2015	355,000	454,954
2016	370,000	439,863
2017	385,000	423,911
2018	400,000	406,980
2019-2023	2,300,000	1,738,440
2024-2028	2,910,000	1,101,750
2029-2032	2,895,000	298,625
Total	\$9,955,000	\$5,333,599

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 2013, totaled \$972,124. Future minimum rental commitments for these leases are as follows:

Fiscal Year Ending August 31	Amount
2014	\$ 804,920
2015	622,968
2016	974,128
2017	1,145,326
2018	1,145,894
2019-2023	5,291,530
2024-2028	5,243,530
2029-2031	2,446,981
Total	\$17,675,277

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	(736,831)
Total	\$153,811

The future minimum lease obligation and the net present value of these minimum lease payments as of August 31, 2013 were as follows:

Fiscal Year Ending August 31	Amount
2014	88,416
2015	88,416
2016	44,207
Total minimum lease payments	\$221,039
Less: Interest	(12,995)
Present Value of Minimum Lease Payments	\$208,044

Changes in Long-Term Liabilities

During the fiscal year ended August 31, 2013, the following changes occurred in long-term liabilities:

	Beginning Balance 9/1/2012	Additions	Reductions	Ending Balance 8/31/2013	Due Within One Year
Bonds Payable	\$10,285,000	\$	\$330,000	\$ 9,955,000	\$340,000
Capital Leases	285,003		76,959	208,044	80,455
Compensated Absences (unfunded portion)	1,158,328		80,145	1,078,183	261,357
Total long-term liabilities	\$11,728,331	\$ 0	\$487,104	\$11,241,227	\$681,812

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, 2012:

<u>Program</u>	<u>Active Members</u>	<u>Inactive Vested Members</u>	<u>Retired Members</u>
TRS	65,357	9,545	42,918
PERS	150,590	30,515	82,242
SERS	51,558	10,920	7,651

Data is as of last actuarial valuation date of June 30, 2012.

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, 2012 through August 31, 2013:

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	4.69%	Plan 2 SERS	4.09%
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, 2012 through August 31, 2013:

	9/1/12-8/31/13		9/1/12-6/30/13	7/1/13-8/31/13
Plan 1 TRS	8.05%	Plan 1 PERS	7.21%	9.19%
Plan 2 TRS	8.05%	Plan 2 SERS	7.59%	7.59%
Plan 3 TRS	8.05%	Plan 3 SERS	7.59%	7.59%

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>FY12-13</u>	<u>FY11-12</u>	<u>FY10-11</u>
Plan 1 TRS	17,347	\$27,712	\$37,994
Plan 2 TRS	17,058	13,600	11,021
Plan 3 TRS	59,388	72,797	58,391
Plan 1 PERS	24,539	30,890	24,375
Plan 2 SERS	622,697	607,082	442,068
Plan 3 SERS	778,435	791,670	585,331

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, 2012, 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 CPI, (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 \$350,000 and the annual aggregate retention is \$19,800,271. Since the Trust is a cooperative program, there is a joint liability among participating members.

For fiscal year 2013, 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, 2013, the amount of claims related liabilities totaled \$27,879,558. This liability is the District's best estimate based on available information. Changes in the reported liability since August 31, 2012, resulted in the following:

	Beginning Balance 9/1/2012	Current Year Claims and Changes in Estimates	Ending Balance 8/31/2013
Incurring but not Reported	\$10,602,823	\$833,512	\$11,436,335
Open Claims Reserves	10,786,171	528,557	11,314,728
Future L & I Assessments	2,925,078	668,417	3,593,495
Est. Unallocated Loss Adj.	1,483,000	52,000	1,535,000

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 2013, 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, 2013, the amount of claims related liabilities totaled \$2,053,275. This liability is the District's best estimate based on available information. Changes in the reported liability since August 31, 2012, resulted in the following:

	Beginning Balance 9/1/2012	Current Year Claims and Changes in Estimates	Ending Balance 8/31/2013
Claims Reserves	\$1,876,849	\$16,301	\$1,893,150
Est. Unallocated Loss Adj.	183,429	(23,304)	160,125

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:

Dave K. Hayasaka, 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 \$894,626 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	\$ 36,943
Special Education	260,882
Staff Development	622,842
Educational Technology	(331,711)
Safe and Drug Free Schools	191,226
Math and Science	(48,777)
Highly Capable	264
Early Childhood	1,975,315
Alternative Learning Exp	441,210
Professional Development Centers	47,194
Other Instructional Support	131,658
Adult Education	65,574
Public Communications	46,813
Transportation	13,855
Human Resource Services	18,889
Fiscal Agent Services	678,506
Other Non-Instructional Support	577,335
Transportation Equipment	269,521
Total Restricted for Support Programs	\$4,997,539

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 \$1,742,909.

Other Restricted Balances	Amount
Future Liability Reserves	\$1,241,000
Educare Early Learning Center Property Taxes	335,209
Facility Capital Improvements	166,700
Total Restricted for Other Items	\$1,742,909

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 2013, 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, 2013, the District's total compensated absences balance in the pool was \$369,839. 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 2012-13		Balance at 8/31/2013
Beginning unfunded liability			\$ 1,158,328
Beginning Pool balance	334,462		
Payments to Pool	250,217		
Interest	1,462		
Withdrawals from Pool	(216,302)		
Ending Pool Balance	369,839	(369,839)	
Estimated Total Liability 8/31/2013		<u>1,448,022</u>	
Unfunded Liability Amount (Est Total Liability less CALP Balance)		1,078,183	
Increase (decrease) to estimate of unfunded long-term liability			(80,145)
Ending unfunded liability			\$ 1,078,183

Note 12 INVESTMENT IN JOINT VENTUREWashington 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, 2013 is as follows:

Condensed Financial Statements	Amount
Assets	
Current Assets	\$4,176,337
Non-Current Assets	2,248,125
Other Assets	0
Total Assets	6,424,462
Liabilities and Joint Venture Capital	
Current Liabilities	926,833
Investment in Joint Venture	5,497,629
Total Liabilities and Joint Venture Capital	6,424,462
Operating Revenues	18,365,419
Plus/Minus Other Income/Expenses (Net)	(8,178)
Less Operating Expenses	18,318,101
Net Income	39,140

The District's share of the total Investment in the Joint Venture is \$610,848. The District made no capital contributions to the Joint Venture during 2012 and 2013, respectively. There were no distributions in 2012 and 2013.

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
2014	485,319
2015	485,319
2016	860,910
2017	1,048,706
2018	1,048,706
2019-2023	5,243,530
2024-2028	5,243,530
2029-2031	2,446,981
Total	\$16,863,001

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 ACCOUNTING CHANGES

Prior period adjustments

In the conversion to current reporting model for the period ending August 31, 2012, an Asset category in the district's asset tracking software was not included in the Equipment category of Noncurrent Assets. This amount was also not included in the Invested in Capital Assets, Net of Related Debt net position. The amount of this omission was \$10,481.63. This results in the beginning balance of the Equipment Asset and Net Position to increase by the \$10,481.63.

Note 16 SUBSEQUENT EVENTS

PSESD has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended August 31, 2013 through May 22, 2014, 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 17 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):

	8/31/2013	8/31/2012
Unpaid claims and claim adjustment expenses at beginning of year	<u>\$21,389</u>	<u>\$20,710</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	12,300	13,750
Increase (decrease) in provision for insured events of prior years	<u>2,511</u>	<u>(38)</u>
Total incurred claims and claim adjustment expenses	<u>14,811</u>	<u>13,712</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	3,942	4,831
Claims and claim adjustment expenses attributable to insured events of prior years	<u>9,507</u>	<u>8,202</u>
Total payments	<u>13,449</u>	<u>13,033</u>
Total unpaid claims and claim adjustment expenses at end of year (undiscounted)	<u>\$22,751</u>	<u>\$21,389</u>
Unallocated loss adjustment expense/claim reserve at end of year	<u>1,535</u>	<u>1,483</u>
Total claims reserves at end of year	<u>\$24,286</u>	<u>\$22,872</u>

Reserve for Open Claims	\$11,315	\$10,786
Claims Incurred But Not Reported (IBNR)	11,436	10,603
ULAE	1,535	1,483
	<u>24,286</u>	<u>22,872</u>
Current Portion - Claims Reserves	3,799	3,780
Current Portion - IBNR	4,127	4,229
Current Portion - ULAE	1,535	1,483
Noncurrent Portion	<u>\$14,825</u>	<u>\$13,380</u>

PSESD Workers Compensation Pool
Comparative Schedule of Claims Development Information
For the Ten Year Period Ended August 31, 2013
(In thousands)

	8/31/2004	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
1 Required contribution and investment revenues										
Ceded	17,297	19,892	19,943	21,422	22,445	24,747	25,250	25,257	24,321	23,943
Net earned	575	603	596	530	557	539	613	623	656	617
	16,722	19,289	19,347	20,892	21,888	24,208	24,637	24,633	23,665	23,326
2 Unallocated expenses	8,265	10,659	8,515	7,747	7,969	8,754	9,604	10,180	8,073	10,343
3 Estimated incurred claims and expense, end of policy year	7,350	8,300	9,850	11,500	11,200	11,800	11,838	12,627	13,189	12,480
Ceded							338	327	221	180
Net incurred	7,350	8,300	9,850	11,500	11,200	11,800	11,500	12,300	12,968	12,300
4 Net paid (cumulative) as of:										
end of policy year	3,162	3,981	3,554	3,467	3,923	4,166	4,228	4,416	4,831	3,942
one year later	6,279	7,621	6,732	7,044	7,746	7,956	8,089	8,154	9,171	
two years later	7,702	9,086	8,083	8,626	9,311	9,479	10,129	10,193		
three years later	8,119	10,020	8,700	9,207	9,933	10,409	11,427			
four years later	8,466	10,476	9,211	9,823	10,464	10,988				
five years later	8,638	10,795	9,184	10,337	10,912					
six years later	8,830	11,038	9,268	10,592						
seven years later	8,995	11,232	9,348							
eight years later	9,172	11,415								
nine years later	9,362									
5 Reestimated ceded claims and expenses:	258	318	154	176	48	321	106	81	106	180
6 Reestimated incurred claims and expense:										
end of policy year	9,850	11,500	11,200	11,800	11,500	12,300	12,968	12,975	13,750	12,300
one year later	9,850	11,800	10,750	11,150	11,750	12,238	12,525	12,550	13,900	
two years later	10,075	11,600	10,500	11,050	11,942	12,025	12,750	13,200		
three years later	9,650	11,500	10,150	10,717	11,675	12,100	13,550			
four years later	9,460	11,650	10,315	10,850	11,650	12,185				
five years later	9,300	11,535	9,900	11,125	11,925					
six years later	9,457	11,550	9,750	11,250						
seven years later	9,375	11,625	9,800							
eight years later	9,470	11,788								
nine years later	9,665									
7 Increase (decrease) in estimated incurred claims and expense from end of policy year	2,315	3,488	(50)	(250)	725	385	2,050	900	932	0

PSESD Workers Compensation Pool
Notes to the Comparative Schedule of Claims Development Information
For the Ten Year Period Ended August 31, 2013
(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, 2013 and 2012

	<u>Employee Health and Accident</u>	
	<u>2013</u>	<u>2012</u>
Unpaid claims and claim adjustment expenses at beginning of year	<u>\$ 21,388,994</u>	<u>\$ 20,709,914</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	12,300,000	13,750,000
Increases in provision for insured events of prior years	2,511,000	(38,000)
Changes in Unallocated loss adjustment expense		
Total incurred claims and claim adjustment expenses	<u>14,811,000</u>	<u>13,712,000</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	3,941,584	4,830,652
Claims and claim adjustment expenses attributable to insured events of prior years	<u>9,507,347</u>	<u>8,202,268</u>
Total payments	<u>13,448,931</u>	<u>13,032,920</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 22,751,063</u>	<u>\$21,388,994</u>

Puget Sound Educational Service District No. 121
Workers' Compensation Trust
Public Entity Risk Pool List of Participating Members

The following Washington State school districts are members of the Puget Sound Educational Service District Workers' Compensation Trust as of August 31, 2013:

District

Auburn
Bethel
Bremerton
Carbonado
Clover Park
Dieringer
Eatonville
Enumclaw
Everett
Federal Way
Fife
Franklin Pierce
Issaquah
Mercer Island
Monroe
Mukilteo
Orting
Peninsula
Puget Sound ESD
Puyallup
Riverview
Sedro-Woolley
Shoreline
Skykomish
Snohomish
Snoqualmie Valley
Stanwood-Camano
Steilacoom
Sumner
Tacoma
Tahoma
Tukwila
University Place
Vashon Island
White River

Puget Sound Educational Service District #121
Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2013

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	3400-311-3449	OSPI	28,005			28,005
10.558		Child and Adult Care Food Program	ECEAP	3400-012-3449	OSPI	312,797			312,797
10.558		Child and Adult Care Food Program	Head Start	3440-011-3449	OSPI	22,236			22,236
10.558		Child and Adult Care Food Program	Head Start	3440-012-3449	OSPI	253,028			253,028
10.558		Child and Adult Care Food Program	Head Start	3440-312-3449	OSPI	43,733			43,733
10.558		Child and Adult Care Food Program	Early Head Start	3474-011-3449	OSPI	2,756			2,756
10.558		Child and Adult Care Food Program	Early Head Start	3474-012-3449	OSPI	30,755			30,755
10.558		Child and Adult Care Food Program	Early Head Start	3474-312-3449	OSPI	3,328			3,328
		Subtotal for CFDA #10.558:				696,637			696,637
		U.S. Department of Agriculture Subtotal:				696,637			696,637
U.S. Department of Labor									
17.261		WIA Pilots, Demonstrations, and Research Projects	JRA Education Specialist	3885-011	WA DSHS	15,042			15,042
		Subtotal for CFDA #17.261:				15,042			15,042
		U.S. Department of Labor Subtotal:				15,042			15,042
U.S. Department of Transportation									
20.516		Job Access and Reverse Commute Program	Pierce County Van Program	6201-012	WA DOT	249,209			249,209
20.516		Job Access and Reverse Commute Program	Pierce County Van Program	6201-013	WA DOT	30,924			30,924
		Subtotal for CFDA #20.516:				280,133			280,133
		U.S. Department of Transportation Subtotal:				280,133			280,133
National Endowment for the Arts									
45.025		Promotion of the Arts, Partnership Agreements	Washington Arts Commission	2602-012	WAC	10,000			10,000
		Subtotal for CFDA #45.025:				10,000			10,000
		National Endowment for the Arts Subtotal:				10,000		-	10,000

Puget Sound Educational Service District #121
Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2013

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									
84.010		Title I Grants to Local Educational Agencies	CSA Title I School Improvement	1630-012	OSPI	121,156			121,156
84.010		Title I Grants to Local Educational Agencies	CSA Title I School Improvement	1630-013	OSPI	13,415			13,415
84.010		Title I Grants to Local Educational Agencies	Education Advocate PC Detention	5915-011	OSPI	3,230			3,230
84.010		Title I Grants to Local Educational Agencies	Education Advocate PC Detention	5915-012	OSPI	75,076			75,076
84.010		Title I Grants to Local Educational Agencies	Education Advocate King Co	5917-011	OSPI	3,787			3,787
84.010		Title I Grants to Local Educational Agencies	Education Advocate King Co	5917-012	OSPI	74,536			74,536
84.010		Title I Grants to Local Educational Agencies	Education Advocate Pierce Co	5918-011	OSPI	2,891			2,891
84.010		Title I Grants to Local Educational Agencies	Education Advocate Pierce Co	5918-012	OSPI	65,880			65,880
84.010		Title I Grants to Local Educational Agencies	Compassionate Schools	5920-011	Tacoma School District	7,851			7,851
84.010		Title I Grants to Local Educational Agencies	Education Advocate Jail	5932-011	OSPI	5,497			5,497
84.010		Title I Grants to Local Educational Agencies	Education Advocate Jail	5932-012	OSPI	30,731			30,731
84.010		Title I Grants to Local Educational Agencies	EA Middle/High School	5935-011	OSPI	1,076			1,076
84.010		Title I Grants to Local Educational Agencies	EA Middle/High School	5935-012	OSPI	31,315			31,315
		Subtotal for CFDA #84.010:				436,441			436,441
84.027		Special Education_Grants to States	Special Education IDEA	1240-011	OSPI	10,624			10,624
84.027		Special Education_Grants to States	Special Education IDEA	1240-012	OSPI	447,410			447,410
84.027		Special Education_Grants to States	Special Education IDEA	1240-013	OSPI	501			501
84.027		Special Education_Grants to States	WSDS	1251-011	NCESD	13,626			13,626
84.027		Special Education_Grants to States	WSDS	1251-012	NCESD	294,496			294,496
84.027		Special Education_Grants to States	ITEIP	1253-012	NCESD	45,889			45,889
84.027		Special Education_Grants to States	ITEIP	1253-013	NCESD	9,538			9,538
		Subtotal for CFDA #84.027:				822,084			822,084
84.060		Indian Education_Grants to Local Educational Agencies	Native American Ed	3694-012	PSD	230,742			230,742
84.060		Indian Education_Grants to Local Educational Agencies	Native American Ed	3694-013	PSD	5,556			5,556
		Subtotal for CFDA #84.060:				236,298			236,298
84.173		Special Education_Preschool Grants	Special Education Preschool	1244-011	OSPI	2,154			2,154
84.173		Special Education_Preschool Grants	Special Education Preschool	1244-012	OSPI	57,397			57,397
84.173		Special Education_Preschool Grants	WSDS Preschool	1255-011	NCESD	2,693			2,693
84.173		Special Education_Preschool Grants	WSDS Preschool	1255-012	NCESD	39,498			39,498
		Subtotal for CFDA #84.173:				101,741			101,741
84.181		Special Education-Grants for Infants and Families	Family Resource Coordinator	1232-012	ESD 112	6,579			6,579
		Subtotal for CFDA #84.181:				6,579			6,579

Puget Sound Educational Service District #121
Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2013

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.)									
84.287		Twenty-First Century Community Learning Centers	Achievers After School	5927-011	OSPI	8,012		8,012	8,012
84.287		Twenty-First Century Community Learning Centers	Achievers After School	5927-012	OSPI	379,744		379,744	379,744
84.287		Twenty-First Century Community Learning Centers	Achievers After School 2	5928-011	OSPI	5,070		5,070	5,070
84.287		Twenty-First Century Community Learning Centers	Achievers After School 2	5928-012	OSPI	74,659		74,659	74,659
84.287		Twenty-First Century Community Learning Centers	Tacoma Impact	5930-011	OSPI	3,482		3,482	3,482
84.287		Twenty-First Century Community Learning Centers	Tacoma Impact	5930-012	OSPI	381,102		381,102	381,102
84.287		Twenty-First Century Community Learning Centers	Project Grad	5938-012	OSPI	493,959		493,959	
		Subtotal for CFDA #84.287:				1,346,028	-	1,346,028	
84.299		Indian Education -- Special Programs for Indian Children	Red Road Demonstration Project	5933-011			82	82	82
84.299		Indian Education -- Special Programs for Indian Children	Red Road Demonstration Project	5933-012			275,812	275,812	275,812
84.299		Indian Education -- Special Programs for Indian Children	Red Road Demonstration Project	5933-013			16,086	16,086	16,086
84.299		Indian Education -- Special Programs for Indian Children	Native American Early Learning Project	5939-012			185,072	185,072	185,072
84.299		Indian Education -- Special Programs for Indian Children	Native American Early Learning Project	5939-013			11,387	11,387	11,387
84.299		Indian Education -- Special Programs for Indian Children	NAELP Grandview	5941-012			160,212	160,212	160,212
84.299		Indian Education -- Special Programs for Indian Children	NAELP Grandview	5941-013			31,463	31,463	31,463
		Subtotal for CFDA #84.299:					680,115	680,115	
84.323		Special Education - State Personnel Development	RTI Essential Components Interlocal	1650-011	OSPI	101,357		101,357	101,357
		Subtotal for CFDA #84.323:				101,357	-	101,357	
84.326		Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	Deaf/Blind	1252-011	NCESD	26,790		26,790	26,790
84.326			Deaf/Blind	1252-012	NCESD	178,018		178,018	178,018
		Subtotal for CFDA #84.326:				204,807	-	204,807	
84.351		Arts In Education	Arts in Literacy	2608-012			13,078	13,078	13,078
84.351		Arts In Education	Arts Impact Dissemination and Expansion	2610-012			268,698	268,698	268,698
84.351		Arts In Education	Arts Impact Dissemination and Expansion	2610-013			7,688	7,688	7,688
84.351		Arts In Education	Teacher Training Arts as Literacy	2612-011			56,729	56,729	56,729
84.351		Arts In Education	Teacher Training Arts as Literacy	2612-012			282,028	282,028	282,028
		Subtotal for CFDA #84.351:				628,221	628,221	628,221	
84.359		Early Reading First	Early Reading First	3484-011			96,827	96,827	96,827
84.359		Early Reading First	Early Reading First	3484-012			666,385	666,385	666,385
		Subtotal for CFDA #84.359:					763,212	763,212	
84.367		Improving Teacher Quality State Grants	CSA Qualified Teachers	1670-011	OSPI	673		673	673
84.367		Improving Teacher Quality State Grants	CSA Qualified Teachers	1670-012	OSPI	71,723		71,723	71,723
		Subtotal for CFDA #84.367:				72,395	-	72,395	

Puget Sound Educational Service District #121
Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2013

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.)									
84.389		Title I Grants to Local Educational Agencies, Recovery Act	EA Middle School ARRA	5931-011	OSPI	3,829		3,829	2
		Subtotal for CFDA #84.389:				3,829		3,829	
84.412		Race to the Top – Early Learning Challenge	HS/ECEAP Early Achievers Pilot	3455-012	Dept of Early Learning	249,438		249,438	
		Subtotal for CFDA #84.412:				249,438		249,438	
84.416		Race to the Top - District Grants	White Center Partnership	5802-012			36,408	36,408	2
84.416		Race to the Top - District Grants	Dev AdditnL Site-Based Ptnrshp	5803-012			2,886	2,886	2
84.416		Race to the Top - District Grants	Invest in Teaching & Leadership	5810-012			3,722	3,722	2
84.416		Race to the Top - District Grants	Dev Rgnl Data Prtl & Data Agrmnts	5820-012			20,208	20,208	2
84.416		Race to the Top - District Grants	High Frctng PreK-3rd Grd Sys-Wd	5831-012			166,741	166,741	2
84.416		Race to the Top - District Grants	Expand Use of Digital STEM Tools	5840-012			9,080	9,080	2
84.416		Race to the Top - District Grants	Rgnl Sys for Career Awrnss	5850-012			7,390	7,390	2
84.416		Race to the Top - District Grants	Crt Intgrd Sys of Mid & HS Advsnsg	5860-012			3,267	3,267	2
84.416		Race to the Top - District Grants	Adpt Collg Board & Carer Rdy Pthwy	5870-012			3,355	3,355	2
84.416		Race to the Top - District Grants	Collg & Career Readnss Invest Fnd	5880-012			328	328	2
84.416		Race to the Top - District Grants	Proj Mgt & Ovrsght & Fiscal Mgt	5890-012			140,661	140,661	2
84.416		Race to the Top - District Grants	Program Evaluation	5895-012			3,418	3,418	2
84.416		Race to the Top - District Grants	Program Evaluation	5895-013			96	96	2
		Subtotal for CFDA #84.416:					397,559	397,559	
U.S. Department of Education Subtotal:						3,580,998	2,469,107	6,050,105	
U.S. Department of Health and Human Services									
93.276		Drug-Free Communities Support Program Grants	SS/HS Coalition	2056-011			9,669	9,669	
93.276		Drug-Free Communities Support Program Grants	SS/HS Coalition	2056-012			111,192	111,192	
		Subtotal for CFDA #93.276:					120,860	120,860	
93.279		Drug Abuse and Addiction Research Programs	ONE-DA	1830-012	UW	52,990		52,990	
93.279		Drug Abuse and Addiction Research Programs	ONE-DA	1830-013	UW	27,425		27,425	
93.279		Drug Abuse and Addiction Research Programs	HDIL (How Do I Learn)	1835-012	UW	68,994		68,994	
93.279		Drug Abuse and Addiction Research Programs	HDIL (How Do I Learn)	1835-013	UW	2,910		2,910	
		Subtotal for CFDA #93.279:				152,319		152,319	
93.500		Pregnancy Assistance Fund Program, Recovery Act funding.	Teen Parenting Project	5980-013	King County Public Health	13,565		13,565	2
		Subtotal for CFDA #93.500:				13,565		13,565	

Puget Sound Educational Service District #121
Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2013

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 Health and Human Services (cont.)									
93.575		Child Care and Development Block Grant	ECEAP	3400-012	DEL		322,006		322,006
		Subtotal for CFDA #93.575:					322,006		322,006
93.600		Head Start	HeadStart Recompensation	3435-012				58,286	58,286
93.600		Head Start	Head Start	3440-011				4,531,133	4,531,133
93.600		Head Start	Head Start	3440-012				12,586,489	12,586,489
93.600		Head Start	Early Head Start	3474-011				787,129	787,129
93.600		Head Start	Early Head Start	3474-012				1,771,140	1,771,140
		Subtotal for CFDA #93.600:						19,734,176	19,734,176
93.778		Medical Assistance Program	ECEAP EPSDT	3405-012	DSHS		12,491		12,491
		Subtotal for CFDA #93.778:					12,491		12,491
93.959		Block Grants for Prevention and Treatment of Substance Abuse	MIDD - Professional Development	2042-013	King County Public Health		12,381		12,381
93.959		Block Grants for Prevention and Treatment of Substance Abuse	P/I Federal	2082-012	OSPI		773,159		773,159
93.959		Block Grants for Prevention and Treatment of Substance Abuse	P/I Federal	2082-013	OSPI		7,253		7,253
		Subtotal for CFDA #93.959:					792,792		792,792
		Department of Health and Human Services Subtotal:					1,293,173	19,855,037	21,148,209
Total Federal Awards Expended:							5,875,983	22,324,144	28,200,127

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 provided 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 as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

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