



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Educational Service District No. 112

For the period September 1, 2017 through August 31, 2018

Published May 2, 2019

Report No. 1023576





Office of the Washington State Auditor

Pat McCarthy

May 2, 2019

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

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Summary Schedule of Prior Audit Findings	6
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.....	7
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	10
Independent Auditor's Report on Financial Statements.....	13
Financial Section.....	17
About the State Auditor's Office.....	78

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Educational Service District No. 112 **September 1, 2017 through August 31, 2018**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Educational Service District No. 112 are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
93.575	CCDF Cluster – Child Care and Development Block Grant
93.600	Head Start

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The District qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.



EDUCATIONAL SERVICE DISTRICT 112

COUNTIES

CLARK
COWLITZ
Klickitat
PACIFIC
SKAMANIA
WAHKIAKUM

BOARD OF DIRECTORS

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STEVE WRIGHTSON

SUPERINTENDENT

TIM MERLINO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Educational Service District No. 112 September 1, 2017 through August 31, 2018

This schedule presents the status of federal findings reported in prior audit periods.

Audit Period: September 1, 2016 through August 30, 2017	Report Ref. No.: 1021484	Finding Ref. No.: 2017-001
Finding Caption: The District did not report its other post-employment benefit liability in accordance with government accounting standards.		
Background: On the original financial statements presented for audit, the District excluded a \$6,334,267 liability, related note disclosures, and required supplementary information for other post-employment benefits from its financial statements, as required by GASB 45.		
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>As a result of information provided to the District during the audit, the District commissioned an actuarial study and reported OPEB liabilities and expense with related disclosures and required supplementary information in the statements for the year ending August 31, 2017. The District has implemented GASB 75, the statement replacing GASB 45, and reported the related liabilities, net inflows/outflows, expense, disclosures and required supplementary information in its statements for the year ending August 31, 2018. The District engages in an intentional process to evaluate and review new and revised accounting and reporting pronouncements in order to continue to comply with generally accepted accounting principles. This process includes all the state's educational service districts, the Office of Superintendent of Public Instruction, and the Washington State Auditor's Office.</i>		

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

**Educational Service District No. 112
September 1, 2017 through August 31, 2018**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of Educational Service District No. 112, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 3, 2019. As discussed in Note 1 to the financial statements, during the year ended August 31, 2018, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The District has omitted the management's discussion and analysis information that governmental accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy

State Auditor

Olympia, WA

April 3, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**Educational Service District No. 112
September 1, 2017 through August 31, 2018**

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

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

We have audited the compliance of Educational Service District No. 112, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2018. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2018.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

April 3, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Educational Service District No. 112 September 1, 2017 through August 31, 2018

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Educational Service District No. 112, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 17.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Educational Service District No. 112, as of August 31, 2018, 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 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 required supplementary information listed on page 17 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 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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The additional risk pools information and schedule presenting effect of long term obligations for funding state-mandated and administered retirement benefit plans are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

April 3, 2019

FINANCIAL SECTION

Educational Service District No. 112 September 1, 2017 through August 31, 2018

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2018
Statement of Revenues, Expenses and Changes in Fund Net Position – 2018
Statement of Cash Flows – 2018
Statement of Fiduciary Net Position – 2018
Statement of Changes in Fiduciary Net Position – 2018
Notes to Financial Statements – 2018

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Changes in Total OPEB Liability and Related Ratios and Notes – 2018
Schedules of Proportionate Share of Net Pension Liability – PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2018
Schedule of Employer Contributions – PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2018
SW WA Workers' Compensation Trust – Claims Development Information – 2018
Notes to the SW WA Workers' Compensation Trust – Claims Development Information – 2018
SW WA Risk Management Cooperative – Claims Development Information – 2018
Notes to the SW WA Risk Management Cooperative – Claims Development Information – 2018
SW WA Workers' Compensation Trust Reconciliation of Claims Liabilities – 2018
SW WA Risk Management Cooperative Reconciliation of Claims Liabilities – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards and Notes – 2018
SW WA Unemployment Compensation Pool – Claims Development Information – 2018
Notes to the SW WA Unemployment Compensation Pool – Claims Development Information – 2018
SW WA Unemployment Compensation Pool – Reconciliation of Claims Liabilities – 2018

SW WA Workers' Compensation Trust – Public Entity Risk Pool List of Participating Members – 2018

DES Schedule of Expenses – SW WA Workers' Compensation Trust – 2018

SW WA Risk Management Cooperative – Public Entity Risk Pool List of Participating Members – 2018

DES Schedule of Expenses – SW WA Risk Management Cooperative – 2018

SW WA Unemployment Compensation Pool – Public Entity Risk Pool List of Participating Members – 2018

DES Schedule of Expenses – SW WA Unemployment Compensation Pool – 2018

Presenting Effect of Long Term Obligations for Funding State-mandated and Administered Retirement Benefit Plans – 2018

Educational Service District No. 112
STATEMENT OF NET POSITION - ALL FUNDS
AS OF AUGUST 31, 2018

	NOTE REF	OPERATING FUND	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	PROPERTY CASUALTY INSURANCE FUND	CHILDCARE FUND	TOTAL ALL FUNDS
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	Note 1	\$ 249,204	\$ 105,562	\$ 4,590	\$ -	\$ 39,551	\$ 398,907
Investments	Notes 1, 2	8,866,727	9,379,188	4,735,958	7,167,862	885,943	31,035,678
Accounts Receivable (net of uncollectible allowance)	Note 1	8,172,649	322,057	79,988		319,831	8,894,525
Inventory	Note 1	22,948					22,948
Prepays	Note 1	120,073					120,073
TOTAL CURRENT ASSETS		\$ 17,431,601	\$ 9,806,807	\$ 4,820,536	\$ 7,167,862	\$ 1,245,325	\$ 40,472,131
NONCURRENT ASSETS							
Capital Assets							
Land and Land Improvements		6,618,749					6,618,749
Construction in Progress		74,808					74,808
Building & Leasehold Improvements		22,415,002					22,415,002
Furniture, Fixtures, Equipment & Software		2,697,230					2,697,230
Less: Accumulated Depreciation		(6,697,752)					(6,697,752)
Net Capital Assets	Note 3	25,108,037	-	-	-	-	25,108,037
Investment in Joint Venture	Note 10	(101,691)					(101,691)
TOTAL NONCURRENT ASSETS		\$ 25,006,346	\$ -	\$ -	\$ -	\$ -	\$ 25,006,346
TOTAL ASSETS		\$ 42,437,947	\$ 9,806,807	\$ 4,820,536	\$ 7,167,862	\$ 1,245,325	\$ 65,478,477
DEFERRED OUTFLOWS OF RESOURCES							
Deferred Outflows – Pension Plans		\$ 1,861,449	\$ 41,944	\$ 9,907	\$ 22,334	\$ 9,866	\$ 1,945,500
TOTAL DEFERRED OUTFLOWS OF RESOURCES	Notes 1,5	\$ 1,861,449	\$ 41,944	\$ 9,907	\$ 22,334	\$ 9,866	\$ 1,945,500

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

Educational Service District No. 112
STATEMENT OF NET POSITION - ALL FUNDS
AS OF AUGUST 31, 2018

	NOTE REF	OPERATING FUND	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	PROPERTY CASUALTY INSURANCE FUND	CHILDCARE FUND	TOTAL ALL FUNDS
LIABILITIES							
CURRENT LIABILITIES							
Accounts Payable	Note 1	\$ 1,573,200	\$ 371,198	\$ 115,794	\$ 103,302	\$ 1,109,540	\$ 3,273,034
Accrued Interest Payable	Note 4	421,408					421,408
Accrued Salaries	Note 1	222,463					222,463
Payroll Deductions & Taxes Payable	Note 1	587,552					587,552
Compensated Absences	Note 1	125,000	1,600	4,600	3,800		135,000
Bonds Payable	Note 4	1,001,133					1,001,133
Claim Reserves	Note 7						
IBNR			932,458		130,672		1,063,130
Open Claims		90,000	1,074,116	97,654	40,483		1,302,253
Deposits	Note 1	74,742					74,742
Unearned Revenue	Note 1	184,401				55,715	240,116
Total OPEB Liability	Note 6	156,028	2,346	441	1,053	3,235	163,103
TOTAL CURRENT LIABILITIES		\$ 4,435,927	\$ 2,381,718	\$ 218,489	\$ 279,310	\$ 1,168,490	\$ 8,483,934
NONCURRENT LIABILITIES							
Compensated Absences_	Note 1	\$ 1,132,204	\$ 44,001	\$ 11,832	\$ 34,225	\$	\$ 1,222,262
Claim Reserves_	Note 7						
IBNR_			1,068,546		156,963		1,225,509
Open Claims_			2,265,465	3,374	317,228		2,586,067
Unallocated Loss Adjustment Expenses_			374,000	281,634	45,000		700,634
Future L&I Assessments_			939,409				939,409
Net Pension Liability	Note 5	13,361,496	277,840	65,948	148,594	19,917	13,873,795
Total OPEB Liability	Note 6	8,615,248	160,856	36,389	82,758	77,386	8,972,637
Bonds Payable_	Note 4	20,729,867					20,729,867
TOTAL NONCURRENT LIABILITIES		\$ 43,838,815	\$ 5,130,117	\$ 399,177	\$ 784,768	\$ 97,303	\$ 50,250,180
TOTAL LIABILITIES		\$ 48,274,742	\$ 7,511,835	\$ 617,666	\$ 1,064,078	\$ 1,265,793	\$ 58,734,114
DEFERRED INFLOWS OF RESOURCES							
Deferred InFlows – Pension Plans	Note 5	\$ 3,295,957	\$ 60,877	\$ 15,208	\$ 33,591	\$ 31,068	\$ 3,436,701
Deferred InFlows – OPEB Plans	Note 6	700,745	10,537	1,981	4,727	14,530	732,520
TOTAL DEFERRED INFLOWS OF RESOURCES	Note 1	\$ 3,996,702	\$ 71,414	\$ 17,189	\$ 38,318	\$ 45,598	\$ 4,169,221
NET POSITION							
Net Investment in Capital Assets		\$ 3,377,037	\$ -	\$ -	\$ -	\$ -	\$ 3,377,037
Restricted for Self-Insurance	Note 9	95,000					95,000
Restricted for Support Programs	Note 9	3,233,173					3,233,173
Unrestricted		(14,677,258)	2,265,502	4,195,588	6,087,800	(56,200)	(2,184,568)
TOTAL NET POSITION		\$ (7,972,048)	\$ 2,265,502	\$ 4,195,588	\$ 6,087,800	\$ (56,200)	\$ 4,520,642

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

Educational Service District No. 112
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2018

	NOTE REF	OPERATING FUND	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	PROPERTY CASUALTY INSURANCE FUND	CHILDCARE FUND	TOTAL ALL FUNDS
OPERATING REVENUES							
Local Sources		\$ 1,886,860			\$	5,393,299	\$ 7,280,159
State Sources		24,253,622				1,854,630	26,108,252
Allotment		582,498					582,498
Federal Sources		9,211,874				191,402	9,403,276
Cooperative Programs		10,065,951					10,065,951
Other Programs		17,083,230					17,115,115
Member Assessments/Contributions			7,201,351	983,725	2,788,358	31,885	10,973,434
Other Operating Revenue					5,124		5,124
TOTAL OPERATING REVENUE	Note 1	\$ 63,084,035	\$ 7,201,351	\$ 983,725	\$ 2,793,482	\$ 7,471,216	\$ 81,533,809
OPERATING EXPENSES							
General Operations and Administration		\$ 3,429,802	\$ 883,391	\$ 234,788	\$ 594,840	\$	\$ 5,142,821
Instructional Support Programs		37,490,779				7,621,664	45,112,443
Non Instructional Support Programs		17,687,866					17,687,866
Incurred Loss/Loss Adjustment Expenses							
Paid on Current Losses	Note 7		3,529,991		899,938		4,934,825
Change in Loss Reserves	Note 7		312,731	504,896	(307,425)		52,068
Excess/Reinsurance Premiums	Note 7		150,155	46,762	1,413,199		1,563,354
Professional Fees		340,577	11,172		14,470	6,620	372,839
Labor & Industries Assessments	Note 7		2,179,988				2,179,988
Depreciation/Depletion	Note 3	1,221,222		196	7,741	6,141	1,221,222
Other Operating Expenses		60,170,246	7,231,217	786,642	2,622,763	7,634,425	78,445,293
TOTAL OPERATING EXPENSES		\$	\$	\$	\$	\$	\$
OPERATING INCOME (LOSS)		\$ 2,913,789	\$ (29,866)	\$ 197,083	\$ 170,719	\$ (163,209)	\$ 3,088,516
NONOPERATING REVENUES (EXPENSES)							
Interest and Investment Income	Note 2	\$	122,359	\$ 59,750	\$ 102,699	\$ 13,237	\$ 379,753
Interest Expense and Related Charges	Note 4	(879,134)					(879,134)
Lease Income	Note 3	768,765					768,765
Change in Joint Venture	Note 10	(297,797)					(297,797)
Other Nonoperating Revenues	Note 1	214,227					214,227
TOTAL NONOPERATING REVENUES (EXPENSES)		\$ (112,231)	\$ 122,359	\$ 59,750	\$ 102,699	\$ 13,237	\$ 185,814
INCREASE (DECREASE) IN NET POSITION		\$ 2,801,558	\$ 92,493	\$ 256,833	\$ 273,418	\$ (149,972)	\$ 3,274,330
NET POSITION - BEGINNING BALANCE		\$ (8,378,222)	\$ 2,209,029	\$ 3,945,527	\$ 5,830,541	\$ 143,439	\$ 3,750,314
Cumulative Effect of Change in Accounting Principle	Notes 6, 11	(2,395,384)	(36,020)	(6,772)	(16,159)	(49,667)	(2,504,002)
NET POSITION - ENDING BALANCE		\$ (7,972,048)	\$ 2,265,502	\$ 4,195,588	\$ 6,087,800	\$ (56,200)	\$ 4,520,642

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

Educational Service District No. 112
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2018

	OPERATING FUND	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	PROPERTY CASUALTY INSURANCE FUND	CHILDCARE FUND	TOTAL ALL FUNDS
CASH FLOW FROM OPERATING ACTIVITIES						
Cash Received from Customers	\$ 26,974,197			\$	5,354,649	\$ 32,328,846
Cash Received from State and Federal Sources	34,452,107				1,992,538	36,444,645
Cash Received from Members		7,163,015	963,842	2,788,358		10,915,215
Payments to Suppliers for Goods and Services	(18,663,153)				(7,025,729)	(25,688,882)
Payments to Employees for Services	(40,502,116)					(40,502,116)
Cash Paid for Benefits/Claims	90,000	(3,227,653)	(477,824)	(898,122)		(4,513,599)
Internal Activity - Payments to Other Funds	2,182,867	(967,535)	(232,242)	(589,438)	(393,652)	-
Cash Paid for Reinsurance		(120,940)		(1,413,199)		(1,534,139)
Cash Paid for Labor and Industries Assessments		(2,490,813)				(2,490,813)
Cash Paid for Professional Services	(340,577)	(11,172)		(14,470)	(6,620)	(372,839)
Cash Paid for Other Operating Expense	(1,103,086)	(163,789)	(196)	(7,741)	(6,045)	(1,280,857)
Other Receipts (Payments)	100			5,124		5,224
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 3,090,339	\$ 181,113	\$ 253,580	\$ (129,488)	\$ (84,859)	\$ 3,310,685
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Other Noncapital Activities	\$ 1,880				\$	1,880
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	\$ 1,880	\$ -	\$ -	\$ -	\$ -	\$ 1,880
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	\$ (411,140)				\$	(411,140)
Principal and Interest Paid on Capital Debt	(1,697,759)					(1,697,759)
Lease Income	768,765					768,765
Other Receipts (Payments)	212,347					212,347
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (1,127,787)	\$ -	\$ -	\$ -	\$ -	\$ (1,127,787)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and Dividends Received	\$ 81,708	\$ 122,359	\$ 59,750	\$ 102,699	\$ 13,237	\$ 379,753
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ 81,708	\$ 122,359	\$ 59,750	\$ 102,699	\$ 13,237	\$ 379,753
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
	\$ 2,046,140	\$ 303,472	\$ 313,330	\$ (26,789)	\$ (71,622)	\$ 2,564,531
CASH AND CASH EQUIVALENTS - BEGINNING						
PRIOR PERIOD ADJUSTMENT	7,069,791	9,181,278	4,427,218	7,194,651	997,116	28,870,054
CASH AND CASH EQUIVALENTS - ENDING	\$ 9,115,931	\$ 9,484,750	\$ 4,740,548	\$ 7,167,862	\$ 925,494	\$ 31,434,585

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

Educational Service District No. 112
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
AS OF AUGUST 31, 2018

	DEFERRED COMPENSATION
ASSETS	
Cash and Cash Equivalents	\$ 18,684
Investments	
Accounts Receivable	
Assets Used in Operations	
TOTAL ASSETS	<u><u>\$ 18,684</u></u>
LIABILITIES	
Accounts Payable	
Program Refunds Payable to JV Participants	
Deposits (from school districts)	
TOTAL LIABILITIES	<u><u>\$ -</u></u>
NET POSITION	
Held in Trust for Benefits and Other Purposes	\$ 18,684
TOTAL NET POSITION	<u><u>\$ 18,684</u></u>

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

Educational Service District No. 112
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	<u>DEFERRED COMPENSATION</u>
ADDITIONS	
Contributions	
Employer	-
Members	
Total Contributions	<u>-</u>
Investment Earnings	
Interest	275
Net Increase (Decrease) in the Fair Value of Investments	
Total Investment Earnings	<u>275</u>
Other Additions	
TOTAL ADDITIONS	<u><u>275</u></u>
DEDUCTIONS	
Distribution to Pool Participants	
Refunds of Contributions	
Administrative Expenses	
Other Payments in Accordance with Trust Agreement	
TOTAL DEDUCTIONS	<u><u>-</u></u>
CHANGE IN NET POSITION	<u>275</u>
NET POSITION - BEGINNING	18,409
PRIOR PERIOD ADJUSTMENT	
NET POSITION - ENDING	<u><u>18,684</u></u>

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

**Educational Service District No. 112
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2017 THROUGH AUGUST 31, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Educational Service District No. 112 (the District) were developed under authority of the Office of Superintendent of Public Instruction. Except where noted as exceptions, the rules of generally accepted accounting principles (GAAP) are the basis for accounting and financial reporting in the District. The following summary of the more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

Reporting Entity

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

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

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

Basis of Accounting and Reporting

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

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

The District reports the following major proprietary funds:

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

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

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

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

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

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

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

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

Assets, Liabilities, and Equity

Cash and Cash Equivalents, Deposits & Investments – see Note 2

The Office of the Clark County Treasurer is the ex-officio treasurer for the District. In this capacity, the County Treasurer receives daily deposits and transacts investments on behalf of the District. On August 31, 2018 the County Treasurer was holding cash and short-term residual investments of surplus cash as follows:

	Fair Value (see Note 2)
Cash & Cash Equivalents	\$ 398,907
Investments	31,035,678
Total Cash, Cash Equivalents & Short-Term Investments	\$ 31,434,585

For the purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of twelve months or less when purchased to be cash and cash equivalents. Investments held by the County Treasurer are considered highly liquid as they are accessible on a daily basis, equivalent to a cash account. The County Treasurer bears the risk of maturity in the pool.

Receivables

For the operating fund, accounts and contracts receivable represent the value of goods and services provided and invoiced to clients as of fiscal year-end. For remaining proprietary and agency funds, the amounts represent balances due from clients within thirty days of invoice dates.

All receivables are shown net of an allowance for uncollectible balances. Uncollectible accounts are evaluated for write off on an annual basis.

Prepaid Items & Inventory

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

The District does not maintain material amounts of inventory. Inventory balances represent program supplies purchased for activities, and funded by contracts, in future fiscal periods.

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 RCW Chapter 28A.400.210, 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 accumulation 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, 2018, represents the aggregate amount of vacation and sick leave payable for all eligible employees of the District. Changes in estimated liabilities for sick and vacation leave balances for employees working in the proprietary funds are charged as current expense to those funds.

Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

Deposits

Deposits consist of tenant deposits and advance lease payments.

Long Term Debt – See Note 4

Unearned Revenue

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

Deferred Outflows & Inflows

Accounting principles for pensions under GASB Statement No. 68 (see Note 5) requires the District to recognize deferred inflows and outflows on the Statement of Net Position related to the proportionate share of the Washington State Department of Retirement System's deferred income or expense items, to be recognized over a number of years, for changes in experience, assumptions, proportion, contributions and investment earnings.

Accounting principles for other post-retirement employee benefits (OPEB) under GASB Statement No. 75 (see Note 6) requires the District to recognize deferred inflows and outflows on the Statement of Net Position related to the proportionate share of the single-employer plan administered under the Washington Health Care Authority's deferred income or expense items, to be recognized over a number of years, for changes in experience, assumptions, contributions, and investment earnings.

Operating and Nonoperating Revenues and Expenses

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

- Revenue from those who purchase, use or directly benefit from the goods or services of the program;
- Revenue from other governments, entities and individuals, if such revenue is restricted to a specific program or programs; and
- Earnings on permanent fund investments if restricted to a program specifically identified in the agreement.
- Current year pension liability expense from changes in net pension liability (see Note 5).
- Current year OPEB expense from changes in total OPEB liability (see Note 6).

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

Nonoperating revenues and expenditures include interest earnings on investments not restricted to program benefit, interest expense on debt, other asset and financing activities, lease income and triple net collections from rental of excess space, surplus sale of personal property, and changes from investments in joint ventures.

Summary of Significant Changes in Accounting Policies

GASB No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (GASB 75) governs the specifics of accounting for public OPEB plan obligations for participating employers and is required to be implemented for fiscal years beginning after June 15, 2017. The District has implemented GASB 75 treatment for the plan as a single-employer defined benefit OPEB plan for the fiscal year September 1, 2017 to August 31, 2018. As a result of the implementation, an adjustment for change in accounting principle of \$(2,504,002) was recorded.

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 Chapters 30A.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. The District participates in the Clark County Investment Pool which is managed and operated by the Office of the Clark County Treasurer.

As of August 31, 2018, the District had the following investments:

Investment	Maturity	Fair Value
Clark County Investment Pool	Average Maturity of 5.9 months	\$ 31,035,678

Credit Risk

The Clark County Investment Pool is managed and operated by the Office of the Clark County Treasurer and is considered extremely low risk. The pool is operated in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The Pool's portfolio is made up of high quality, highly liquid securities, and its relatively short average maturity reduces the Pool's price sensitivity to market interest rate fluctuations. The Pool reduces credit risk by purchasing securities rated at the highest quality by credit rating organizations at the time of purchase. The Pool does not contain any structured investment vehicles or collateralized debt obligations.

As of the most recent report date, fair value of the Pool equaled amortized cost. It is the policy of the Pool to permit participants to withdraw their investments on a daily basis; therefore the District's investment balance in the Pool is equal to fair value. Fair value is measured using quoted prices in active markets for identical assets that the pool can access at the measurement date (Level 1 Inputs). Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.

The Pool has a strong degree of asset diversification to minimize risk and maintain adequate rates of return. As of August 31, 2018, the distribution of investments of the Pool was as follows:

Investment Type	% of Pool based on Fair Value
Federal Agencies Semi-Annual Coupon	22.1 %
Treasury Coupons	35.8 %
Washington State Local Government Investment Pool	28.7 %
Commercial Paper	6.9%
Supranationals	4.7%
Bank Deposits	1.8%

*Source: Clark County Treasurer Investment Pool,
August 2018 Monthly Report*

The pool is not insured or guaranteed by any government; therefore, maintenance of principal is not fully insured. The County Investment Pool does not have a credit rating. As of the August 31, 2018, NAV per share was \$0.998932.

The District's participation in the County's Investment Pool is voluntary; the pool is not rated by a nationally recognized statistical rating organization (NRSRO). The County Treasurer publishes an annual report, available on the Treasurer's web site (<https://treasury.clark.wa.gov>).

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, the District would not be able to recover the value of the investment or collateral

securities. Of the District's total cash and investment position of \$31,035,678, no balances are exposed to custodial credit risk. The District does not have a policy for custodial credit risk.

Concentration of Credit Risk

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

Interest Rate Risk

As of August 31, 2018, the Clark County Investment Pool's average maturity is 5.9 months (180 days). As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

NOTE 3: CAPITAL ASSETS

Capital assets, which include property, facilities, and large equipment, are capitalized at total acquisition cost, provided such cost exceeds \$15,000 and has an expected useful life of more than five years. Prior to September 1, 2015, the capitalization threshold was established by Board policy at \$50,000. Property, facilities, and large equipment that are purchased using Federal money are subject to inventory reporting if the acquisition cost is over \$5,000. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives, based on the month placed in service:

Asset	Years
Vehicles	5-10
Equipment	5-20
Buildings and structures	10-40
Land improvements	5-40

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

Capital assets activity for the fiscal year ended August 31, 2018 was as follows:

	Beginning Balance 9/1/2017	Increases	Decreases	Ending Balance 8/31/2018
Capital assets not depreciated:				
Land	\$ 6,569,922	\$ -	\$ -	\$ 6,569,922
Construction in progress	94,962	41,433	(61,587)	74,808
Total capital assets not depreciated	6,664,884	41,433	(61,587)	6,644,730
Depreciable capital assets:				
Buildings & Improvements	22,379,933	35,069	-	22,415,002
Furniture, Fixtures, Other Equipment & Software	111,829	105,118	-	216,947
Transportation Equipment	2,189,176	291,107	-	2,480,283
Land Improvements	48,827	-	-	48,827
Total depreciable capital assets	24,729,765	431,294	-	25,161,059
Less accumulated depreciation for:				
Buildings & Improvements	(4,181,061)	-	(967,100)	(5,148,161)

	Beginning Balance 9/1/2017	Increases	Decreases	Ending Balance 8/31/2018
Improvements, Furniture, Fixtures, Other Equipment & Software	(11,740)	-	(15,973)	(27,713)
Transportation Equipment	(1,280,166)	-	(235,635)	(1,515,801)
Land Improvements	(3,563)	-	(2,514)	(6,077)
Total accumulated depreciation	(5,476,530)	-	(1,221,222)	(6,697,752)
Total depreciable assets, net	19,253,235	431,294	(1,221,222)	18,463,307
Total assets, net	\$25,918,119	\$472,727	\$ (1,282,809)	\$25,108,037

On September 1, 2015, the District purchased the business park it occupied under previous long term lease agreement for \$18,068,543; the purchase was for land and five buildings totaling 214,211 square feet. Borrowings for the purchase included funds for remodel of space occupied by the District (see Note 4). The District currently occupies 39% of the square footage; the remainder is under lease occupancy agreements that were transferred from the seller. Four tenant leases and one ground lease were transferred to the District. A schedule of lease income commitments is provided below, including consideration of options to extend that have been executed as of the reporting date:

Fiscal Year Ending August 31	Lease Agreements
2019	\$ 772,456
2020	780,806
2021	530,794
2022	407,914
2023	327,487
2024 thereafter	132,230

Lease agreements include payment of triple net fees for building and common area maintenance. Triple net fees are reported as nonoperating revenue and totaled \$212,347 for the year ending August 31, 2018.

Land assets include \$1,863,121 for the October 2013 purchase of land for planned construction of a new facility. As noted above, the District purchased the business park in September 2015 rather than construct a new facility. Subsequent to year end, a purchase and sale agreement was executed for sale of the land, subject to contingency. If completion of the land sale should fail due to the contingency, the District will likely hold the land for future program operations. See Note 11 for further discussion of the purchase and sale agreement.

Construction Commitments

The District has one active construction project as of August 31, 2018: improvements to land purchased and held for potential site development.

Project	In Progress as of August 31, 2018	Remaining Commitment
District land improvements	74,808	-
TOTAL Construction in Progress	\$ 74,808	\$ -

NOTE 4: LONG-TERM DEBT, LIABILITIES AND LEASES

Long-Term Debt

The District issues general obligation bonds and other debt instruments to finance capital facility improvements, construction and land acquisition for purposes described in the table below. The following is a summary of long-term debt instruments of the District for the fiscal year ended August 31, 2018:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Annual Installments
Land Purchase – NE 1 st Street, Vancouver WA	10/1/18-4/1/2028	3.75%	\$1,880,000	\$167,133-\$219,800
Remodel of Hough Early Learning Center- 1801 Esther Street, Vancouver WA	3/1/15-9/1/34	3.87%	\$1,000,000	\$30,000-\$70,000
Business Park Purchase & remodel for main business facility Bond A- 2500 NE 65 th Avenue, Vancouver WA	9/1/2016 – 9/1/2027	4.25%	\$9,250,000	\$605,000-\$960,000
Business Park Purchase & remodel for main business facility Bond B- 2500 NE 65 th Avenue, Vancouver WA	9/1/2028-9/1/2035	4.25%	\$9,750,000	\$1,050,000-\$1,405,000
Land/Building Purchase for Cowlitz County Therapeutic Program-1946 8 th Avenue, Longview WA	12/1/2016-6/1/2026	2.50%	\$1,485,000	\$133,000-\$165,000

On May 18, 2018, the District refinanced the limited general obligation bonds issued September 2013 for purchase of land at NE 1st Street, Vancouver WA. The original issuance had been for interest-only payments at 2.55% beginning December 1, 2013 through May 22, 2018.

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

Fiscal Year Ending August 31	Principal	Interest
2019, Current Portion	\$ 1,001,133	\$ 862,655
2020	1,041,284	832,862
2021	1,076,465	791,584
2022	1,111,879	748,703
2023	1,160,536	704,207
2024-2028	6,179,703	2,793,897
2029-2033	6,015,000	1,538,278
2034-2038	4,145,000	266,501

Operating Lease(s)

The District is committed under various leases for space and equipment. All leases are considered operating leases for accounting purposes under current guidance because the District does not acquire interests in the property and leases are subject to cancellation at any time during the lease for changes in funding availability.

Lease expenses for the year ended August 31, 2018, totaled \$372,436, of which \$6,000 was capitalized during construction for leasehold improvements. Future minimum rental commitments for operating leases are presented in the table below.

Fiscal Year Ending August 31,	Amount Committed as of 8/31/18
2019	\$ 408,042
2020	372,946
2021	312,924
2022	234,727
2023	211,388
2024 thereafter	338,052

Changes in Long-Term Liabilities

During the fiscal year ended August 31, 2018, the following changes occurred in long-term liabilities:

	Beginning Balance 9/1/17	Additions	Reductions	Ending Balance 8/31/18	Due Within One Year
Bonds Payable	\$22,542,000	\$1,880,000	\$ (2,691,000)	\$21,731,000	\$1,001,133
Compensated Absences (unfunded portion) (Note 1)	1,212,786	144,476	-	1,357,262	135,000
Claims Reserves (Note 7)	4,174,767		(286,447)	3,888,320	1,302,253
IBNR (Note 7)	2,101,001	187,638		2,288,639	1,063,130
Unallocated Loss Adjustment Expenses (Note 7)	697,976	2,658		700,634	
Future L&I Assessments	701,190	238,219		939,409	
Total OPEB Obligation * (Note 6)	6,334,267	3,767,469	(965,996)	9,135,740	163,103
Net Pension Liability (NPL) (Note 5)-					
NPL TRS 1	3,868,896		(500,997)	3,367,899	
NPL TRS 2/3	1,210,014		(682,512)	527,502	
NPL SERS 2/3	4,554,543		(1,645,635)	2,908,908	
NPL PERS 1	7,094,838		(25,352)	7,069,486	
Total Long Term Liabilities	\$54,492,278	\$ 6,220,460	\$(6,797,939)	\$53,914,799	\$3,664,619

*Beginning balance represents OPEB obligation under GASB No. 45. During the year ended August 31, 2018, the District implemented GASB No. 75 for other post-retirement benefits (OPEB). Additions include an adjustment for change in accounting principle (see Note 6).

NOTE 5: PENSION PLANS

The District is required to provide retirement benefits for substantially all qualifying employees through the Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington. Beginning for the year ended August 31, 2015, the District has implemented Governmental Accounting Standards Board Statement No. 68 Accounting and Financial Reporting for Pensions. GASB No. 68 requires, among other provisions, that the District recognize its proportionate share of the DRS plans' underfunded (or overfunded) status. The District has no independent ability to fund or satisfy pension liabilities outside of Washington state's legislatively adopted contribution rates. Assessments now and in the future are made based on the legislatively-mandated rates and are paid by the District on salaries and wages, as earned, in future years.

General Information

DRS prepares a stand-alone comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each pension plan. The pension plan's basic

financial statement is accounted for using the accrual basis of accounting. The measurement date of the pension plans is June 30. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of pension plans administered by DRS and additions to/deductions from the plans' net position have been determined on the same basis as they are reported by the plans.

Detailed information about the pension plans' fiduciary net position is available in the separately issued DRS CAFR. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, P.O. Box 48380, Olympia WA 98504-8380; or online at <http://www.drs.wa.gov/administrations/annual-report>.

Membership Participation

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 DRS: Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS).

Membership participation by retirement plan as of June 30, 2018, was as follows:

Plan	Active Members	Inactive Vested Members, Entitled to, but not yet Receiving Benefits	Retired Members and Beneficiaries Receiving Benefits
PERS 1	1,986	539	47,037
SERS 2	27,786	6,050	9,171
SERS 3	34,930	8,678	8,866
TRS 1	497	147	33,460
TRS 2	20,518	2,617	5,453
TRS 3	55,117	8,735	11,960

The latest actuarial valuation date for all plans was June 30, 2017.

Source: Washington State Office of the State Actuary

Membership & Plan Benefits

Certificated employees are members of TRS. Classified 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. TRS 1 and PERS 1 are closed to new entrants.

TRS Plan Information

TRS was established in 1938, and its retirement provisions are contained in RCW Chapters 41.34 and 41.32. TRS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. TRS eligibility for membership requires service as a certificated public school employee working in an instructional, administrative or supervisory capacity.

TRS is comprised of three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan

3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

TRS Plan 1 provides retirement, disability and death benefits. TRS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the average final compensation (AFC), for each year of service credit, up to a maximum of 60 percent, divided by twelve. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two. Members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

TRS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) per year of service for Plan 2 members and one percent of AFC for Plan 3 members. The AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit. Members are eligible for normal retirement at the age of 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. TRS Plan 2/3 members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

The benefit is reduced by a factor that varies according to age, for each year before age 65. TRS Plan 2/3 members who have 30 or more years of service credit, were hired prior to May 1, 2013, and are at least 55 years old, can retire under one of two provisions: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

TRS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. TRS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

PERS Plan Information

PERS was established in 1947, and its retirement benefit provisions are contained in RCW Chapters 41.34 and 41.40. PERS is a cost-sharing, multi-employer retirement system. PERS Plan 1 provides retirement, disability and death benefits. PERS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

Members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

SERS Plan Information

SERS was established by the legislature in 1998, and the plan became effective in 2000. SERS retirement benefit provisions are established in RCW Chapters 41.34 and 41.35. SERS is a cost-sharing multiple-employer retirement system comprised of two separate plans for membership purposes. SERS Plan 2 is a defined benefit plan and SERS Plan 3 is a defined benefit plan with a defined contribution component. SERS members include classified employees of school districts and educational service districts. SERS is reported as two separate plans for accounting purposes: Plan 2/3 and Plan 3. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

SERS provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and one percent of AFC for Plan 3. The AFC is the monthly average of the member's 60 highest-paid consecutive service months before retirement, termination or death. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. SERS members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

The benefit is reduced by a factor that varies according to age, for each year before age 65. SERS members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 2, 2013: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

SERS members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. SERS retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

Plan Contributions

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 methods used to determine the contribution requirements are established under RCW Chapters 41.34 and 41.40 for PERS, Chapters 41.34 and 41.35 for SERS, and Chapters 41.32, and 41.34 for TRS. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The employer and employee contribution rates for the PERS plan are effective as of July 1. SERS and TRS contribution rates are effective as of September 1. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2017 and 2018 are listed below:

Pension Rates			
	7/1/18 Rate	7/1/17 Rate	
PERS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	12.83%	12.70%	
Pension Rates			
	9/1/18 Rate	9/1/17 Rate	
TRS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	15.41%	15.20%	
TRS 2			
Member Contribution Rate	7.06%	7.06%	
Employer Contribution Rate	15.41%	15.20%	
TRS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	15.41%	15.20%	**
SERS 2			
Member Contribution Rate	7.27%	7.27%	
Employer Contribution Rate	13.58%	13.48%	
SERS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.58%	13.48%	**
Note: The DRS administrative rate of .0018 is included in the employer rate.			
* = Variable from 5% to 15% based on rate selected by the member.			
** = Defined benefit portion only.			

The Collective Net Pension Liability

The collective net pension liabilities as of June 30, 2018 for the pension plans the District participated in are reported in the following table:

Dollars in Thousands	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total Pension Liability	\$ 12,143,412	\$ 5,719,600	\$ 8,722,439	\$ 14,422,685
Plan fiduciary net position	\$ (7,677,378)	\$ (5,420,538)	\$ (5,801,847)	\$ (13,972,571)
Participating employers' net pension liability	4,466,034	\$ 299,062	\$ 2,920,592	\$ 450,114
Plan fiduciary net position as a percentage of the total pension liability	63.22%	94.77%	66.52%	96.88%

The District's Proportionate Share of the Net Pension Liability (NPL)

As of June 30, 2018, the District reported a total liability of \$13,873,795 for its proportionate shares of the individual plans' collective net pension liability. The employer's proportionate share of the collective net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2018, the District's proportionate share of each plan's net pension liability is reported below:

June 30, 2018	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	\$ 1,058,078	\$ 1,701,606	\$ 479,590	\$ 521,017
Proportionate Share of NPL	7,069,486	2,908,908	3,367,899	527,502

Changes to net pension liability from the prior period are displayed in the Schedule of Changes in Long Term Liabilities, Note 4.

At June 30, 2018, the District's percentage of the proportionate share of the collective net pension liability and the change in the allocation percentage from the prior year is illustrated below:

Changes in Proportionate Shares	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of NPL	0.158295%	0.972677%	0.115316%	0.117193%
Prior year proportionate share of NPL	0.149520%	0.922953%	0.127971%	0.131104%
Net difference percentage	0.008775%	0.049724%	(0.012655)%	(0.013911)%

Actuarial Assumptions

Capital Market Assumptions (CMAs) and expected rates of return by asset class provided by the Washington State Investment Board. The Office of the State Actuary relied on the CMAs in the selection of the long-term expected rate of return for reporting purposes.

The total pension liabilities for TRS 1, TRS 2/3, PERS 1 and SERS 2/3 were determined by actuarial valuation as of June 30, 2017, with the results rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.75% total economic inflation, 3.50% salary inflation
Salary increases	In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.40%

Mortality Rates

Mortality rates used in the plans were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the 2007–2012 Experience Study and the *2017 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best-estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the Washington State Investment Board (WSIB). Those expected returns make up one component of WSIB's CMAs. The CMAs contain three pieces of information for each class of assets the WSIB currently invest in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.40% approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and

small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen-year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018, are summarized in the following table:

TRS1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20.00%	1.70%
Tangible Assets	7.00%	4.90%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%

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

Discount Rate

The discount rate used to measure the total pension liability was 7.40%. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.50% long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a 7.40% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return of 7.40% on pension plan investments was applied to determine the total pension liability.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Pension Plans reported collective Deferred Outflows of Resources and collective Deferred Inflows of Resources related to the individual plans. At August 31, 2018, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(280,937)
Changes in assumptions or other inputs	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	163,926	-
TOTAL	\$ 163,926	\$ (280,937)

SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 801,719	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(1,414,323)
Changes in assumptions or other inputs	23,054	(597,106)
Changes in proportion and differences between contributions and proportionate share of contributions	254,695	(88,422)
Contributions subsequent to the measurement date	269,502	-
TOTAL	\$ 1,348,970	\$ (2,099,851)
TRS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(144,025)
Changes in assumptions or other inputs	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	82,601	-
TOTAL	\$ 82,601	\$ (144,025)
TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 247,888	\$ (38,951)
Net difference between projected and actual earnings on pension plan investments	-	(446,126)
Changes in assumptions or other inputs	8,968	(211,984)
Changes in proportion and differences between contributions and proportionate share of contributions	3,193	(214,828)
Contributions subsequent to the measurement date	89,953	-
TOTAL	\$ 350,002	\$ (911,889)

\$605,982 reported as Deferred Outflows of Resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2019.

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

Year ended August 31,	PERS 1	SERS 2/3	TRS 1	TRS 2/3
2019	\$ 12,291	\$ 51,778	\$ 14,410	\$ (59,931)
2020	(61,414)	(269,761)	(29,815)	(145,438)
2021	(184,288)	(671,592)	(102,417)	(264,977)
2022	(47,526)	(126,971)	(26,204)	(80,819)
2023	-	7,272	-	(18,030)
Thereafter	-	(11,108)	-	(82,646)

Pension Expense

The District recognizes a pension expense for its proportionate share of the collective pension expense. This is determined by using the District's proportionate share of the collective net pension liability. For the year ending August 31, 2018, the District recognized a total pension expense from change in the net pension liability as follows:

Pension Expense (Income) from change in NPL	
PERS 1	\$ (28,974)
SERS 2/3	(949,452)
TRS 1	(530,686)
TRS 2/3	(329,950)
TOTAL	\$ (1,839,062)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.40%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.40%) or one percentage point higher (8.40%) than the current rate. Amounts are calculated by plan using the District's allocation percentage.

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS1 NPL	\$ 5,488,477,000	\$ 4,466,034,000	\$ 3,580,392,000
Allocation Percentage	0.158295%	0.158295%	0.158295%
Proportionate Share of Collective NPL	\$ 8,687,958	\$ 7,069,486	\$ 5,667,564
SERS2/3 NPL	\$ 1,127,549,000	\$ 299,062,000	\$ (383,817,000)
Allocation Percentage	0.972677%	0.972677%	0.972677%
Proportionate Share of Collective NPL	\$ 10,967,411	\$ 2,908,908	(3,733,300)
TRS1 NPL	\$ 3,650,431,000	\$ 2,920,592,000	\$ 2,288,760,000
Allocation Percentage	0.115316%	0.115316%	0.115316%
Proportionate Share of Collective NPL	\$ 4,209,518	\$ 3,367,899	\$ 2,639,298
TRS2/3 NPL	\$ 2,805,439,000	\$ 450,114,000	\$ (1,463,229,000)
Allocation Percentage	0.117193%	0.117193%	0.117193%
Proportionate Share of Collective NPL	\$ 3,287,778	\$ 527,502	\$ (1,714,802)

Schedules of Required Supplementary Information

Required supplementary information is presented in the required supplementary schedules for each plan the District participates in.

NOTE 6: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS**Access to Other Post Employment Medical Benefits through the Washington State Health Care Authority (HCA)**

Washington state, through the HCA, administers a defined benefit other post-employment (OPEB) plan. The Public Employees Benefits Board (PEBB) created under the HCA is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Eligible retirees and spouses are entitled to subsidies associated with postemployment medical benefits provided through PEBB.

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

Participation in the plan is administered by HCA as a single-employer defined benefit OPEB plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75 (GASB 75).

Implementation of GASB 75 in the Fiscal Year Ending August 31, 2018

GASB No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (GASB 75) governs the specifics of accounting for public OPEB plan obligations for participating employers and is required to be implemented for fiscal years beginning after June 15, 2017. The District has implemented GASB 75 treatment for the plan as a single-employer defined benefit OPEB plan for the fiscal year September 1, 2017 to August 31, 2018.

Valuation Date, Measurement Date and Reporting Date

The "valuation date" is July 1, 2018. This is the date as of which the census data is gathered and the actuarial valuation is performed. The "measurement date" is August 31, 2018. This is the date as of which the Total OPEB Liability is determined. The "reporting date" is the District's fiscal year end of August 31, 2018.

The Total OPEB Liability is also reported as of the beginning of the measurement period as permitted by GASB 75 in this transition year. This calculation is based on a roll backward of the actuarial valuation results, with an adjustment to the discount rate.

General Description

Employers participating in the PEBB plan include the Washington state general government agencies, higher education institutions, K-12 school and educational service districts and political subdivisions. Additionally, the PEBB's OPEB plan is available to retirees of K-12 school districts and educational service districts who do not participate in PEBB for insurance for their active employees. RCW 41.05.085 provides that contribution requirements of participating employers and of plan members are established by and may be amended by the HCA Board of Directors. Participating employers and active plan members are required to contribute the established benefit rates. All K-12 school districts and ESDs contribute the same rate which is set annually as an amount per pro-rated FTE under RCW 28A.400.410. Employers do not have the ability to contribute additionally to funding against future liabilities or impact funding progress on the actuarially determined liability of the HCA OPEB plan. The District does not participate in PEBB for insurance for its active employees, The

District's established contribution to PEBB for retiree OPEB for the fiscal year ending August 31, 2018 under the required formula was \$406,332.

The PEBB OPEB plan provides healthcare insurance benefits (medical and dental) for retirees and their dependents. Retired members may only elect dental coverage if they have elected medical coverage. PEBB offers thirteen (13) medical plans and three (3) dental plans. All current and future retirees who elect medical and dental coverage are assumed to elect carriers based on the weighted average of selection of carriers by current PEBB retirees.

Employees covered by benefit terms. District employees are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plan 2 or 3 of TRS or SERS (see Note 7):

- Age 65 with 5 years of service for Plan 2
- Age 55 with 20 years of service for Plan 2
- Age 55 with 10 years of service for Plan 3

Former members who are entitled to a deferred vested pension benefit are not eligible to receive medical and life insurance benefits after pension benefit commencement. Survivors of covered members who die are eligible for medical benefits. At June 30, 2018, the following employees were covered by benefit terms:

Retirees and dependents currently receiving benefit payments	76
Active employees who may qualify for benefits upon retirement	575

It is not possible to determine the number of inactive employees entitled to, but not yet receiving benefit payments. Retiring employees apply for benefits at their discretion, may be otherwise working and not eligible for benefits or be deceased. This data is not monitored by the District, HCA or the State of Washington.

Election assumptions. 50% of employees are assumed to elect medical and dental benefits upon retirement. 45% of employees are assumed to enroll eligible dependents as of the retirement date. 100% of employees are assumed to enroll in Medicare, once eligible, after initial participation.

Total OPEB Liability

The District's Total OPEB Liability of \$8,838,269 and \$9,135,739 was measured for the years ending August 31, 2017 and 2018, respectively, and was determined by an actuarial valuation as of the valuation date of July 1, 2018, calculated based on the discount rates discussed below, projected to the measurement dates. There have been no significant changes between the valuation date and the fiscal year end. If there were significant changes, an additional analysis or valuation might be required.

Actuarial Assumptions and Other Inputs

The Total OPEB Liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement dates, unless otherwise specified.

Inflation. The inflation rate of 2.75% was developed by the Office of the State Actuary for PEBB¹ and was applied to the measurement dates ending August 31, 2017 and 2018.

Salary increases. Salary assumptions reflect the assumptions used in the actuarial valuations for Washington State School Employees' Retirement System (SERS) and Teacher Retirement System (TRS)². Projected payroll increases have been assumed to be 3.5% which equals 0.75% real wage growth above inflation. Projected annual merit and longevity increases for SERS range from 6.60% for 0 years of service to 0.10% for 20 years of service.

Projected annual merit and longevity increases for TRS range from 5.10% for 0 years of service to 0.10% for 25 years of service.

Discount Rate. The discount rate was based on the 20-year Tax-Exempt Municipal Bond Yield (*Bond Buyer General Obligation* 20-bond municipal index for bonds that mature in 20 years). Discount rate assumptions were 3.51% and 3.96% for the measurement dates of August 31, 2017 and 2018, respectively.

Demographic Assumptions. Demographic assumptions regarding retirement, mortality, turnover, and marriage are based on assumptions used in the Office of the State Actuary's actuarial valuation for Washington State SERS and TRS ², modified for the District.

- Service retirement assumptions for plans 2 and 3 were used, which vary based on hire date and years of service.
- The assumed rates of disability under SERS and TRS plans 2 and 3 are less than 0.1% for ages 50 and below and continue to be low after that; demographic assumptions assume a 0% disability rate for all ages.
- Mortality assumptions for SERS were used (RP-2000 base mortality table, adjusted by -1 year for both males and females, with generational mortality adjustments using projection scale BB).

Healthcare Cost Trends. Healthcare cost trends used in the actuarial valuation were developed for use in the July 1, 2018 OPEB valuation for the PEBB program¹, to be performed by the Office of the State Actuary. These assumptions are summarized below and refer to the amount by which medical costs are anticipated to exceed costs for the year ending 2018:

Year Ending June 30,	Pre-65 Retiree Premiums & Claims	Post-65 Retiree Claims	Post-65 Retiree Premiums
2019	6.8%	3.6%	2.8%
2020-2095	6.3% to 4.5%	7.6% to 4.7%	12.5% to 4.7%

Dental costs trends are assumed to increase 1.1% to 4.0% for the year 2019-2026 and beyond.

Healthcare cost trends reflect the impact of the excise tax for high cost or "Cadillac" health plans for 2022 and beyond, consistent with the current tax code in effect.

Premium Levels. Assumed annual medical retiree contributions as of July 1, 2018, used in the actuarial valuation are displayed below. These represent a weighted average of 2018 PEBB retiree contributions by medical plan, based on overall PEBB current retiree medical plan election. Contribution assumptions exclude fees charged as a direct pass-through to participating retirees.

	Employee or Spouse	
	Non-Medicare	Medicare
Weighted average based on current PEBB retirees	\$8,052.58	\$3,180.06

The July 1 2018 assumed annual dental retiree contributions for employee or spouse is \$547.17, representing a weighted average of 2018 PEBB retiree contributions by dental plan, based on overall PEBB current retiree dental plan elections.

Actuarial cost method. The actuarial cost method used for determining the benefit obligations is the Entry Age Actuarial Cost Method whereby the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of expected salary for each year of employment between entry age (defined as age at hire) and assumed exit (until maximum retirement age).

¹ The actuarial valuation for the Washington state OPEB plan offered through PEBB under administration of HCA can be found at <http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>

² The actuarial valuation for the Washington State School Employees' Retirement System (SERS) and Teacher Retirement System (TRS) can be found in the Department of Retirement Systems annual Comprehensive Annual Financial Report (CAFR) at <https://www.drs.wa.gov/administration/annual-report/default.htm>

Claims Cost Assumptions

Subsidies provided by PEBB and valued in the actuarial valuation include the following:

- Explicit medical subsidy for post-65 retirees and spouses
- Implicit medical and dental subsidy

The explicit subsidies are monthly amounts paid per post-65 retirees and spouses. As of the valuation date, the explicit subsidy for post-65 retirees and spouses is the lesser of \$150 or 50% of the monthly premiums. As of January 1, 2019, the subsidy will be increased to \$168 per month. Retirees and spouses currently pay the premium minus \$150 when the premium is over \$300 per month and pay half the premium when the premium is lower than \$300.

The implicit medical subsidy is the difference between the total cost of medical benefits and premiums. For pre-65 retirees and spouses, the retiree pays the full premium amount, based on a pool that includes active employees. Active employees will tend to be younger and healthier than retirees on average and therefore can be expected to have lower average health costs. (For post-65 retirees and spouses, the retiree does not pay the full premium due to the explicit subsidy discussed above.) Under GASB 75, the total cost of benefit payments is to be based on claims costs or age-adjusted premiums approximating claims costs. The projection of retiree premiums is based on current amounts for the retirees' share of the premium, projected with the medical trend assumption, varied by age and sex. Implicit subsidies for dental coverage is also reflected in the actuarial valuation.

Changes in the Total OPEB Liability

The increase (decrease) in the Total OPEB Liability is detailed in the table below for the fiscal year ending August 31, 2018:

Balance as of August 31, 2017	\$ 8,838,270
Changes for the year:	
Service cost	923,519
Interest on Total OPEB Liability	339,947
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	(811,286)
Expected benefit payments	(154,710)
Balance as of August 31, 2018	\$ 9,135,740

Service cost represents the portion of the actuarial present value of expected benefit payments that is attributed to the valuation year.

Changes in assumptions or inputs represents the change in the portion of changes in the Total OPEB Liability that is not immediately recognized in OPEB expense and includes differences between expected and actual experience, changes in assumptions, and differences between expected and actual earnings on plan investments.

Expected benefit payments represent all benefits estimated to be payable through the OPEB plan to current active and inactive employees as a result of their past service and expected future service. This is the subsidy difference between the total cost of benefits and the portion of the benefits paid by the retirees. Per employee health costs vary depending on age, number of dependents and expected morbidity

Sensitivity of the Total OPEB Liability to changes in the discount rate. The following presents the District's Total OPEB Liability, calculated using the discount rate of 3.96%, as well as what the District's Total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.96%) or 1 percentage point higher (4.96%) than the current rate:

	1% Decrease 2.96%	Discount Rate 3.96%	1% Increase 4.96%
Total August 31, 2018 OPEB Liability	\$11,075,746	\$9,135,740	\$7,630,467

Sensitivity of the Total OPEB Liability to changes in the healthcare cost trend rates. The following presents the Total OPEB Liability of the District, calculated using the current healthcare cost trend rates as well as what the District's Total OPEB Liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total August 31, 2018 OPEB Liability	\$7,404,253	\$9,135,740	\$11,468,102

OPEB Expense and Deferred Outflows of Resource and Deferred Inflows of Resources Related to OPEB

For the year ended August 31, 2018, the District recognized OPEB expense of \$1,184,700 as follows:

For the year ending	August 31, 2018
Service cost	\$ 923,519
Interest on Total OPEB Liability	339,947
Effect of plan changes	-
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains/losses	-
Recognition of assumption changes or inputs	(78,766)
OPEB Expense	\$1,184,700

The District reported deferred inflows and outflows of resources as of the August 31, 2018 Measurement Date as follows:

	Deferred Inflows of Resource	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or inputs	(732,520)	-
Contributions made subsequent to the Measurement Date	NA	-
Total	\$ (732,520)	\$ -

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

Measurement Period Ending August 31,	
2019	\$ (78,766)
2020	(78,766)
2021	(78,766)
2022	(78,766)
2023	(78,766)
Thereafter	\$ (338,690)

457 Plan – Deferred Compensation Plan

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

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

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under the elective deferral (employee contribution method). The District complies with IRS regulations that require school districts to have written plans to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by CPI, (a third party administrator). The plan assets are assets of the District's employees, not the District, and are therefore not reflected on these financial statements.

NOTE 7: SHARED RISK POOL DISCLOSURES

Property and Liability Risk Management Pool

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

Unpaid Claims Liabilities

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

Reinsurance

The pool uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the pool as direct insurer of the risks reinsured. The pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. The amount deducted from claims liabilities as of August 31, 2018, for reinsurance was \$0. Premiums ceded to reinsurers during 2018 were \$1,413,199.

Member Assessments and Unearned Member Assessments

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

Unpaid Claims

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

Reserve for Unallocated Loss Adjustment Expenses

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

Exemption from Federal and State Taxes

Pursuant to revenue ruling number 90-74, income of Municipal Risk Pools is excluded from gross income under IRC Section 115(1). Chapter 48.62 RCW exempts the pool from insurance premium taxes, and business and occupation taxes imposed pursuant to Chapter 82.04 RCW.

Risk Financing Limits

The following table reflects the risk financing limits on coverage policies issued and retained by the pool at August 31, 2018:

Type of Coverage	Member Deductibles	Self-Insured Retention	Excess Limits
Property	\$ 1,000	\$ 250,000	\$1,000,000,000
Equipment Breakdown	\$ 1,000	\$ 25,000	\$ 500,000,000
Liability	\$ -	\$ 250,000	\$ 40,000,000
Crime	\$ 1,000	\$ 250,000	\$ 1,000,000
Commercial Crime	\$ 1,000	\$ 5,000	\$ 1,000,000
Public Official Bonds	\$ -	\$ -	\$ 5,000/ \$ 50,000
Privacy & Network Liability	\$ 1,000	\$ 10,000/ \$ 25,000/ \$ 50,000	\$ 1,000,000
Terrorism - Property	\$ -	\$ -	\$ 100,000,000
Terrorism - NCBB	\$ -	\$ -	\$ 25,000,000

Excess Insurance Contracts/Reinsurance

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

Excess Insurance Contracts	FY 2018
WSRMP – Property	\$ 1,000,000,000
WSRMP - :Liability	\$ 40,000,000

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

Excess Insurance Contracts	FY 2017
WSRMP – Property	\$ 500,000,000
WSRMP – Liability	\$ 40,250,000

Members' Supplemental Assessments and Credits

The interlocal governmental agreement provides for supplemental assessments to members based on actual claim experience. (During fiscal year 2018, the pool did not make a supplemental assessment).

Unpaid Claims Liabilities

As discussed above, the pool establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. The following represents changes in those aggregate liabilities for the pool during the past two years ending August 31,:

	2018	2017
Unpaid claims and claim adjustment expenses, beginning of year	\$ 997,771	\$ 1,072,076
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	480,505	810,893
Increases in provision for insured events of prior years	112,007	(72,815)
Total Incurred	592,512	738,078
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	(309,350)	(426,057)
Claims and claim adjustment expenses attributable to insured events of prior years	(590,587)	(386,326)
Total Payments	(899,937)	(812,383)
Total unpaid claims and claim adjustment expenses, end of year	\$ 690,346	\$ 997,771

At yearend August 31, 2018, \$690,346 of unpaid claims and claim adjustment expenses are presented at their net present value.

Workers' Compensation Insurance Trust

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

The Trust provides industrial injury accident insurance coverage for its membership. The Trust is fully funded by its member participants. Member contributions are calculated based on the members' hours worked. The Trust retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts. The Trust acquires insurance from unrelated underwriters. The Trust's per-occurrence retention limit is \$450,000 and the annual aggregate retention is \$5,317,479. Since the Trust is a cooperative program, there is a joint liability among participating members.

For fiscal year 2018, there are 30 members in the pool including 29 participating school districts. A Board comprised of one designated representative from each participating member and a five

member Executive Board governs the Trust. The Executive Board has five members elected by the Board. The District is responsible for conducting the business affairs of the Trust. At August 31, 2018, the amount of claims liabilities totaled \$6,653,994. This liability is the District's best estimate based on available information. Changes in the reported liability from the prior year's ending balance, resulted in the following:

	Beginning Balance 9/1/2017	Current Year Claims and Changes in Estimates	Ending Balance 8/31/2018
Incurred but not Reported	\$ 1,781,781	\$ 219,223	\$ 2,001,004
Future L&I Assessments	701,190	238,219	939,409
Estimated Unallocated Loss Adjustment	364,000	10,000	374,000
Claim Reserves	3,494,292	(154,711)	3,339,581

Unemployment Compensation Insurance Fund

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

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

For fiscal year 2018, there are 29 members in the pool including 28 participating school districts. The pool is governed by a Cooperative Board, which is comprised of one designated representative from each participating member and a five member Executive Board. Five members elected by the Cooperative Board and the District Superintendent comprise the Executive Board. At August 31, 2018, the amount of claims liabilities totaled \$382,662. This liability is the District's best estimate based on available information. Changes in the reported liability since August 31, 2018, resulted in the following:

	Beginning Balance 9/1/2017	Current Year Claims and Changes in Estimates	Ending Balance 8/31/2018
Claims Reserves and ULAE	\$ 335,900	\$ 46,762	\$ 382,662

NOTE 8: RISK MANAGEMENT

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

The Pool purchases excess insurance coverage and provides related services, such as administration, risk management, and claims administration. All coverage is on an occurrence basis. The Pool provides the following forms of group purchased insurance coverage for its members: Property, including owned buildings, automobiles and equipment, Equipment Breakdown, Commercial Crime and Public Official Bonds, General Liability, Errors and Omissions Liability, and

Employment Practices Liability and Privacy and Network Liability. Members are responsible for the first \$1,000 of all property claims and the Pool is responsible for the next \$1 billion. There is no member deductible for liability claims. The Pool purchases \$40 million of excess liability insurance. The Pool is a member of Washington Schools Risk Management Pool (WSRMP) to obtain this excess insurance.

The District has provided the WSRMP notice of its intention to withdraw from the pool for excess property and liability insurance for the Southwest Risk Management Insurance Cooperative. The District must exercise its option to withdraw by January 25, 2020. If the District should exercise the option, withdrawal from the WSRMP would be effective beginning September 1, 2020. The District is currently exploring whether there are more cost-effective options for excess property and liability insurance available in the market.

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

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

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

Solvency

Washington Administrative Code (WAC) 200-100 requires Pools to maintain certain levels of primary and secondary assets to meet solvency standards. As defined in WAC 200-100-03001 total primary assets, cash and cash equivalents less non-claim liabilities, must be at least equal to the unpaid claims estimate at the expected level as determined by the actuary. Additionally, total primary and secondary assets must be at least equal to the unpaid claims estimate at the 80 percent confidence level as determined by the actuary. Secondary assets are defined as insurance receivables, real estate or other assets (less any non-claim liabilities) the value of which can be independently verified by the state risk manager.

Solvency Tests for Risk Management	Primary Asset Test	Secondary Asset Test
Cash & cash equivalents	\$ -	\$ -
Investments	7,167,862	7,167,862
Receivables	n.a.	-
Prepaid expenses	n.a.	-
Total	7,167,862	7,167,862
Less: Non-claims liabilities	(373,732)	(373,732)
Less: Unearned member contributions	-	n.a.
Total primary assets	\$ 6,794,130	
Total secondary assets		\$ 6,794,130
Compared to:		
Claim liabilities at expected level per actuary (sum of all claims liabilities)	\$ 690,346	

Claim liabilities at 80% confidence level per actuary		\$ 2,443,346
Solvency test results	MET	MET

NOTE 9: NET POSITION, RESTRICTED

The District's statement of net position reports \$3,233,173 of net assets restricted for support programs as follows as of August 31, 2018:

Support Program	Amount
Restricted for Transportation Equipment	\$ 225,765
Restricted for Instructional Programs	2,830,032
Restricted for Non-Instructional Programs	177,376
Total Restricted for Support Programs	\$ 3,233,173

In fiscal year ending August 31, 2012, the District began to self-insure for dental benefits. As regulated by RCW 48.62, the District has been required to establish a reserve to cover up to three months' worth of dental expenses for the agency. During the past fiscal year, monthly costs averaged \$31,300 per month, with a monthly range of \$20,500 - \$34,200. As of August 31, 2018, the reserve maintains a restricted reserve balance of \$95,000.

NOTE 10: INVESTMENT IN JOINT VENTURE

Washington State Information Processing Cooperative

The District is a member of the Washington Information Processing Cooperative (WSIPC). The WSIPC Board of Directors consists of a member of each of the nine educational service districts in the state, sharing equally in the joint venture. Educational Service District No. 123 is the fiscal agent of the joint venture and answers directly to the WSIPC Board of Directors in financial matters.

Unaudited condensed financial information of the joint venture for the fiscal year ended August 31, 2018, is as follows:

Statement of Net Position	Amount
Assets & Deferred Outflows	
Current Assets	\$ 6,902,203
Non-Current Assets	1,688,220
Deferred Outflows - Pensions	419,112
Total Assets & Deferred Outflows	\$ 9,009,535
Liabilities, Deferred Inflows and Joint Venture Capital	
Current Liabilities	\$ 850,582
Noncurrent Liabilities - Other	385,611
Noncurrent Liabilities - Net Pension Liability	3,792,197
Noncurrent Liabilities – Total OPEB Liability	3,113,905
Deferred Inflows – Pensions & OPEB	1,782,463
Investment in Joint Venture	(915,223)
Total Liabilities, Deferred Inflows and Joint Venture Capital	\$ 9,009,535
Statement of Revenues, Expenses and Changes in Net Position	Amount
Operating Revenues	\$ 23,106,691
Plus/ Minus: Other Income/ Expenses (Net)	67,713
Less: Operating Expenses	(22,655,904)
Increase (Decrease) in Net Position, Operations	518,500

Statement of Net Position	Amount
Less: Decrease in Net Position due to Change in Accounting Principle	(3,198,674)
Increase (Decrease) in Net Position	\$ (2,680,174)

WSIPC employees participate in the Washington state retirement system; the Cooperative was required to recognize their proportionate share of the individual plans' net pension liability and related component measures under GASB No. 68 Accounting and Financial Reporting for Pensions beginning with the fiscal year ended August 31, 2015. WSIPC's financial statements include the proportionate share of the net pension liability associated with Public Employees' Retirement System (PERS) plans. General disclosures regarding the Washington state retirement system and pension accounting may be found in Note 5. Specific disclosures for the PERS plan may be found in the notes to WSIPC financial statements.

WSIPC implemented GASB No. 75 Accounting for Postemployment Benefits Other than Pensions (OPEB) for the year ended August 31, 2018 to recognize the unfunded OPEB liability. WSIPC's Total OPEB Liability and the related component measures were determined through an actuarial valuation consistent with the actuarial valuation method used by the nine member ESDs. WSIPC's Net Position includes a cumulative change in accounting principle associated with the implementation of GASB No. 75. WSIPC had not previously implemented GASB No. 45, the prior statement in effect for OPEB reporting. General disclosures regarding the Washington state OPEB plan may be found in Note 6. Specific disclosures for WSIPC's plan participation may be found in the notes to WSIPC financial statements.

The District's share of the total Investment in the Joint Venture is a net position of \$(101,691), including the District's share of the net pension liability under implementation of GASB No 68 and total OPEB liability under GASB No. 75. The District contributed \$0 to the Joint Venture during 2018 and 2017. There were no distributions in 2018 and 2017. The Net Investment in Joint venture balance in the Statement of Net Position has been recognized as an unrestricted net position due to the loss position of the investment.

Financial statements for the joint venture may be obtained by contacting WSIPC at 2121 West Casino Road, Everett WA 98204-1472.

NOTE 11: OTHER DISCLOSURES

Change in Accounting Principle

For the fiscal year ending August 31, 2018 the District has implemented GASB Statement No. 75 Accounting for Postemployment Benefits Other than Pensions (OPEB). OPEB benefits were reported in the prior year's statements under GASB No. 45. Implementation of the new statement, which had an effective date for fiscal years beginning after June 15, 2017, resulted in an adjustment for Change in Accounting Principle of \$(2,504,002). See Note 6 for further information.

Subsequent Events – Purchase and Sale Agreement

In September 2013 the District's Board of Directors entered into a purchase and sale agreement to obtain land on which to construct a building in the future. The District had less than four years remaining on its current lease and intended to build a new facility to coincide with the ending of the lease. On October 18, 2013 the District closed on 5.2 acres of land at NE 1st Street, Vancouver WA 98661, financed through sale of a 10-year Limited General Obligation Bond to Columbia Bank in the amount of \$1,880,000. On September 1, 2015, the District's Board of Directors entered into a purchase and sale agreement to obtain the land and buildings for the business park currently occupied by the District. As a result of this purchase, the District initiated activity for sale of the 2013-acquired land in accordance with its authorizations.

Subsequent to year end, a purchase and sale agreement was executed for sale of the land, subject to contingency for a Comprehensive Plan Map and Zone Change for the property. The purchase price to be paid is \$2,100,000 if the sale is executed. Satisfaction of the contingency by the buyer must be completed by January 31, 2020.

If completion of the land sale should fail due to the contingency, the District will likely hold the land for future program operations.

Subsequent Events – Authorization for Issuance of Debt for Property Purchase

On January 29, 2019, the District's board of directors passed a resolution providing for the issuance and sale of a limited obligation bond in the principal amount of \$725,000 at an interest rate of 3.6% for the purpose of funding the acquisition of a capital facility. Maturity date for the bond is set as October 1, 2029. The Office of the Superintendent of Public Instruction has approved the Project by letter dated January 9, 2019.

The real property to be purchased is approximately 35,000 square feet of real property with an approximately 6,735 square-foot building and improvements located at 712 Parkcrest Avenue, Vancouver WA. The building is currently leased by the District for early learning program delivery, with an option to purchase.

Educational Service District No. 112

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

AS OF AUGUST 31, *
Last 10 Fiscal Years **

TOTAL OPEB LIABILITY	2018
Service cost	\$ 923,519
Interest on total OPEB liability	339,947
Changes in benefit terms	-
Effect of economic/demographic gains or (losses)	-
Effect of assumption changes or inputs	(811,286)
Expected benefit payments	(154,710)
Net change in total OPEB liability	297,470
Total OPEB liability, beginning balance	8,838,270
Total OPEB liability, ending balance	<u>\$ 9,135,740</u>
Covered employee payroll	\$ 29,066,710
Total OPEB liability as a % of covered employee payroll	31.43%

Notes to Schedules:

* Schedules are based on the District's financial reporting date, fiscal year ending August 31, in each period reported.

** Schedules will be built prospectively until 10 years of data has been compiled

Note 6 to the financial statements includes information regarding factors that may affect trends in the amounts reported in these schedules.

Educational Service District No. 112
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, *
Last 10 Fiscal Years **

PERS 1		2015		2016		2017		2018	
District's proportion of the net pension liability (percentage)		0.137831%		0.143675%		0.149520%		0.15829500%	
District's proportionate share of the net pension liability (amount)		\$ 7,209,842		\$ 7,716,035		\$ 7,094,839		\$ 7,069,486	
District's covered-employee payroll ***		\$ 15,794,344		\$ 17,469,821		\$ 18,855,854		\$ 21,206,993	
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll		45.65%		44.17%		37.63%		33.34%	
Plan fiduciary net position as a percentage of the total pension liability		59.10%		57.03%		61.24%		63.22%	
SERS 2/3		2015		2016		2017		2018	
District's proportion of the net pension liability (percentage)		0.914099%		0.947901%		0.922953%		0.972677%	
District's proportionate share of the net pension liability (amount)		\$ 3,712,623		\$ 6,225,500		\$ 4,554,543		\$ 2,908,908	
District's covered-employee payroll		\$ 15,735,528		\$ 17,466,143		\$ 18,855,854		\$ 21,206,993	
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll		23.59%		35.64%		24.15%		13.72%	
Plan fiduciary net position as a percentage of the total pension liability		90.92%		86.52%		90.79%		94.77%	
TRS 1		2015		2016		2017		2018	
District's proportion of the net pension liability (percentage)		0.138752%		0.130032%		0.127971%		0.115316%	
District's proportionate share of the net pension liability (amount)		\$ 4,395,869		\$ 4,439,600		\$ 3,868,896		\$ 3,367,899	
District's covered-employee payroll ****		\$ 6,853,854		\$ 6,670,513		\$ 7,188,525		\$ 6,838,973	
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll		64.14%		66.56%		53.82%		49.25%	
Plan fiduciary net position as a percentage of the total pension liability		65.70%		62.07%		65.58%		66.52%	
TRS 2/3		2015		2016		2017		2018	
District's proportion of the net pension liability (percentage)		0.146486%		0.133857%		0.131104%		0.117193%	
District's proportionate share of the net pension liability (amount)		\$ 1,236,052		\$ 1,838,252		\$ 1,210,014		\$ 527,502	
District's covered-employee payroll		\$ 6,853,854		\$ 6,670,513		\$ 7,188,525		\$ 6,835,629	
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll		18.03%		27.56%		16.83%		7.72%	
Plan fiduciary net position as a percentage of the total pension liability		92.48%		88.72%		93.14%		96.88%	

Notes to Schedules:

* Schedules are based on the Department of Retirement Systems plans' measurement date of June 30 in each year reported

** Schedules will be built prospectively until 10 years of data has been compiled

*** Covered employee payroll for PERS1 includes SERS 2/3 payroll.

*** Covered employee payroll for TRS1 includes TERS 2/3 payroll.

Note 5 to the financial statements includes information regarding factors that may affect trends in the amounts reported in these schedules.

Educational Service District No. 112
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS
AS OF AUGUST 31, *
Last 10 Fiscal Years **

PERS 1	2015	2016	2017	2018
Contractually required contribution	\$ 640,661	\$ 846,405	\$ 917,475	\$ 1,077,878
Contributions in relation to the contractually required contributions	\$ 640,661	\$ 846,405	\$ 917,475	\$ 1,077,878
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll ***	\$ 15,969,479	\$ 17,756,527	\$ 19,234,654	\$ 21,444,499
Contribution as a percentage of covered-employee payroll	4.01%	4.77%	4.77%	5.03%
SERS 2/3	2015	2016	2017	2018
Contractually required contribution	\$ 898,415	\$ 1,176,549	\$ 1,275,234	\$ 1,770,782
Contributions in relation to the contractually required contributions	\$ 898,415	\$ 1,176,549	\$ 1,275,234	\$ 1,770,782
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 15,914,253	\$ 17,756,527	\$ 19,234,654	\$ 21,444,499
Contribution as a percentage of covered-employee payroll	5.65%	6.63%	6.63%	8.26%
TERS 1	2015	2016	2017	2018
Contractually required contribution	\$ 311,276	\$ 415,493	\$ 450,372	\$ 489,400
Contributions in relation to the contractually required contributions	\$ 311,276	\$ 415,493	\$ 450,372	\$ 489,400
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll ****	\$ 6,895,412	\$ 6,683,711	\$ 7,229,225	\$ 6,819,506
Contribution as a percentage of covered-employee payroll	4.51%	6.22%	6.23%	7.18%
TERS 2/3	2015	2016	2017	2018
Contractually required contribution	\$ 392,745	\$ 448,822	\$ 485,799	\$ 532,454
Contributions in relation to the contractually required contributions	\$ 392,745	\$ 448,822	\$ 485,799	\$ 532,454
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 6,895,412	\$ 6,683,711	\$ 7,229,225	\$ 6,816,162
Contribution as a percentage of covered-employee payroll	5.70%	6.72%	6.72%	7.81%

Notes to Schedules:

* Schedules are based on the District's financial reporting date, fiscal year ending August 31 in each period reported.

** Schedules will be built prospectively until 10 years of data has been compiled

*** Covered employee payroll for PERS1 includes SERS 2/3 payroll.

*** Covered employee payroll for TERS1 includes TERS 2/3 payroll.

Note 5 to the financial statements includes information regarding factors that may affect trends in the amounts reported in these schedules.

Educational Service District No. 112

REQUIRED SUPPLEMENTAL INFORMATION

SW WA WORKERS' COMPENSATION TRUST

CLAIMS DEVELOPMENT INFORMATION

AS OF THE YEAR ENDING AUGUST 31, 2018*

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1. Required contribution & investment revenue:										
Earned	4,395,463	4,712,507	5,204,861	5,344,051	5,093,041	5,381,049	5,783,666	6,255,224	6,745,291	7,323,711
Ceded	140,807	148,682	120,478	116,336	113,521	130,143	144,738	147,245	159,256	161,327
Net Earned	4,254,656	4,563,825	5,084,383	5,227,715	4,979,520	5,250,906	5,638,928	6,107,979	6,586,035	7,162,384
2. Unallocated expenses (ESD Admin)	783,957	754,130	870,972	846,578	914,935	829,238	816,878	878,925	930,245	890,274
3. Estimated claims & expenses end of policy Year:										
Incurred	2,000,000	2,308,606	2,229,893	2,017,754	2,328,488	2,944,880	2,468,081	3,357,773	3,331,013	3,198,144
Ceded **	0	58,606	54,893	67,754	53,488	44,880	43,081	107,773	131,013	98,144
Net incurred	2,000,000	2,250,000	2,175,000	1,950,000	2,275,000	2,900,000	2,425,000	3,250,000	3,200,000	3,100,000
4. Net paid (cumulative) as of:										
End of policy year	692,809	1,004,208	800,166	633,705	768,778	936,029	757,591	1,325,098	1,069,691	1,093,426
One year later	1,401,324	1,659,516	1,559,369	1,243,751	1,466,810	1,842,625	1,630,224	2,316,612	2,040,860	
Two years later	1,784,880	1,858,712	1,876,863	1,405,642	1,773,789	2,416,492	1,966,418	2,905,912		
Three years later	1,964,198	1,907,531	2,071,794	1,438,620	1,640,063	2,667,044	2,157,889			
Four years later	2,165,642	1,975,414	2,126,577	1,466,662	1,669,828	2,830,159				
Five years later	2,308,854	2,030,644	2,168,543	1,498,612	1,992,005					
Six years later	2,351,016	2,056,295	2,214,020	1,500,907						
Seven years later	2,411,480	2,091,282	2,294,365							
Eight years later	2,429,339	2,105,862								
Nine years later	2,464,529									
5. Reestimated net ceded claims and expenses *	148,454	22,417	22,285	24,961	423,150	28,572	36,536	45,723	59,509	98,144
6. Reestimated net incurred claims & expenses:										
End of policy year	2,000,000	2,250,000	2,175,000	1,950,000	2,275,000	2,900,000	2,425,000	3,250,000	3,200,000	3,100,000
One year later	2,025,000	2,250,000	2,225,000	1,800,000	2,450,000	2,950,000	2,375,000	3,500,000	3,450,000	
Two years later	2,125,000	2,150,000	2,300,000	1,675,000	2,300,000	2,950,000	2,600,000	3,800,000		
Three years later	2,225,000	2,115,000	2,360,000	1,600,000	2,425,000	2,975,000	2,510,000			
Four years later	2,380,000	2,150,000	2,360,000	1,600,000	2,200,000	3,100,000				
Five years later	2,415,000	2,160,000	2,295,000	1,570,000	2,085,000					
Six years later	2,475,000	2,205,000	2,300,000	1,540,000						
Seven years later	2,490,000	2,165,000	2,375,000							
Eight years later	2,480,000	2,125,000								
Nine years later	2,483,000									

7. Increase (decrease) in estimated net incurred claims & expenses from end of policy year

8. Increase (decrease) in estimated net incurred claims & expenses from end of policy year as a percentage of Net Incurred

* Schedules are based on the District's financial reporting date, fiscal year ending August 31 in each period reported.

** Estimates were not done for years prior to fiscal year ending August 31, 2010.

Educational Service District No. 112
REQUIRED SUPPLEMENTARY INFORMATION

TEN YEAR CLAIMS DEVELOPMENT INFORMATION
SW WA WORKERS' COMPENSATION TRUST
(THE TRUST)
SEPTEMBER 1, 2017 THROUGH AUGUST 31, 2018

This required supplementary information is an integral part of the accompanying financial statements. The accompanying table of claims development illustrates how the Trust's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by re-insurers) and other expenses assumed by the Trust as of the end of each of the last ten years. The row sections of the accompanying table are defined as follows:

- 1) Reports 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) Reports each fiscal year's operating costs of the Trust including overhead and claims expenses not allocable to individual claims.
- 3) Reports the Trust's incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- 4) Reports the cumulative net amounts paid as of the end of successive years for each policy year over a ten-year development period.
- 5) Reports the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
- 6) Reports how each policy year's incurred claims increased or decreased as of the end of successive years over a ten-year development period. This annual re-estimation 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) Compares the latest re-estimated incurred claims amount to the amount originally established (Section 3 of the schedule) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.
- 8) Reports the increase or decrease in estimated net incurred claims (Section 7 of the schedule) as a percentage of the net incurred (Section 3 of the schedule).

Educational Service District No. 112

REQUIRED SUPPLEMENTAL INFORMATION
SW WA RISK MANAGEMENT COOPERATIVE
CLAIMS DEVELOPMENT INFORMATION
AS OF THE YEAR ENDING AUGUST 31, 2018*

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1. Required contribution & investment revenue:										
Earned	3,184,350	3,260,088	3,322,027	3,260,959	2,976,838	2,949,353	2,845,370	2,813,543	2,804,478	2,891,057
Ceded	1,358,576	1,435,897	1,861,825	1,628,803	1,281,592	1,378,879	1,011,515	1,074,516	1,004,318	1,413,199
Net Earned	1,825,774	1,824,191	1,460,202	1,632,156	1,695,246	1,570,474	1,833,855	1,739,027	1,800,160	1,477,858
2. Unallocated expenses	396,339	357,809	358,608	365,257	343,608	464,949	445,016	588,343	560,382	546,503
3. Estimated claims & expenses end of policy Year:										
Incurred	958,100	1,251,483	1,701,304	1,660,057	1,011,221	1,049,257	861,535	679,850	976,873	604,138
Ceded **	0	391,144	802,721	589,604	412,823	283,604	182,393	181,563	165,980	123,633
Net incurred	958,100	860,339	898,583	1,070,453	598,398	765,653	679,142	498,287	810,893	480,505
4. Net paid (cumulative) as of:										
End of policy year	314,939	386,235	312,911	390,972	181,780	290,204	381,620	230,280	426,057	309,350
One year later	761,004	893,404	622,000	709,917	274,480	539,519	466,872	382,203	847,463	
Two years later	843,632	904,033	648,377	1,051,953	516,638	604,991	593,521	379,963		
Three years later	887,723	915,982	608,635	1,224,014	516,159	675,566	619,616			
Four years later	948,479	937,935	716,020	1,228,073	546,874	783,516				
Five years later	1,076,246	937,935	716,020	1,234,609	546,624					
Six years later	1,076,246	937,935	716,020	1,240,874						
Seven years later	1,076,246	937,935								
Eight years later	1,076,246									
Nine years later	1,076,246									
5. Reestimated net ceded claims and expenses *	845,103	65,960	228,491	1,090,173	38,628	604,816	68,689	91,078	74,703	123,633
6. Reestimated net incurred claims & expenses:										
End of policy year	958,100	860,339	898,583	1,070,453	598,398	765,653	679,142	498,287	810,893	480,505
One year later	985,601	1,067,690	763,596	1,291,492	653,224	647,336	729,833	483,301	944,298	
Two years later	958,446	982,690	722,150	1,302,684	595,101	894,072	682,490	436,295		
Three years later	1,071,854	972,690	672,325	1,309,162	578,101	874,072	680,490			
Four years later	1,134,818	948,677	725,357	1,306,182	555,881	858,930				
Five years later	1,085,818	945,677	723,357	1,316,653	554,881					
Six years later	1,083,818	944,677	725,357	1,315,653						
Seven years later	1,081,818	943,677	722,357							
Eight years later	1,080,082	941,677								
Nine years later	1,079,082									

7. Increase (decrease) in estimated net incurred claims & expenses from end of policy year

8. Increase (decrease) in estimated net incurred claims & expenses from end of policy year as a percentage of Net Incurred

* Schedules are based on the District's financial reporting date, fiscal year ending August 31 in each period reported.

** Estimates were not done for years prior to fiscal year ending August 31, 2010.

Educational Service District No. 112
REQUIRED SUPPLEMENTARY INFORMATION

TEN YEAR CLAIMS DEVELOPMENT INFORMATION
SW WA RISK MANAGEMENT COOPERATIVE
(THE RISK COOPERATIVE)
SEPTEMBER 1, 2017 THROUGH AUGUST 31, 2018

This required supplementary information is an integral part of the accompanying financial statements. The accompanying table of claims development illustrates how the Risk Cooperative's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Risk Cooperative as of the end of each of the last ten years. The row sections of the accompanying table are defined as follows:

- 1) Reports 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) Reports each fiscal year's operating costs of the Risk Cooperative including overhead and claims expenses not allocable to individual claims.
- 3) Reports the Risk Cooperative's incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- 4) Reports the cumulative net amounts paid as of the end of successive years for each policy year over a ten-year development period.
- 5) Reports the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
- 6) Reports how each policy year's incurred claims increased or decreased as of the end of successive years over a ten-year development period. This annual re-estimation 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) Compares the latest re-estimated incurred claims amount to the amount originally established (Section 3 of the schedule) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.
- 8) Reports the increase or decrease in estimated net incurred claims (Section 7 of the schedule) as a percentage of the net incurred (Section 3 of the schedule).

Educational Service District No. 112
REQUIRED SUPPLEMENTARY INFORMATION

SW WA WORKERS' COMPENSATION TRUST
RECONCILIATION OF CLAIMS LIABILITIES
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

	For the Years Ending August 31, 2018	2017
Unpaid Claims and Claim Adjustment Expenses at Beginning of the Fiscal Year	\$ 6,341,263	\$ 5,769,796
<u>Add Incurred Claims and Claim Adjustment Expenses:</u>		
Provision for Insured Events of the Current Fiscal Year	3,100,000	3,200,000
Provision for Insured Events of the Current Fiscal Year - L&I Assessments	2,418,208	2,184,411
Increases (Decreases) in Provision for Insured Events of Prior Years	511,000	205,000
Changes in Provision for ULAE	10,000	36,000
Total Incurred Claims and Claim Adjustment Expenses	6,039,208	5,625,411
<u>Less Payments:</u>		
Claim Expenses Attributable to Insured Events of the Current Year	1,093,426	1,069,691
Claim Expenses Attributable to Insured Events of Prior Years	2,453,062	1,953,818
Washington State L&I Assessment Payments	2,179,989	2,030,435
Total Payments	5,726,477	5,053,944
Total Unpaid Claims and Claim Adjustment Expenses at the End of the Year	\$ 6,653,994	\$ 6,341,263
<u>Components:</u>		
Reserve for Open Claims	\$ 3,339,581	\$ 3,494,292
Claims Incurred But Not Reported (IBNR)	2,001,004	1,781,781
Unallocated Loss Adjustment Exp (ULAE)	374,000	364,000
Washington State L&I Assessment (L&I)	939,409	701,190
Total Claims Liabilities	\$ 6,653,994	\$ 6,341,263

Educational Service District No. 112
REQUIRED SUPPLEMENTARY INFORMATION

SW WA RISK MANAGEMENT COOPERATIVE
RECONCILIATION OF CLAIMS LIABILITIES
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

	For the Years Ending August 31, 2018	2017
Unpaid Claims and Claim Adjustment Expenses at Beginning of the Fiscal Year	\$ 997,771	\$ 1,072,076
<i><u>Add Incurred Claims and Claim Adjustment Expenses:</u></i>		
Provision for Insured Events of the Current Fiscal Year	480,505	810,893
Increases (Decreases) in Provision for Insured Events of Prior Years	131,007	(69,815)
Changes in Provision for ULAE	(19,000)	(3,000)
Total Incurred Claims and Claim Adjustment Expenses	592,512	738,078
<i><u>Less Payments:</u></i>		
Claim Expenses Attributable to Insured Events of the Current Year	309,350	426,057
Claim Expenses Attributable to Insured Events of Prior Years	590,587	386,326
Total Payments	899,937	812,383
Total Unpaid Claims and Claim Adjustment Expenses at the End of the Year	\$ 690,346	\$ 997,771
<i><u>Components:</u></i>		
Reserve for Open Claims	\$ 357,711	\$ 614,551
Claims Incurred But Not Reported (IBNR)	287,635	319,220
Unallocated Loss Adjustment Exp (ULAE)	45,000	64,000
Total Claims Liabilities	\$ 690,346	\$ 997,771

Educational Service District No. 112
STATEMENT OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

Grantor/Pass through Agency	Program Name	CFDA No.	Award Number	EXPENDITURES			Note				
				Direct Awards	Pass Through Indirect Awards	Total					
US DEPARTMENT OF AGRICULTURE											
WA OSPI	Child and Adult Care Food Program	10.558	159256	\$	296,518	\$	296,518	\$	-	2.5	
Total US Department of Agriculture				\$	-	\$	296,518	\$	296,518	\$	-
US DEPARTMENT OF JUSTICE											
WA State Partnership Council on Juvenile Justice	Juvenile Justice and Delinquency Prevention	16.540	I-OJJESD112-0118	\$	62,959	\$	62,959	\$	62,959	\$	-
Total US Department of Justice				\$	-	\$	62,959	\$	62,959	\$	-
US DEPARTMENT OF LABOR											
WIOA Cluster											
WDC 17-09/6107-7007, WSW 18-04/6107-7008, WSW 1807/6107-7008	WIOA Youth Activities	17.259		\$	541,249	\$	541,249	\$	541,249	\$	-
Total WIOA Cluster				\$	-	\$	541,249	\$	541,249	\$	-
Total US Department of Labor				\$	-	\$	541,249	\$	541,249	\$	-
US DEPARTMENT OF EDUCATION											
Special Education Cluster (IDEA)											
WA OSPI	Special Education Grants to States	84.027	0320253, 0306268, 0338023	\$	2,615,925	\$	2,615,925	\$	20,963	2.4	
WA OSPI	Special Education Preschool Grants	84.173	0380293, 0365756, 0385415	\$	116,035	\$	116,035	\$	-	2	
Total Special Education Cluster (IDEA)				\$	-	\$	2,731,960	\$	20,963		
WA OSPI	Title I Grants to Local Educational Agencies	84.010	0260069, 0222538, 0222559, 0222666	\$	381,617	\$	381,617	\$	-	2	
WA OSPI	Title I State Agency Program for Neglected and Delinquent Children & Youth	84.013	0223079	\$	45,712	\$	45,712	\$	-	2	
WA DSHS through Workforce Southwest Washington	Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	DSHS#1812-24808 / WSW 17-36 Mod 1	\$	22,737	\$	22,737	\$	-	2.5	
WA DEPT OF CHILDREN, YOUTH & FAMILIES	Special Education-Grants for Infants and Families	84.181	18-1216, 18-1196	\$	81,776	\$	81,776	\$	-	2	
WA OSPI	Twenty-First Century Community Learning Centers	84.287	0991216	\$	294,015	\$	294,015	\$	-	2	
WA OSPI	Mathematics and Science Partnerships	84.366	0555411	\$	188,622	\$	188,622	\$	-	2	
Washington Student Achievement Council	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	17-IA086-A3	\$	76,259	\$	76,259	\$	-	2	
Total US Department of Education				\$	-	\$	3,822,698	\$	20,963		

Educational Service District No. 112
STATEMENT OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

Grantor/Pass through Agency	Program Name	CFDA No.	Award Number	EXPENDITURES			Note Reference
				Direct Awards	Pass Through Indirect Awards	Total	
US DEPARTMENT OF HEALTH & HUMAN SERVICES							
CCDF Cluster							
WA Dept of Early Learning / Childcare Aware of Washington	Child Care and Development Block Grant	93.575	01-110-20118-6100 16-1143-04, 16-1143-05	\$	\$ 879,802	\$	- 2
WA Dept of Early Learning	Child Care and Development Block Grant	93.575		\$	153,693	\$	- 2
Total CCDF Cluster				\$	1,033,495	\$	-
WA OSPI	Substance Abuse & Mental Health Services Projects of Regional and National Significance	93.243	0590013, 0590014	\$	262,692	\$	66,154 2.4
WA DSHS	Substance Abuse & Mental Health Services Projects of Regional and National Significance	93.243	1765-94285-02 12SP14467A, 15SP21091A, 15SP23003A, 16SP21866A	\$	80,512	\$	80,512 2
N/A	Drug-Free Communities Support Program Grants	93.276	N-20851-7 TO -9/ M178710260/ 2US8SP001996-06, N-20851-7 TO -9/ M178710270/ SCH20851-11 10CH0225-01/02 & /03.	\$ 97,306	\$	97,306	2.3
WA Dept of Health	PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)	93.305		\$	22,620	\$	- 2.3
N/A	Head Start Preventive Health & Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.600	10CHP00008701 M177410272/ SCH20851-11	\$ 2,206,672	\$	2,206,672	2.3.4
WA Dept of Health		93.758	1765-12642	\$	32,861	\$	- 2.3
WA DSHS	Opioid STR	93.788	/11060249	\$	131,067	\$	131,067 2
WA OSPI	Block Grants for Prevention and Treatment of Substance Abuse	93.959	0998192, 0998204	\$	503,809	\$	503,809 - 2
WA DSHS	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1765-94285-02 BEACONT718 Amend	\$	27,560	\$	27,560 2
Beacon Health Options	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1	\$	118,965	\$	118,965 2
Total US Department of Health & Human Services				\$ 2,303,978	\$ 2,213,581	\$ 4,517,559	276,999
TOTAL FEDERAL FINANCIAL ASSISTANCE							
				\$ 2,303,978	\$ 6,937,004	\$ 9,240,982	297,962

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - FEDERAL INDIRECT COST RATE

The District used the Federal restricted rate approved by its cognizant agency of 7.64% for grants awarded prior to July 1, 2018 and 7.38% for grants awarded after that date. Total indirect costs:

\$ 640,214.74

NOTE 3 - PROGRAM COSTS / MATCHING CONTRIBUTIONS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the District's local matching share, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 4 - AMOUNTS AWARDED TO SUBRECIPIENTS

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

NOTE 5 - PERFORMANCE BASED CONTRACTS

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

Educational Service District No. 112
OTHER INFORMATION

SW WA UNEMPLOYMENT COMPENSATION POOL
CLAIMS DEVELOPMENT INFORMATION
AS OF THE YEAR ENDING AUGUST 31, 2018 *

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1. Required Contribution & Investment Revenue:										
Earned	725,377	706,927	2,140,056	2,110,945	1,664,882	1,504,011	781,179	838,586	901,505	983,725
Investment Income	61,675	25,813	13,346	12,365	14,187	19,110	19,156	24,165	35,414	59,750
Ceded	-	-	-	-	-	-	-	-	-	-
Net Earned	787,052	732,740	2,153,402	2,123,310	1,679,069	1,523,121	800,334	862,751	936,919	1,043,475
2. Unallocated Expenses (ESD Admin)	171,788	179,746	181,165	193,309	187,197	180,533	193,391	216,669	223,494	237,559
3. Estimated Claims & Expenses End of Policy Year:										
Incurred	-	1,146,801	1,066,790	961,583	532,497	463,435	290,847	257,217	319,529	431,182
Ceded **	-	-	-	-	-	-	-	-	-	-
Net Incurred	-	1,146,801	1,066,790	961,583	532,497	463,435	290,847	257,217	319,529	431,182
4. Net Paid (Cumulative) as of:										
End of policy year		869,759	685,044	757,283	403,320	368,929	210,430	188,761	255,303	332,632
One year later	1,003,259	1,060,491	956,730	912,571	485,595	432,028	219,813	231,440	422,473	
Two years later	1,024,217	1,072,607	959,832	921,460	485,926	429,732	220,914	232,392		
Three years later	1,024,339	1,072,722	960,501	921,172	485,580	429,556	219,551			
Four years later	1,024,339	1,072,722	960,501	921,172	485,580	429,556				
Five years later	1,024,339	1,072,722	960,501	921,172	485,580					
Six years later	1,024,339	1,072,722	960,501	921,172						
Seven years later	1,024,339	1,072,722	960,501							
Eight years later	1,024,339	1,072,722								
Nine years later	1,024,339									
5. Reestimated Net Ceded Claims and Expenses	-	-	-	-	-	-	-	-	-	-
6. Reestimated Net Incurred Claims and Expenses:										
End of policy year **		1,146,801	1,066,790	961,583	532,497	463,435	290,847	257,217	319,529	431,182
One year later	1,016,389	1,070,214	969,074	919,339	489,770	435,597	222,610	233,138	424,950	
Two years later	1,024,339	1,072,722	960,377	921,969	486,493	430,209	220,913	232,392		
Three years later	1,024,339	1,072,722	960,501	921,172	485,580	429,556	219,551			
Four years later	1,024,339	1,072,722	960,501	921,172	485,580					
Five years later	1,024,339	1,072,722	960,501	921,172						
Six years later	1,024,339	1,072,722	960,501							
Seven years later	1,024,339	1,072,722	960,501							
Eight years later	1,024,339	1,072,722								
Nine years later	1,024,339	1,072,722								
7. Increase (Decrease) in Estimated Net Incurred Claims & Expenses from End of Policy Year		(74,079)	(106,289)	(40,411)	(46,917)	(33,879)	(71,296)	(24,825)	105,421	n/a

* Schedules are based on the District's financial reporting date, fiscal year ending August 31 in each period reported.

** Estimates were not done for years prior to fiscal year ending August 31, 2010.

Educational Service District No. 112
OTHER INFORMATION

TEN YEAR CLAIMS DEVELOPMENT INFORMATION
SW WA UNEMPLOYMENT COMPENSATION POOL
(THE POOL)
SEPTEMBER 1, 2017 THROUGH AUGUST 31, 2018

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

- 1) Reports 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) Reports each fiscal year's operating costs of the Pool including overhead and claims expenses not allocable to individual claims.
- 3) Reports the Pool's incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- 4) Reports the cumulative net amounts paid as of the end of successive years for each policy year over a nine-year development period.
- 5) Reports the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
- 6) Reports how each policy year's incurred claims increased or decreased as of the end of successive years over a nine-year development period. This annual re-estimation 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) Compares the latest re-estimated incurred claims amount to the amount originally established (Section 3 of the schedule) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

Educational Service District No. 112
OTHER INFORMATION

SW WA UNEMPLOYMENT COMPENSATION POOL
RECONCILIATION OF CLAIMS LIABILITIES
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

	For the Years Ending August 31, 2018	2017
Unpaid Claims and Claim Adjustment Expenses at Beginning of the Fiscal Year	\$ 335,900	\$ 325,645
<u>Add Incurred Claims and Claim Adjustment Expenses:</u>		
Provision for Insured Events of the Current Fiscal Year	581,139	392,412
Increases (Decreases) in Provision for Insured Events of Prior Years	(41,139)	(60,164)
Changes in Provision for ULAE	11,658	16,060
Total Incurred Claims and Claim Adjustment Expenses	551,658	348,308
<u>Less Payments:</u>		
Claim Expenses Attributable to Insured Events of the Current Year	482,589	328,187
Claim Expenses Attributable to Insured Events of Prior Years	22,307	9,866
Total Payments	504,896	338,053
Total Unpaid Claims and Claim Adjustment Expenses at the End of the Year	\$ 382,662	\$ 335,900

Educational Service District No. 112
OTHER INFORMATION

SW WA WORKERS' COMPENSATION TRUST
PUBLIC ENTITY RISK POOL
LIST OF PARTICIPATING MEMBERS

AS OF AUGUST 31, 2018

Battle Ground School District No.119
Camas School District No.117
Castle Rock School District No.401
Centerville School District No.215
Educational Service District No.112
Evergreen School District No.114
Glenwood School District No.401
Green Mountain School District No.103
Hockinson School District No.8
Kalama School District No.402
Kelso School District No.458
Klickitat School District No.402
LaCenter School District No.101
Longview School District No.122
Lyle School District No.406
Mill A School District No.31
Mount Pleasant School District No.029-93
Naselle-Grays River School District No.155
Ocean Beach School District No.101
Ridgefield School District No.122
Roosevelt School District No.403
Skamania School District No.2
Stevenson-Carson School District No.303
Toutle Lake School District No.130
Trout Lake School District No.R-400
Wahkiakum School District No.200
Washougal School District No.112-6
White Salmon Valley School District No.405-17
Wishram School District No.94
Woodland School District No.404

Educational Service District No. 112
OTHER INFORMATION

SW WA WORKERS' COMPENSATION TRUST
DES SCHEDULE OF EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2018

Excess Insurance	\$ 150,155
Contracted Services:	
Third Party Administrator Fees	-
Actuarial	47,055
Audit Expenses	-
Brokerage Fees	11,172
Legal Fees	1,042
Other Consultant Fees	5,401
General Administrative Expenses:	
Payroll	724,863
Communication & Network	34,010
Supplies and Materials	13,557
Dues and Conferences	3,274
Retreat/Board Meetings	282
Training	4,694
Travel	8,032
Lease	41,810
Printing/Copier	6,255
Miscellaneous	-
Other:	
Claims Paid	3,529,991
Change in Claim Reserves	312,731
Labor & Industry Assessment	2,179,988
Right to Know	17,905
Safe Schools Online Training	26,146
Pension Expense from Change in Net Pension Liability	(23,925)
OPEB Expense from Change Total OPEB Liability	17,042
Return to Work-District Reimbursement	104,276
Miscellaneous	15,461
Total Operating Expenses	<u>\$ 7,231,217</u>

Educational Service District No. 112
OTHER INFORMATION

SW WA RISK MANAGEMENT COOPERATIVE
PUBLIC ENTITY RISK POOL
LIST OF PARTICIPATING MEMBERS

AS OF AUGUST 31, 2018

Bickleton School District No.203
Camas School District No.117
Castle Rock School District No.401
Centerville School District No.215
East Valley (Yakima) School District No.90
Educational Service District No.112
Glenwood School District No.401
Green Mountain School District No.103
Kalama School District No.402
Kelso School District No.458
Klickitat School District No.402
KWRL Transportation
La Center School District No.101
Lyle School District No.406
Mabton School District No.120
Mill A School District No.31
Mount Pleasant School District No.029-93
Naselle-Grays River School District No.155
Ocean Beach School District No.101
Roosevelt School District No.403
Skamania School District No.2
Stevenson-Carson School District No.303
Toutle Lake School District No.130
Trout Lake School District No.R-400
Wahkiakum School District No.200
Washougal School District No.112-6
White Salmon Valley School District No.405-17
Wishram School District No.94
Woodland School District No.404
(WSIPC) Washington School Information Processing Cooperative
Southwest Washington Unemployment Compensation Pool
Southwest Washington Workers' Compensation Trust

Educational Service District No. 112
OTHER INFORMATION

SW WA RISK MANAGEMENT COOPERATIVE
DES SCHEDULE OF EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2018

Excess Insurance	\$ 1,413,199
Contracted Services:	
Third Party Administrator Fees	-
Actuarial	39,840
Audit Expenses	-
Brokerage Fees	-
Legal Fees	4,086
Other Consultant Fees	1,467
General Administrative Expenses:	
Payroll	428,155
Communication & Network	13,621
Supplies and Materials	1,237
Dues and Conferences	6,531
Retreat/Board Meetings	-
Training	17,285
Depreciation	-
Travel	13,128
Lease	19,271
Printing/Copier	7,007
Miscellaneous	-
Other:	
Claims Paid	899,938
Change in Claim Reserves	(307,425)
State Risk Manager Fee	11,720
Refund to Member Districts	48,660
Experienced Administrator Consultation	2,750
Pre-Loss Attorney Consultation	7,741
Pension Expense from Change in Net Pension Liability	(13,093)
OPEB Expense from Change Total OPEB Liability	7,645
Miscellaneous	-
Total Operating Expenses	<u>\$ 2,622,763</u>

Educational Service District No. 112
OTHER INFORMATION

SW WA UNEMPLOYMENT COMPENSATION POOL
PUBLIC ENTITY RISK POOL
LIST OF PARTICIPATING MEMBERS

AS OF AUGUST 31, 2018

Camas School District No.117
Castle Rock School District No.401
Centerville School District No.215
Educational Service District No.112
Evergreen School District No.114
Glenwood School District No.401
Green Mountain School District No.103
Hockinson School District No.98
Kalama School District No.402
Kelso School District No.458
Klickitat School District No.402
LaCenter School District No.101
Longview School District No.122
Lyle School District No.406
Mill A School District No.31
Mount Pleasant School District No.029-93
Naselle-Grays River School District No.155
Ocean Beach School District No.101
Ridgefield School District No.122
Roosevelt School District No.403
Skamania School District No.2
Stevenson-Carson School District No.303
Toutle Lake School District No.130
Trout Lake School District No. R-400
Wahkiakum School District No.200
Washougal School District No.112-6
White Salmon Valley School District No.405-17
Wishram School District No.94
Woodland School District No.404

Educational Service District No. 112
OTHER INFORMATION

SW WA UNEMPLOYMENT COMPENSATION POOL
DES SCHEDULE OF EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2018

Excess Insurance	\$	-
Contracted Services:		
Third Party Administrator Fees		
Actuarial		21,196
Audit Expenses		-
Brokerage Fees		-
Legal Fees		2,494
Other Consultant Fees		5,401
General Administrative Expenses:		
Payroll		185,235
Communication & Network		4,976
Supplies and Materials		1,591
Dues and Conferences		1,259
Retreat/Board Meetings		-
Training		1,016
Travel		3,397
Lease		10,136
Printing/Copier		858
Miscellaneous		
Other:		
Claims Paid		504,896
Change in Claim Reserves		46,762
Pension Expense from Change in Net Pension Liability		(5,975)
OPEB Expense from Change Total OPEB Liability		3,204
Miscellaneous		196
Total Operating Expenses	\$	<u>786,642</u>

Educational Service District No. 112
OTHER INFORMATION

PRESENTING EFFECT OF LONG TERM OBLIGATIONS FOR FUNDING STATE-MANDATED AND ADMINISTERED RETIREMENT BENEFIT PLANS
AUGUST 31, 2018

	WORKERS		RISK			
	OPERATING FUND	COMPENSATION INSURANCE FUND	UNEMPLOYMENT INSURANCE FUND	MANAGEMENT INSURANCE FUND	CHILD CARE FUND	TOTAL ALL FUNDS
SCHEDULE OF EFFECT OF LONG TERM OBLIGATIONS FOR FUNDING STATE-MANDATED AND ADMINISTERED RETIREMENT BENEFIT PLANS ON COMPONENTS OF UNRESTRICTED NET POSITION						
UNRESTRICTED NET POSITION						
Unrestricted for Operations	9,590,768	2,736,015	4,305,648	6,336,187	80,069	23,048,687
Unrestricted for Joint Venture	918,828					918,828
Subtotal, Unrestricted Net Position excluding State- mandated retirement obligations	10,509,596	2,736,015	4,305,648	6,336,187	80,069	23,967,515
GASB No. 68 Share of NPL-						
Unrestricted for Operations	(14,796,005)	(296,774)	(71,249)	(159,850)	(41,119)	(15,364,997)
Unrestricted for Joint Venture	(547,628)					(547,628)
GASB No. 75 Total OPEB Obligation						
Unrestricted for Operations	(9,472,021)	(173,739)	(38,811)	(88,537)	(95,150)	(9,868,258)
Unrestricted for Joint Venture	(371,200)					(371,200)
NET UNRESTRICTED POSITION, per statement balances, 8/31/2018	(14,677,258)	2,265,502	4,195,588	6,087,800	(56,200)	(2,184,568)

SCHEDULE OF EFFECT OF GASB 68 IMPLEMENTATION ON UNRESTRICTED NET POSITION, SHARE OF NPL FOR OPERATIONS

Cumulative Effect of NPL, 8/31/2017	(16,569,737)	(320,699)	(77,224)	(172,943)	(63,455)	(17,204,058)
Current Year Share-Change in WA State DRS NPL	1,773,732	23,925	5,975	13,093	22,336	1,839,061
Total, Unrestricted Net Position for Operations for Net Pension Liability, 8/31/2018	(14,796,005)	(296,774)	(71,249)	(159,850)	(41,119)	(15,364,997)

SCHEDULE OF EFFECT OF GASB 75 IMPLEMENTATION ON UNRESTRICTED NET POSITION, TOTAL OPEB OBLIGATION

Beginning Balance, 8/31/17 (under GASB No. 45)	(6,098,036)	(120,677)	(28,836)	(64,733)	(21,985)	(6,334,267)
Current Year Increase in Total OPEB Obligation	(3,373,985)	(53,062)	(9,975)	(23,804)	(73,165)	(3,533,991)
Total, Unrestricted Net Position for Operations for Net Pension Liability	(9,472,021)	(173,739)	(38,811)	(88,537)	(95,150)	(9,868,258)

SCHEDULE OF EFFECT OF STATE-MANDATED & ADMINISTERED RETIREMENT BENEFIT PLANS ON CHANGES IN NET POSITION

Increase (Decrease) in Net Position before share of current year activity for state-mandated & administered retirement benefit plans	\$ 2,282,772	\$ 85,610	\$ 254,062	\$ 267,970	\$ (148,809)	\$ 2,741,605
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Educational Service District No. 112
OTHER INFORMATION

PRESENTING EFFECT OF LONG TERM OBLIGATIONS FOR FUNDING STATE-MANDATED AND ADMINISTERED RETIREMENT BENEFIT PLANS
AUGUST 31, 2018

	WORKERS		RISK		TOTAL ALL FUNDS
	OPERATING FUND	COMPENSATION INSURANCE FUND	UNEMPLOYMENT INSURANCE FUND	MANAGEMENT INSURANCE FUND	
GASB No. 68, Current Year Share of change in WA State DRS Net Pension Liability- District Operations Joint Venture	1,773,732 94,854	23,925	5,975	13,093	1,839,061 94,854
GASB No. 75, Total OPEB Obligation- District Operations Joint Venture	(978,600) (371,200)	(17,042)	(3,204)	(7,645)	(1,029,990) (371,200)
Increase (Decrease) in Net Position, per audited balances, current operations	\$ 2,801,558	\$ 92,493	\$ 256,833	\$ 273,418	\$ (149,972) \$ 3,274,330

Notes to Schedule:

This information is provided to illustrate the impact of implementation of GASB No. 68 and GASB No. 75, recording the District's proportionate share of the pension plan administered under the Department of Retirement Systems (DRS) and Washington State's OPEB plan administered under the Health Care Authority, respectively. See Note 5 for detail information on the pension plan and Note 6 for detail information on post-retirement benefit obligations (OPEB). The District has no independent ability to fund or satisfy either pension or OPEB liabilities outside of Washington State's legislatively adopted contribution rates. Assessments now and in the future are made based on legislatively-mandated rates and are paid by the District based on salaries and wages, as earned, for pension benefits and reported FTE for OPEB.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
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Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov