



**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, 2018 through August 31, 2019**

**Published March 19, 2020**

**Report No. 1025843**





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

March 19, 2020

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

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

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

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

Sincerely,

A handwritten signature in black ink 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

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### **Educational Service District No. 112** **September 1, 2018 through August 31, 2019**

#### **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>                                       |
|-----------------|---|
| 84.027          | Special Education Cluster (IDEA) – Special Education Grants to States |
| 84.173          | Special Education Cluster (IDEA) – Special Education Preschool Grants |

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.

**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, 2018 through August 31, 2019**

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 11, 2020.

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.

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Pat McCarthy

State Auditor

Olympia, WA

March 11, 2020



**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, 2018 through August 31, 2019**

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, 2019. 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, 2019.

## **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

March 11, 2020

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Educational Service District No. 112 September 1, 2018 through August 31, 2019**

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 16.

### **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.

## **Opinions**

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the required supplementary information listed on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis information that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. 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 March 11, 2020 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.

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Pat McCarthy  
State Auditor  
Olympia, WA

March 11, 2020

## **FINANCIAL SECTION**

### **Educational Service District No. 112 September 1, 2018 through August 31, 2019**

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2019  
Statement of Revenues, Expenses and Changes in Fund Net Position – 2019  
Statement of Cash Flows – 2019  
Statement of Fiduciary Net Position – 2019  
Statement of Changes in Fiduciary Net Position – 2019  
Notes to Financial Statements – 2019

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedules of Changes in Total OPEB Liability and Related Ratios and Notes – 2019  
Schedules of Proportionate Share of Net Pension Liability – PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2019  
Schedules of Employer Contributions – PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2019  
SW WA Workers' Compensation Trust – Claims Development Information – 2019  
Notes to the SW WA Workers' Compensation Trust – Claims Development Information – 2019  
SW WA Risk Management Cooperative – Claims Development Information – 2019  
Notes to the SW WA Risk Management Cooperative – Claims Development Information – 2019  
SW WA Workers' Compensation Trust Reconciliation of Claims Liabilities – 2019  
SW WA Risk Management Cooperative Reconciliation of Claims Liabilities – 2019

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

Schedule of Expenditures of Federal Awards – 2019  
Notes to the Schedule of Expenditures of Federal Awards – 2019  
SW WA Unemployment Compensation Pool – Claims Development Information – 2019  
Notes to the SW WA Unemployment Compensation Pool – Claims Development Information – 2019  
SW WA Unemployment Compensation Pool – Reconciliation of Claims Liabilities – 2019



SW WA Workers' Compensation Trust – Public Entity Risk Pool List of Participating Members – 2019

DES Schedule of Expenses – SW WA Workers' Compensation Trust – 2019

SW WA Risk Management Cooperative – Public Entity Risk Pool List of Participating Members – 2019

DES Schedule of Expenses – SW WA Risk Management Cooperative – 2019

SW WA Unemployment Compensation Pool – Public Entity Risk Pool List of Participating Members – 2019

DES Schedule of Expenses – SW WA Unemployment Compensation Pool – 2019

Presenting Effect of Long Term Obligations for Funding State-mandated and Administered Retirement Benefit Plans – 2019

Educational Service District No. 112  
STATEMENT OF NET POSITION - ALL FUNDS  
AS OF AUGUST 31, 2019

|  | NOTE REF  | OPERATING FUND       | WORKERS<br>COMPENSATION FUND | UNEMPLOYMENT<br>FUND | PROPERTY CASUALTY<br>INSURANCE FUND | CHILDCARE FUND      | TOTAL ALL FUNDS      |
|--|-----------|----------------------|------------------------------|----------------------|-------------------------------------|---------------------|----------------------|
| <b>ASSETS</b>  |           |                      |                              |                      |                                     |                     |                      |
| <b>CURRENT ASSETS</b>                                |           |                      |                              |                      |                                     |                     |                      |
| Cash and Cash Equivalents                            | Note 1    | \$ 5,202             | \$ 665                       | \$ 468               | \$ 1,905                            | \$ 10,208           | \$ 18,448            |
| Investments  | Notes 1,2 | 13,805,457           | 10,885,102                   | 5,316,743            | 7,644,405                           | 995,138             | 38,646,845           |
| Accounts Receivable (net of uncollectible allowance) | Note 1    | 8,381,329            | 323,571                      | 86,250               | \$                                  | 468,829             | 9,259,979            |
| Inventory  | Note 1    | 42,735               |                              |                      |                                     |                     | 42,735               |
| Prepays  | Note 1    | 44,418               |                              |                      |                                     |                     | 44,418               |
| <b>TOTAL CURRENT ASSETS</b>                          |           | <b>22,279,141</b>    | <b>11,209,338</b>            | <b>5,403,461</b>     | <b>7,646,310</b>                    | <b>1,474,175</b>    | <b>48,012,425</b>    |
| <b>NONCURRENT ASSETS</b>                             |           |                      |                              |                      |                                     |                     |                      |
| Capital Assets-                                      |           |                      |                              |                      |                                     |                     |                      |
| Land and Land Improvements                           |           | 6,953,249            |                              |                      |                                     |                     | 6,953,249            |
| Construction in Progress                             |           | 392,000              |                              |                      |                                     |                     | 392,000              |
| Building & Improvements                              |           | 22,976,947           |                              |                      |                                     |                     | 22,976,947           |
| Equipment  |           | 3,226,326            |                              |                      |                                     |                     | 3,226,326            |
| Less: Accumulated Depreciation                       |           | (7,968,103)          |                              |                      |                                     |                     | (7,968,103)          |
| Net Capital Assets                                   | Note 3    | 25,580,419           | -                            | -                    | -                                   | -                   | 25,580,419           |
| Investment in Joint Venture                          | Note 10   | (92,915)             |                              |                      |                                     |                     | (92,915)             |
| <b>TOTAL NONCURRENT ASSETS</b>                       |           | <b>25,487,504</b>    | <b>-</b>                     | <b>-</b>             | <b>-</b>                            | <b>-</b>            | <b>25,487,504</b>    |
| <b>TOTAL ASSETS</b>                                  |           | <b>\$ 47,766,645</b> | <b>\$ 11,209,338</b>         | <b>\$ 5,403,461</b>  | <b>\$ 7,646,310</b>                 | <b>\$ 1,474,175</b> | <b>\$ 73,499,929</b> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                |           |                      |                              |                      |                                     |                     |                      |
| Deferred Outflows Related to Pensions                | Notes 1,5 | \$ 3,066,283         | \$ 37,377                    | \$ 12,170            | \$ 28,969                           | \$ 50,863           | \$ 3,195,662         |
| Deferred Outflows Related to OPEB                    | Notes 1,6 | 2,676,421            | 25,176                       | 6,182                | 15,405                              | 74,337              | 2,797,521            |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>          |           | <b>\$ 5,742,704</b>  | <b>\$ 62,553</b>             | <b>\$ 18,352</b>     | <b>\$ 44,374</b>                    | <b>\$ 125,200</b>   | <b>\$ 5,993,183</b>  |

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, 2019

|  | NOTE REF  | OPERATING FUND        | WORKERS<br>COMPENSATION FUND | UNEMPLOYMENT<br>FUND | PROPERTY CASUALTY<br>INSURANCE FUND | CHILDCARE FUND      | TOTAL ALL FUNDS      |
|--|-----------|-----------------------|------------------------------|----------------------|-------------------------------------|---------------------|----------------------|
| <b>LIABILITIES</b>                         |           |                       |                              |                      |                                     |                     |                      |
| <b>CURRENT LIABILITIES</b>                 |           |                       |                              |                      |                                     |                     |                      |
| Accounts Payable                           | Note 1    | \$ 1,897,167          | \$ 411,017                   | \$ 171,089           | \$ 142,813                          | \$ 1,356,262        | \$ 3,978,348         |
| Accrued Interest Payable                   | Note 4    | 427,498               |                              |                      |                                     |                     | 427,498              |
| Accrued Salaries                           | Note 1    | 258,789               |                              |                      |                                     |                     | 258,789              |
| Payroll Deductions & Taxes Payable         | Note 1    | 667,127               |                              |                      |                                     |                     | 667,127              |
| Compensated Absences                       | Note 1    | 149,300               | 5,200                        | 1,600                | 3,900                               |                     | 160,000              |
| Total OPEB Liability                       | Note 6    | 179,597               | 1,690                        | 415                  | 1,034                               | 4,988               | 187,724              |
| Bonds Payable                              | Note 4    | 1,096,086             |                              |                      |                                     |                     | 1,096,086            |
| Claim Reserves-<br>IBNR                    | Note 7    |                       | 936,077                      |                      | 178,425                             |                     | 1,114,502            |
| Open Claims                                |           |                       | 1,553,812                    | 109,960              | 108,306                             |                     | 1,772,078            |
| Deposits                                   | Note 1    | 108,480               |                              |                      |                                     |                     | 108,480              |
| Unearned Revenue                           | Note 1    | 227,966               |                              |                      |                                     |                     | 227,966              |
| <b>TOTAL CURRENT LIABILITIES</b>           |           | <b>5,012,010</b>      | <b>2,907,796</b>             | <b>283,064</b>       | <b>434,478</b>                      | <b>1,361,250</b>    | <b>9,998,598</b>     |
| <b>NONCURRENT LIABILITIES</b>              |           |                       |                              |                      |                                     |                     |                      |
| Compensated Absences                       | Note 1    | 1,265,456             | 43,849                       | 13,794               | 32,759                              |                     | 1,355,858            |
| Notes Payable                              | Note 4    | 217,780               |                              |                      |                                     |                     | 217,780              |
| Claim Reserves-<br>IBNR                    | Note 7    |                       | 1,139,039                    |                      | 146,983                             |                     | 1,286,022            |
| Open Claims                                |           | 92,000                | 1,551,032                    | 3,954                | 298,943                             |                     | 1,945,929            |
| Unallocated Loss Adjustment Expenses       |           |                       | 383,000                      | 21,500               | 50,000                              |                     | 454,500              |
| Future L&I Assessments                     |           |                       | 1,087,792                    |                      |                                     |                     | 1,087,792            |
| Net Pension Liability                      | Note 5    | 11,833,400            | 150,458                      | 48,990               | 116,612                             | 204,747             | 12,354,207           |
| Total OPEB Liability                       | Note 6    | 12,547,082            | 118,027                      | 28,981               | 72,219                              | 348,491             | 13,114,800           |
| Bonds Payable                              | Note 4    | 20,358,782            |                              |                      |                                     |                     | 20,358,782           |
| <b>TOTAL NONCURRENT LIABILITIES</b>        |           | <b>46,314,500</b>     | <b>4,473,197</b>             | <b>117,219</b>       | <b>717,516</b>                      | <b>553,238</b>      | <b>52,175,670</b>    |
| <b>TOTAL LIABILITIES</b>                   |           | <b>\$ 51,326,510</b>  | <b>\$ 7,380,993</b>          | <b>\$ 400,283</b>    | <b>\$ 1,151,994</b>                 | <b>\$ 1,914,488</b> | <b>\$ 62,174,268</b> |
| <b>DEFERRED INFLOWS OF RESOURCES</b>       |           |                       |                              |                      |                                     |                     |                      |
| Deferred Inflows Related to Pensions       | Notes 1,5 | \$ 4,019,001          | \$ 51,315                    | \$ 16,708            | \$ 39,771                           | \$ 69,830           | \$ 4,196,625         |
| Deferred Inflows Related to OPEB           | Notes 1,6 | 625,455               | 5,883                        | 1,445                | 3,600                               | 17,371              | 653,754              |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> |           | <b>\$ 4,644,456</b>   | <b>\$ 57,198</b>             | <b>\$ 18,153</b>     | <b>\$ 43,371</b>                    | <b>\$ 87,201</b>    | <b>\$ 4,850,379</b>  |
| <b>NET POSITION</b>                        |           |                       |                              |                      |                                     |                     |                      |
| Net Investment in Capital Assets           |           | \$ 3,907,772          | \$ -                         | \$ -                 | \$ -                                | \$ -                | \$ 3,907,772         |
| Restricted for Self-Insurance              | Note 9    | 95,000                |                              |                      |                                     |                     | 95,000               |
| Restricted for Support Programs            | Note 9    | 3,216,594             |                              |                      |                                     |                     | 3,216,594            |
| Unrestricted                               |           | (9,680,983)           | 3,833,700                    | 5,003,377            | 6,495,319                           | (402,314)           | 5,249,099            |
| <b>TOTAL NET POSITION</b>                  |           | <b>\$ (2,461,617)</b> | <b>\$ 3,833,700</b>          | <b>\$ 5,003,377</b>  | <b>\$ 6,495,319</b>                 | <b>\$ (402,314)</b> | <b>\$ 12,468,465</b> |

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, 2019

|   | NOTE REF      | OPERATING FUND        | WORKERS<br>COMPENSATION FUND | UNEMPLOYMENT<br>FUND | PROPERTY CASUALTY<br>INSURANCE FUND | CHILDCARE FUND      | TOTAL ALL FUNDS      |
|---|---------------|-----------------------|------------------------------|----------------------|-------------------------------------|---------------------|----------------------|
| <b>OPERATING REVENUES</b>                     |               |                       |                              |                      |                                     |                     |                      |
| Local Sources                                 |               | \$ 2,092,124          |                              |                      |                                     | \$ 5,511,305        | \$ 7,603,429         |
| State Sources                                 |               | 28,703,457            |                              |                      |                                     | 2,230,488           | 30,933,945           |
| Allotment                                     |               | 793,165               |                              |                      |                                     |                     | 793,165              |
| Federal Sources                               |               | 9,198,575             |                              |                      |                                     | 172,653             | 9,371,228            |
| Cooperative Programs                          |               | 10,274,395            |                              |                      |                                     |                     | 10,274,395           |
| Other Programs                                |               | 21,335,232            |                              |                      |                                     | 61,512              | 21,396,744           |
| Member Assessments/Contributions              |               |                       | 7,860,546                    | 1,098,029            | 2,973,165                           |                     | 11,931,740           |
| Other Operating Revenue                       |               |                       | 244                          |                      | 5,572                               |                     | 5,816                |
| <b>TOTAL OPERATING REVENUE</b>                | <b>Note 1</b> | <b>\$ 72,396,948</b>  | <b>\$ 7,860,790</b>          | <b>\$ 1,098,029</b>  | <b>\$ 2,978,737</b>                 | <b>\$ 7,975,958</b> | <b>\$ 92,310,462</b> |
| <b>OPERATING EXPENSES</b>                     |               |                       |                              |                      |                                     |                     |                      |
| General Operations and Administration         |               | \$ 3,404,449          | \$ 555,996                   | \$ 205,843           | \$ 548,376                          | \$ 383,958          | \$ 5,098,622         |
| Instructional Support Programs                |               | 42,581,020            |                              |                      |                                     | 7,956,534           | 50,537,554           |
| Non Instructional Support Programs            |               | 19,645,218            |                              |                      |                                     |                     | 19,645,218           |
| Incurred Loss/Loss Adjustment Expenses-       |               |                       |                              |                      |                                     |                     |                      |
| Paid on Current Losses                        | Note 7        |                       | 3,164,529                    | 449,871              | 601,819                             |                     | 4,216,219            |
| Change in Loss Reserves                       | Note 7        |                       | (3,242)                      |                      | 92,311                              |                     | 89,069               |
| Unallocated Loss Adjustment Expenses-         |               |                       |                              |                      |                                     |                     |                      |
| Change in Unallocated Loss Reserves           | Note 7        |                       |                              | (247,248)            |                                     |                     | (247,248)            |
| Excess/Reinsurance Premiums                   | Note 7        |                       | 158,474                      |                      | 1,420,996                           |                     | 1,579,470            |
| Professional Fees                             |               | 380,452               | 10,991                       |                      | 44,164                              | 860                 | 436,467              |
| Labor & Industries Assessments                | Note 7        |                       | 2,540,375                    |                      |                                     |                     | 2,540,375            |
| Depreciation/Depletion                        | Note 3        | 1,270,351             |                              |                      |                                     |                     | 1,270,351            |
| Other Operating Expenses                      |               |                       | 112,155                      | 196                  | 50,000                              | 10,487              | 172,838              |
| <b>TOTAL OPERATING EXPENSES</b>               | <b>Note 1</b> | <b>\$ 67,281,490</b>  | <b>\$ 6,539,278</b>          | <b>\$ 408,662</b>    | <b>\$ 2,757,666</b>                 | <b>\$ 8,351,839</b> | <b>\$ 85,338,935</b> |
| <b>OPERATING INCOME (LOSS)</b>                |               | <b>\$ 5,115,458</b>   | <b>\$ 1,321,512</b>          | <b>\$ 689,367</b>    | <b>\$ 221,071</b>                   | <b>\$ (375,881)</b> | <b>\$ 6,971,527</b>  |
| <b>NONOPERATING REVENUES (EXPENSES)</b>       |               |                       |                              |                      |                                     |                     |                      |
| Interest and Investment Income                | Note 2        | \$ 251,967            | \$ 246,687                   | \$ 118,421           | \$ 186,447                          | \$ 29,767           | \$ 833,289           |
| Interest Expense and Related Charges          | Note 4        | (868,745)             |                              |                      |                                     |                     | (868,745)            |
| Lease Income                                  | Note 3        | 807,662               |                              |                      |                                     |                     | 807,662              |
| Change in Joint Venture                       | Note 10       | 8,777                 |                              |                      |                                     |                     | 8,777                |
| Other Nonoperating Revenues                   | Note 1        | 195,312               |                              |                      |                                     |                     | 195,312              |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b> |               | <b>\$ 394,973</b>     | <b>\$ 246,687</b>            | <b>\$ 118,421</b>    | <b>\$ 186,447</b>                   | <b>\$ 29,767</b>    | <b>\$ 976,295</b>    |
| <b>INCREASE (DECREASE) IN NET POSITION</b>    |               | <b>\$ 5,510,431</b>   | <b>\$ 1,568,199</b>          | <b>\$ 807,788</b>    | <b>\$ 407,518</b>                   | <b>\$ (346,114)</b> | <b>\$ 7,947,822</b>  |
| <b>NET POSITION - BEGINNING BALANCE</b>       |               | <b>\$ (7,972,048)</b> | <b>\$ 2,265,501</b>          | <b>\$ 4,195,589</b>  | <b>\$ 6,087,801</b>                 | <b>\$ (56,200)</b>  | <b>\$ 4,520,643</b>  |
| <b>NET POSITION - ENDING BALANCE</b>          |               | <b>\$ (2,461,617)</b> | <b>\$ 3,833,700</b>          | <b>\$ 5,003,377</b>  | <b>\$ 6,495,319</b>                 | <b>\$ (402,314)</b> | <b>\$ 12,468,465</b> |

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, 2019

|   | OPERATING FUND        | WORKERS<br>COMPENSATION FUND | UNEMPLOYMENT<br>FUND | PROPERTY CASUALTY<br>INSURANCE FUND | CHILDCARE FUND      | TOTAL ALL FUNDS       |
|---|-----------------------|------------------------------|----------------------|-------------------------------------|---------------------|-----------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                                  |                       |                              |                      |                                     |                     |                       |
| Cash Received from Customers  | \$ 31,850,534         |                              |                      |                                     | \$ 5,322,346        | \$ 37,172,880         |
| Cash Received from State and Federal Sources                                | 38,622,904            |                              |                      |                                     | 2,353,772           | 40,976,676            |
| Cash Received from Members  |                       | 7,859,031                    | 1,091,768            | 2,973,165                           |                     | 11,923,964            |
| Payments to Suppliers for Goods and Services                                | (28,878,531)          |                              |                      |                                     | (6,292,148)         | (35,170,679)          |
| Payments to Employees for Services  | (36,961,333)          |                              |                      |                                     |                     | (36,961,333)          |
| Cash Paid for Benefits/Claims   | 2,000                 | (3,097,345)                  | (408,372)            | (606,367)                           |                     | (4,110,084)           |
| Internal Activity - Payments to Other Funds                                 | 2,959,821             | (785,605)                    | (224,958)            | (565,209)                           | (1,384,049)         | -                     |
| Cash Paid for Reinsurance   |                       | (158,474)                    |                      | (1,420,996)                         |                     | (1,579,470)           |
| Cash Paid for Labor and Industries Assessments                              |                       | (2,540,375)                  |                      |                                     |                     | (2,540,375)           |
| Cash Paid for Professional Services   | (380,452)             | (10,991)                     |                      | (44,164)                            | (860)               | (436,467)             |
| Cash Paid for Other Operating Expense                                       | (1,218,443)           | (112,155)                    | (196)                | (50,000)                            | (10,487)            | (1,391,281)           |
| Other Receipts (Payments)   | 500                   | 244                          |                      | 5,572                               | 61,512              | 67,828                |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>                     | <b>\$ 5,997,000</b>   | <b>\$ 1,154,330</b>          | <b>\$ 458,242</b>    | <b>\$ 292,001</b>                   | <b>\$ 50,086</b>    | <b>\$ 7,951,659</b>   |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                      |                       |                              |                      |                                     |                     |                       |
| Other Noncapital Activities   | \$ 4,331              |                              |                      |                                     | \$                  | 4,331                 |
| <b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>                 | <b>\$ 4,331</b>       | <b>\$ -</b>                  | <b>\$ -</b>          | <b>\$ -</b>                         | <b>\$ -</b>         | <b>\$ 4,331</b>       |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>             |                       |                              |                      |                                     |                     |                       |
| Purchase of Capital Assets  | \$ (1,742,733)        |                              |                      |                                     | \$                  | (1,742,733)           |
| Proceeds from Capital Debt  | 942,780               |                              |                      |                                     |                     | 942,780               |
| Principal and Interest Paid on Capital Debt                                 | (1,863,788)           |                              |                      |                                     |                     | (1,863,788)           |
| Lease Income  | 914,188               |                              |                      |                                     |                     | 914,188               |
| Other Receipts (Payments)   | 190,982               |                              |                      |                                     |                     | 190,982               |
| <b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b> | <b>\$ (1,558,571)</b> | <b>\$ -</b>                  | <b>\$ -</b>          | <b>\$ -</b>                         | <b>\$ -</b>         | <b>\$ (1,558,571)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                 |                       |                              |                      |                                     |                     |                       |
| Interest and Dividends Received   | \$ 251,967            | \$ 246,687                   | \$ 118,421           | \$ 186,447                          | \$ 29,767           | \$ 833,289            |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>                            | <b>\$ 251,967</b>     | <b>\$ 246,687</b>            | <b>\$ 118,421</b>    | <b>\$ 186,447</b>                   | <b>\$ 29,767</b>    | <b>\$ 833,289</b>     |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                     | <b>\$ 4,694,727</b>   | <b>\$ 1,401,017</b>          | <b>\$ 576,663</b>    | <b>\$ 478,448</b>                   | <b>\$ 79,853</b>    | <b>\$ 7,230,708</b>   |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING</b>                                | <b>9,115,932</b>      | <b>9,484,750</b>             | <b>4,740,548</b>     | <b>7,167,862</b>                    | <b>925,493</b>      | <b>31,434,585</b>     |
| <b>CASH AND CASH EQUIVALENTS - ENDING</b>                                   | <b>\$ 13,810,659</b>  | <b>\$ 10,885,767</b>         | <b>\$ 5,317,211</b>  | <b>\$ 7,646,310</b>                 | <b>\$ 1,005,346</b> | <b>\$ 38,665,294</b>  |

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, 2019

|   | OPERATING FUND | WORKERS<br>COMPENSATION FUND | UNEMPLOYMENT<br>FUND | PROPERTY CASUALTY<br>INSURANCE FUND | CHILDCARE FUND | TOTAL ALL FUNDS |
|---|----------------|------------------------------|----------------------|-------------------------------------|----------------|-----------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH<br>PROVIDED (USED) BY OPERATING ACTIVITIES       |                |                              |                      |                                     |                |                 |
| OPERATING NET INCOME  | \$ 5,115,458   | \$ 1,321,512                 | \$ 689,367           | \$ 221,071                          | \$ (375,881)   | \$ 6,971,527    |
| Adjustment to Reconcile Operating Income to Net Cash<br>Provided (Used) by Operating Activities |                |                              |                      |                                     |                |                 |
| Depreciation Expense  | 1,270,351      |                              |                      |                                     |                | 1,270,351       |
| Change in Assets and Liabilities-   |                |                              |                      |                                     |                |                 |
| Receivables, Net  | (281,468)      | (1,515)                      | (6,261)              |                                     | (148,998)      | (438,242)       |
| Prepays   | 75,656         |                              |                      |                                     |                | 75,656          |
| Inventories   | (19,787)       |                              |                      |                                     |                | (19,787)        |
| Accounts and Other Payables   | 597,420        | 43,267                       | 54,258               | 38,144                              | 246,722        | 979,811         |
| Unearned Revenue  | 43,566         |                              |                      |                                     | (55,715)       | (12,149)        |
| Pension Expense from change in Net Pension Liability-   |                |                              |                      |                                     |                |                 |
| Change in Deferred Outflows   | (1,204,834)    | 4,568                        | (2,263)              | (6,635)                             | (40,997)       | (1,250,161)     |
| Change in Deferred Inflows  | 723,044        | (9,563)                      | 1,500                | 6,181                               | 38,762         | 759,924         |
| Change in Net Pension Liability   | (1,528,097)    | (127,382)                    | (16,958)             | (31,981)                            | 184,830        | (1,519,588)     |
| Pension Expense from change in Total OPEB Liability-  |                |                              |                      |                                     |                |                 |
| Change in Deferred Outflows   | (2,676,421)    | (25,176)                     | (6,182)              | (15,405)                            | (74,337)       | (2,797,521)     |
| Change in Deferred Inflows  | (75,291)       | (4,654)                      | (536)                | (1,127)                             | 2,842          | (78,766)        |
| Change in Total OPEB Liability  | 3,955,403      | (43,485)                     | (7,435)              | (10,558)                            | 272,858        | 4,166,783       |
| Other Changes for Insurance Funds-  |                |                              |                      |                                     |                |                 |
| Claims Reserve-Current  | 2,000          | 479,696                      | 12,306               | 67,823                              |                | 561,825         |
| Claims Reserve-Prior Year   |                | (714,433)                    | 580                  | (18,285)                            |                | (732,138)       |
| IBNR-Current  |                | 3,619                        |                      | 47,753                              |                | 51,372          |
| IBNR-Prior Year   |                | 70,493                       |                      | (9,980)                             |                | 60,513          |
| Future L&I Assessments  |                | 148,383                      |                      |                                     |                | 148,383         |
| Provision for Unallocated Loss Adjustment   |                | 9,000                        | (260,134)            | 5,000                               |                | (246,134)       |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES  | \$ 5,997,000   | \$ 1,154,330                 | \$ 458,242           | \$ 292,001                          | \$ 50,086      | \$ 7,951,659    |

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

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
AS OF AUGUST 31, 2019

|   | DEFERRED<br>COMPENSATION |
|---|--------------------------|
| ASSETS  |                          |
| Cash and Cash Equivalents                     |                          |
| TOTAL ASSETS                                  | \$ -                     |
| LIABILITIES                                   |                          |
| Accounts Payable                              |                          |
| TOTAL LIABILITIES                             | \$ -                     |
| NET POSITION                                  |                          |
| Held in Trust for Benefits and Other Purposes | \$ -                     |
| TOTAL NET POSITION                            | \$ -                     |

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2019

|                                   |                          |
|-----------------------------------|--------------------------|
|                                   | DEFERRED<br>COMPENSATION |
| ADDITIONS                         |                          |
| Interest                          | 208                      |
| TOTAL ADDITIONS                   | 208                      |
| DEDUCTIONS                        |                          |
| Distribution to Pool Participants | 18,893                   |
| TOTAL DEDUCTIONS                  | 18,893                   |
| CHANGE IN NET POSITION            | (18,685)                 |
| NET POSITION - BEGINNING          | 18,685                   |
| NET POSITION - ENDING             | (0)                      |



**Educational Service District No. 112**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 1, 2018 THROUGH AUGUST 31, 2019**

**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 the Governmental Accounting Standards Board (GASB), 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 activities of the District rely significantly on fees and charges for support and are reported as proprietary funds. 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 nonoperating revenues and expenses as well as interest and investment income, interest expense, lease income from properties or equipment, and changes in joint ventures.

The District reports the following major proprietary funds:

The *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 Southwest Washington Workers' Compensation Trust is a proprietary fund established in 1983 for the purpose of providing group insurance and claims control for workers' compensation to the member school districts and educational service districts. (See Note 7 for further disclosures.)

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 Southwest Washington Unemployment Compensation Pool is a proprietary 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. (See Note 7 for further disclosures.)

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 Southwest Washington Risk Management / Insurance Cooperative is a proprietary 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 educational service districts. (See Notes 7 and 8 for further disclosures.)

The *Child Care Fund* is a proprietary 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 consortium; the consortium contracts with a non-profit agency for its employees.

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 closed in the year ended August 31, 2019 when the final depositor received their funds.

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

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

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

#### Receivables

For the Operating fund, accounts and contracts receivable represent the value of goods and services provided and invoiced to clients as of fiscal year-end. For remaining proprietary 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.

Inventory balances consist of expendable supplies held for consumption by operating activities in future fiscal periods. The cost is recorded as an expenditure at the time inventory items are consumed. The District does not maintain material amounts of inventory.

Capital Assets and Depreciation – See Note 3

Compensated Absences

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

Employees earn sick leave at a rate of 12 days per year and may accumulate an unlimited sick leave balance. Under the provisions of 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, 2019, 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 generally accepted accounting principles (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. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Generally accepted accounting principles for other post-retirement employee benefits (OPEB) (see Note 6) require the District to recognize deferred inflows and outflows on the Statement of Net Position related to the single-employer plan administered under the Washington Health Care

Authority's actuarially determined 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 capacity, surplus sale of personal property, and changes from investments in joint ventures.

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

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

Statutes authorize the District to invest in (1) securities, certificates, notes, bonds, short-term securities, or other obligations of the United States, and (2) deposits in any state bank or trust company, national banking association, stock savings bank, mutual savings bank, savings and loan association, and any branch bank engaged in banking in the state in accordance with RCW 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 Office of the Clark County Treasurer is the ex-officio treasurer for the District. The District is a participant in the Clark County Investment Pool, an external investment pool managed and operated by the Office of the Clark County Treasurer under authority of RCW 36.29, which authorizes county treasurers to invest funds of participants. In this capacity, the Clark County Treasurer receives daily deposits and transacts investments on behalf of the District.

On August 31, 2019 the Clark County Treasurer was holding cash and short-term residual investments of surplus cash as follows:

|   | Fair Value    |
|---|---------------|
| Cash & Cash Equivalents                               | \$ 18,448     |
| Investments, Clark County Investment Pool             | 38,646,845    |
| Total Cash, Cash Equivalents & Short-Term Investments | \$ 38,665,293 |

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 Clark County Treasurer are considered highly liquid as they are accessible on a daily basis, equivalent to a cash account. The Clark County Treasurer bears the risk of maturity in the Clark County Investment Pool. Average maturity of the Clark County Investment pool as of August 31, 2019 was 15.6 months. Average maturity for the year ending August 31, 2019 ranged from 5.8 months to 15.6 months, with an annual average of 9.1 months. In September 2019, the average maturity had fallen to 9.6 months.

#### **Credit Risk**

The Clark County Investment Pool is considered extremely low risk. The Pool is operated in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The Pool's portfolio is made up of high quality, highly liquid securities, and its relatively short average maturity reduces the Pool's price sensitivity to market interest rate fluctuations. The Pool 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. The Clark County Treasurer's investment policy is established by the Investment Committee consisting of member participants.

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, 2019, the distribution of investments of the Pool was as follows:

| Investment Type                                   | % of Pool based on Fair Value |
|---|-------------------------------|
| Washington State Local Government Investment Pool | 29.4 %                        |
| Federal Agencies Semi-Annual Coupon               | 27.5 %                        |
| Treasury Coupons                                  | 23.6 %                        |
| Commercial Paper                                  | 10.2%                         |
| Supranationals                                    | 6.6%                          |
| Municipal Bonds                                   | 1.0%                          |
| Bank Deposits                                     | 1.7%                          |

*Source: Clark County Treasurer Investment Pool,  
August 2019 Monthly Report*

The Pool is not insured or guaranteed by any government; therefore, maintenance of principal is not fully insured. The Clark County Investment Pool does not have a credit rating. As of the August 31, 2019, NAV per share was \$1.003330.

The District's participation in the Clark County 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 investment position of \$38,646,845, 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, 2019, the Clark County Investment Pool's average maturity is 15.6 months (468 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 reported in the Operating fund and 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 records maintenance 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:

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

Major expenses for capital assets, including capital leases and major repairs that increase the effectiveness or efficiency of the 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, 2019 was as follows:

|   | Beginning<br>Balance<br>9/1/2018 | Additions        | Retirements      | Ending<br>Balance<br>8/31/2019 |
|---|----------------------------------|------------------|------------------|--------------------------------|
| Capital assets not depreciated:                 |                                  |                  |                  |                                |
| Land  | \$ 6,569,922                     | \$ 334,500       | \$ -             | \$ 6,904,422                   |
| Construction in progress                        | 74,808                           | 497,454          | (180,262)        | 392,000                        |
| <b>Total capital assets not depreciated</b>     | <b>6,644,730</b>                 | <b>831,954</b>   | <b>(180,262)</b> | <b>7,296,422</b>               |
| Depreciable capital assets:                     |                                  |                  |                  |                                |
| Buildings & Improvements                        | 22,415,002                       | 561,945          | -                | 22,976,947                     |
| Furniture, Fixtures, Other Equipment & Software | 216,947                          | 134,561          | (3,902)          | 347,606                        |
| Transportation Equipment                        | 2,480,283                        | 398,437          | -                | 2,878,720                      |
| Land Improvements                               | 48,827                           | -                | -                | 48,827                         |
| <b>Total depreciable capital assets</b>         | <b>25,161,059</b>                | <b>1,094,943</b> | <b>(3,902)</b>   | <b>26,252,100</b>              |

|   | Beginning<br>Balance<br>9/1/2018 | Additions         | Retirements         | Ending<br>Balance<br>8/31/2019 |
|---|----------------------------------|-------------------|---------------------|--------------------------------|
| Less accumulated depreciation for:                            |                                  |                   |                     |                                |
| Buildings & Improvements                                      | (5,148,161)                      | (978,878)         | -                   | (6,127,039)                    |
| Improvements, Furniture, Fixtures, Other Equipment & Software | (27,713)                         | (31,537)          | -                   | (59,250)                       |
| Transportation Equipment                                      | (1,515,801)                      | (257,421)         | -                   | (1,773,222)                    |
| Land Improvements   | (6,077)                          | (2,515)           | -                   | (8,592)                        |
| Total accumulated depreciation                                | (6,697,752)                      | (1,270,351)       | -                   | (7,968,103)                    |
|   |                                  |                   |                     |                                |
| <b>Total depreciable assets, net</b>                          | <b>18,463,307</b>                | <b>(175,408)</b>  | <b>(3,902)</b>      | <b>18,283,997</b>              |
| <b>Total assets, net</b>                                      | <b>\$25,108,037</b>              | <b>\$ 656,546</b> | <b>\$ (184,164)</b> | <b>\$25,580,419</b>            |

### Construction Commitments

The District has active construction projects as of August 31, 2019:

| Project   | Spent to Date<br>as of<br>August 31, 2019 | Remaining<br>Commitment |
|---|---|-------------------------|
| District land improvements                          | \$ 74,808                                 | \$ -                    |
| Kalama Early Learning Center leasehold improvements | 99,034                                    | 36,570                  |
| Early Learning portable                             | 218,158                                   | 114,055                 |
| <b>TOTAL Construction in Progress</b>               | <b>\$ 392,000</b>                         | <b>\$ 150,625</b>       |

### Lease of Capital Assets (Real Property)

The District leases space to tenants in buildings not currently needed (excess capacity) by the District for program service delivery. Lease income is classified as nonoperating revenue. A brief description of properties under lease commitments follows.

#### Business Park

*Tenant Leases, Buildings:* On September 1, 2015, the District purchased the business park it occupied under previous long-term lease agreements; the purchase was for land and five buildings totaling 214,211 square feet. The District currently occupies 39% of the building square footage; the remainder is under lease occupancy agreements that were transferred from the seller. Current leases have termination dates ranging from December 31, 2020 to April 30, 2024, excluding unexecuted options to renew.

*Food Vendor Lease:* The District leases approximately 336 square feet, located within its primary building to a vendor to provide food & beverage service conveniences to employees and conference center attendees. The current lease terminates on May 31, 2021.

*Short-Term Sublets:* The District leases a small amount of office space to other governmental agencies on one-year lease agreements, as capacity is available.



A schedule of business park property, of which certain buildings are under leasing agreements, is detailed below:

| Business Park Capital Assets,<br>as of August 31, 2019     | Total Cost   | Allocated to<br>District Operations | Allocated to<br>Tenant Leases |
|--|--------------|-------------------------------------|-------------------------------|
| Land, at purchase date                                     | \$ 4,076,965 | \$ 2,169,382                        | \$ 1,907,583                  |
| Land Improvements  | 48,827       | 48,827                              | -                             |
| Accumulated Depreciation,<br>Land Improvements             | (8,592)      | (8,592)                             | -                             |
| Buildings, at purchase date                                | 13,991,578   | 7,147,444                           | 6,844,134                     |
| Accumulated Depreciation,<br>Buildings                     | (2,799,400)  | (1,430,043)                         | (1,369,357)                   |
| Building Improvements                                      | 3,297,487    | 3,297,487                           | -                             |
| Accumulated Depreciation,<br>Building Improvements         | (2,609,471)  | (2,609,471)                         | -                             |
| Total Business Park Capital<br>Assets                      | 21,414,857   | 12,663,140                          | 8,751,717                     |
| Total Accumulated<br>Depreciation, Business Park<br>Assets | (5,417,463)  | (4,048,106)                         | (1,369,357)                   |

STEPS Lease Sublet

The District leases a 6,600 square-foot building in Longview, Washington for program service delivery to that area. Approximately 21% of the building is sublet to a commercial operation. The current sublease terminates on August 31, 2023.

Lease income for the fiscal year ending August 31, 2019 is detailed below:

|                                  | Lease Income      |
|----------------------------------|-------------------|
| Business Park:                   |                   |
| Tenant leases                    | \$ 782,960        |
| Food Vendor lease                | 6,864             |
| Other one-year sublet agreements | 9,651             |
| STEPS lease sublet               | 8,187             |
| <b>Total Lease Income</b>        | <b>\$ 807,662</b> |

A schedule of lease income commitments is provided below, including consideration of options to extend that have been exercised as of the reporting date:

| Fiscal Year Ending<br>August 31, | Lease Agreements |
|----------------------------------|------------------|
| 2020                             | \$ 803,998       |
| 2021                             | 584,047          |
| 2022                             | 468,156          |
| 2023                             | 389,046          |
| 2024                             | 92,830           |
| 2025 thereafter                  | -                |

Lease agreements may include payment of triple net fees for building and common area maintenance. Triple net fees are reported as nonoperating revenue and totaled \$190,982 for the year ending August 31, 2019.



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

**Long-Term Debt**

The District issues general obligation bonds and other debt instruments through direct borrowings and placements to finance capital facility improvements, construction and land acquisition for purposes described in the table below. The following is a summary of long-term general obligation bonds of the District for the fiscal year ended August 31, 2019:

| Purpose  | Maturity Range      | Interest Rate | Original Amount | Amount of Annual Installments |
|--|---------------------|---------------|-----------------|-------------------------------|
| Land purchase – NE 1 <sup>st</sup> Street, Vancouver WA (refinanced 2013 issuance)                                 | 10/1/18-4/1/2028    | 3.75%         | \$ 1,880,000    | \$163,284-\$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 <sup>th</sup> 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 <sup>th</sup> 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 <sup>th</sup> Avenue, Longview WA             | 12/1/2016-6/1/2026  | 2.50%         | \$ 1,485,000    | \$133,000-\$165,000           |
| Land/Building purchase for Parkcrest Early Learning Center-712 SE Parkcrest Avenue, Vancouver WA                   | 10/1/19-10/1/29     | 3.60%         | \$ 725,000      | \$41,220-\$80,266             |

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

| Fiscal Year Ending August 31 | Principal    | Interest   |
|------------------------------|--------------|------------|
| 2020, Current Portion        | \$ 1,096,086 | \$ 861,987 |
| 2021                         | 1,136,800    | 815,173    |
| 2022                         | 1,174,406    | 770,100    |
| 2023                         | 1,225,334    | 723,333    |
| 2024                         | 1,273,597    | 674,691    |
| 2025-2029                    | 6,457,425    | 2,588,780  |
| 2030-2034                    | 6,306,220    | 1,279,345  |
| 2035-2039                    | 2,785,000    | 118,827    |

**Note Payable**

During the year ending August 31, 2019, the District received federal project loan funds through a community development block grant for a portable classroom project at Captain Strong Elementary School, located at 1002 NW 6<sup>th</sup> Avenue, Battleground WA. The portable classroom is designated for service to children and families in the Early Childhood Education and Assistance Program (ECEAP), which serves families and children at or below 110% of the federal poverty level. The project is in progress as of August 31, 2019 and is scheduled for completion no later than December 31, 2019. The amount of the zero-interest loan available is \$280,600 with required matching funds of \$79,668. Annual payments will approximate \$7,015 if the full balance available is issued. The current balance of the note payable is \$217,780 for construction activities to date.

The length of the restrictive period for the note is twenty years and begins after the construction is complete, all funds have been drawn and the final project reporting requirements have been met. If anticipated activities are carried out by the District, 50% of the note will be forgiven at the end of the restrictive period (year twenty). Otherwise, the entire note will be payable in full on that date.

#### 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 payments for the year ended August 31, 2019 totaled \$466,517, of which \$6,250 was capitalized during construction for leasehold improvements. Future minimum rental commitments for multi-year operating leases are presented in the table below.

| Fiscal Year Ending August 31, | Amount Committed as of 8/31/19 |
|-------------------------------|--------------------------------|
| 2020                          | \$ 314,779                     |
| 2021                          | 251,165                        |
| 2022                          | 168,785                        |
| 2023                          | 143,599                        |
| 2024                          | 35,925                         |
| 2025 thereafter               | -                              |

#### Changes in Long-Term Liabilities

During the fiscal year ended August 31, 2019, the following changes occurred in long-term liabilities:

|  | Beginning Balance 9/1/18 | Additions    | Reductions    | Ending Balance 8/31/19 | Due Within One Year |
|--|--------------------------|--------------|---------------|------------------------|---------------------|
| Notes Payable                                    | \$ -                     | \$ 217,780   | \$ -          | \$ 217,780             | \$ -                |
| Direct Placement Bonds Payable                   | 21,731,000               | 725,000      | (1,001,132)   | 21,454,868             | 1,096,086           |
| Compensated Absences (unfunded portion) (Note 1) | 1,357,262                | 158,596      | -             | 1,515,858              | 160,000             |
| Claims Reserves (Note 7)                         | 3,888,320                |              | (170,313)     | 3,718,007              | 1,772,078           |
| IBNR (Note 7)                                    | 2,288,639                | 111,885      |               | 2,400,524              | 1,114,502           |
| Unallocated Loss Adjustment Expenses (Note 7)    | 700,634                  | -            | (246,134)     | 454,500                |                     |
| Future L&I Assessments                           | 939,409                  | 148,383      |               | 1,087,792              |                     |
| Total OPEB Liability (Note 6)                    | 9,135,740                | 4,166,784    |               | 13,302,524             | 187,724             |
| Net Pension Liability (NPL) (Note 5)-            |                          |              |               |                        |                     |
| NPL TRS 1  | 3,367,899                | -            | (349,702)     | 3,018,197              |                     |
| NPL TRS 2/3                                      | 527,502                  | 214,792      | -             | 742,294                |                     |
| NPL SERS 2/3                                     | 2,908,908                | -            | (666,026)     | 2,242,882              |                     |
| NPL PERS 1                                       | 7,069,486                |              | (718,652)     | 6,350,834              |                     |
| Total Long Term Liabilities                      | \$53,914,799             | \$ 5,743,220 | \$(3,151,959) | \$56,506,060           | \$4,330,390         |

#### 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. Generally accepted accounting principles require, 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, 2019, was as follows:

| Plan   | Active Members | Inactive Vested Members, Entitled to, but not yet Receiving Benefits | Retired Members and Beneficiaries Receiving Benefits |
|--------|----------------|--|--|
| PERS 1 | 1,535          | 401  | 45,792   |
| SERS 2 | 28,494         | 6,175  | 10,072   |
| SERS 3 | 35,746         | 8,983  | 10,007   |
| TRS 1  | 349            | 120  | 32,645   |
| TRS 2  | 21,788         | 2,779  | 5,874  |
| TRS 3  | 55,733         | 8,675  | 13,745   |

The latest actuarial valuation date for all plans was June 30, 2018.

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 Washington state 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 41.34 and 41.32 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 2018 and 2019 are listed below:

| Pension Rates   |             |             |    |
|---|-------------|-------------|----|
|   | 7/1/19 Rate | 7/1/18 Rate |    |
| <b>PERS 1</b>   |             |             |    |
| Member Contribution Rate  | 6.00%       | 6.00%       |    |
| Employer Contribution Rate  | 12.86%      | 12.83%      |    |
| Pension Rates   |             |             |    |
|   | 9/1/19 Rate | 9/1/18 Rate |    |
| <b>TRS 1</b>  |             |             |    |
| Member Contribution Rate  | 6.00%       | 6.00%       |    |
| Employer Contribution Rate  | 15.51%      | 15.41%      |    |
| <b>TRS 2</b>  |             |             |    |
| Member Contribution Rate  | 7.77%       | 7.06%       |    |
| Employer Contribution Rate  | 15.51%      | 15.41%      |    |
| <b>TRS 3</b>  |             |             |    |
| Member Contribution Rate  | varies*     | varies*     |    |
| Employer Contribution Rate  | 15.51%      | 15.41%      | ** |
| <b>SERS 2</b>   |             |             |    |
| Member Contribution Rate  | 8.25%       | 7.27%       |    |
| Employer Contribution Rate  | 13.19%      | 13.58%      |    |
| <b>SERS 3</b>   |             |             |    |
| Member Contribution Rate  | varies*     | varies*     |    |
| Employer Contribution Rate  | 13.19%      | 13.58%      | ** |
| <b>Note:</b> 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, 2019 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  | \$ 11,696,634  | \$ 6,352,843   | \$ 8,355,496   | \$ 16,545,194   |
| Plan fiduciary net position  | \$ (7,851,279) | \$ (6,118,345) | \$ (5,879,693) | \$ (15,942,660) |
| Participating employers' net pension liability                             | \$ 3,845,355   | \$ 234,498     | \$ 2,475,803   | \$ 602,534      |
| Plan fiduciary net position as a percentage of the total pension liability | 67.12%         | 96.31%         | 70.37%         | 96.36%          |

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

As of June 30, 2019, the District reported a total liability of \$12,354,207 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, 2019, the District's proportionate share of each plan's net pension liability is reported below:

| June 30, 2019                   | PERS 1       | SERS 2/3     | TRS 1      | TRS 2/3    |
|---------------------------------|--------------|--------------|------------|------------|
| District's Annual Contributions | \$ 1,184,236 | \$ 1,914,511 | \$ 605,426 | \$ 643,924 |
| Proportionate Share of NPL      | 6,350,834    | 2,242,882    | 3,018,197  | 742,294    |

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, 2019, 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 Allocation Percentages | PERS 1    | SERS 2/3    | TRS 1     | TRS 2/3   |
|--|-----------|-------------|-----------|-----------|
| Current year proportionate share of NPL                | 0.165156% | 0.956461%   | 0.121908% | 0.123195% |
| Prior year proportionate share of NPL                  | 0.158295% | 0.972677%   | 0.115316% | 0.117193% |
| Net difference percentage                              | 0.006861% | (0.016216)% | 0.006592% | 0.006002% |

#### Actuarial Assumptions

Capital Market Assumptions (CMAs) and expected rates of return by asset class are 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, 2018, with the results rolled forward to June 30, 2019, 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, 2018, 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 2018 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 invests 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, 2019, 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%            | 2.20%                                  |
| Tangible Assets                     | 7.00%             | 5.10%                                  |
| 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, 2019, 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                     | -                 | (424,289)           |
| Changes in assumptions or other inputs   | -                 | -                   |
| Changes in proportion and differences between contributions and proportionate share of contributions | -                 | -                   |
| Contributions subsequent to the measurement date   | 183,358           | -                   |
| <b>TOTAL</b>   | <b>\$ 183,358</b> | <b>\$ (424,289)</b> |

| SERS 2/3   | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Difference between expected and actual experiences   | \$ 1,411,337                   | \$ -                          |
| Net difference between projected and actual earnings on pension plan investments                     | -                              | (1,904,676)                   |
| Changes in assumptions or other inputs   | 68,652                         | (476,368)                     |
| Changes in proportion and differences between contributions and proportionate share of contributions | 175,901                        | (125,592)                     |
| Contributions subsequent to the measurement date   | 295,589                        | -                             |
| <b>TOTAL</b>   | <b>\$ 1,951,479</b>            | <b>\$ (2,506,636)</b>         |

| 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                     | -                              | (231,472)                     |
| Changes in assumptions or other inputs   | -                              | -                             |
| Changes in proportion and differences between contributions and proportionate share of contributions | -                              | -                             |
| Contributions subsequent to the measurement date   | 106,597                        | -                             |
| <b>TOTAL</b>   | <b>\$ 106,597</b>              | <b>\$ (231,472)</b>           |

| TRS 2/3  | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Difference between expected and actual experiences   | \$ 516,129                     | \$ (23,885)                   |
| Net difference between projected and actual earnings on pension plan investments                     | -                              | (640,858)                     |
| Changes in assumptions or other inputs   | 279,842                        | (197,228)                     |
| Changes in proportion and differences between contributions and proportionate share of contributions | 45,465                         | (172,257)                     |
| Contributions subsequent to the measurement date   | 112,792                        | -                             |
| <b>TOTAL</b>   | <b>\$ 954,228</b>              | <b>\$ (1,034,228)</b>         |

\$698,335 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      |
|-----------------------|-------------|--------------|-------------|--------------|
| 2020                  | \$ (93,664) | \$ (262,852) | \$ (47,514) | \$ (130,748) |
| 2021                  | (221,863)   | (657,984)    | (124,266)   | (257,101)    |
| 2022                  | (79,174)    | (122,442)    | (43,697)    | (64,007)     |
| 2023                  | (29,588)    | 9,763        | (15,995)    | 1,997        |
| 2024                  | -           | 150,520      | -           | 56,032       |
| Thereafter            | -           | 32,249       | -           | 201,035      |

#### 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, 2019, the District recognized pension expense from change in the net pension liability as follows:

| Pension Expense (Income) from change in NPL |                       |
|---|-----------------------|
| PERS 1                                      | \$ (594,732)          |
| SERS 2/3                                    | (861,746)             |
| TRS 1                                       | (286,251)             |
| TRS 2/3                                     | (267,096)             |
| <b>TOTAL</b>                                | <b>\$ (2,009,827)</b> |

#### 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<br>(6.40%) | Current Discount<br>Rate (7.40%) | 1% Increase<br>(8.40%) |
|--|------------------------|----------------------------------|------------------------|
| <b>PERS1 NPL</b>                         | \$ 4,815,609,000       | \$ 3,845,355,000                 | \$ 3,003,532,000       |
| Allocation Percentage                    | 0.165156%              | 0.165156%                        | 0.165156%              |
| Proportionate Share of<br>Collective NPL | \$ 7,953,267           | \$ 6,350,834                     | \$ 4,960,513           |
| <b>SERS2/3 NPL</b>                       | \$ 1,141,883,000       | \$ 234,498,000                   | \$ (513,722,000)       |
| Allocation Percentage                    | 0.956461%              | 0.956461%                        | 0.956461%              |
| Proportionate Share of<br>Collective NPL | \$ 10,921,666          | \$ 2,242,882                     | \$ (4,913,551)         |
| <b>TRS1 NPL</b>                          | \$ 3,164,358,000       | \$ 2,475,803,000                 | \$ 1,878,531,000       |
| Allocation Percentage                    | 0.121908%              | 0.121908%                        | 0.121908%              |
| Proportionate Share of<br>Collective NPL | \$ 3,857,606           | \$ 3,018,197                     | \$ 2,290,080           |
| <b>TRS2/3 NPL</b>                        | \$ 3,283,747,000       | \$ 602,534,000                   | \$ (1,577,475,000)     |
| Allocation Percentage                    | 0.123195%              | 0.123195%                        | 0.123195%              |
| Proportionate Share of<br>Collective NPL | \$ 4,045,412           | \$ 742,294                       | \$ (1,943,370)         |

#### 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).

##### **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, 2019. This is the date as of which the Total OPEB Liability is determined. Generally accepted accounting principles for OPEB allows a lag of up to one year between the measurement date and the reporting date. No adjustment

is required between the measurement date and the reporting date. The “reporting date” is the District’s fiscal year end of August 31, 2019.

### General Description

Employers participating in the PEBB OPEB plan include Washington state general government agencies, higher education institutions, K-12 school and educational service districts and political subdivisions. Additionally, 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 educational service districts 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’s PEBB OPEB plan. The District does not participate in PEBB for insurance for its active employees. The District’s established contribution to PEBB for the retiree OPEB plan for the fiscal years ending August 31, 2018 and 2019 under the required formula was \$406,332 and \$464,090, respectively.

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. The PEBB OPEB plan 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 5):

- 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 \$9,135,740 and \$13,302,524 was measured for the years ending August 31, 2018 and 2019, 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 PEBB<sup>1</sup> and was applied to the measurement dates ending August 31, 2018 and 2019.

*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)<sup>2</sup>. 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 used to measure the Total OPEB Liability, as required by generally accepted accounting principles for the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method, was based on the yield or index rate for 20-year Tax-Exempt General Obligation Municipal bonds with an average rating of AA/Aa or higher (*Bond Buyer General Obligation* 20-bond municipal index for bonds that mature in 20 years). Discount rate assumptions were 3.96% and 2.97% for the measurement dates of August 31, 2018 and 2019, 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<sup>2</sup>, 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 program<sup>1</sup>, 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 2019:

| 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).

<sup>1</sup> 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>

<sup>2</sup> 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 was increased to \$168 per month, and as of January 1, 2020, the subsidy will be increased to \$183 per month. In 2019, retirees and spouses currently pay the premium minus \$168 when the premium is over \$336 per month and pay half the premium when the premium is lower than \$336.

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 generally accepted accounting principles, 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:

| For the year ending                            | August 31, 2018 | August 31, 2019 |
|--|-----------------|-----------------|
| Total OPEB Liability, beginning balance        | \$ 8,838,270    | \$ 9,135,740    |
| Changes for the year:                          |                 |                 |
| Service cost                                   | 923,519         | 843,752         |
| Interest on Total OPEB Liability               | 339,947         | 391,909         |
| Effect of plan changes                         | -               | -               |
| Effect of economic/demographic gains or losses | -               | 942,411         |
| Effect of assumptions changes or inputs        | (811,286)       | 2,155,918       |
| Expected benefit payments                      | (154,710)       | (167,206)       |
| Total OPEB Liability, ending balance           | \$ 9,135,740    | \$ 13,302,524   |

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 PEBB 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 2.97%, 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 (1.97%) or 1 percentage point higher (3.97%) than the current rate:

|  | 1% Decrease<br>1.97% | Discount Rate<br>2.97% | 1% Increase<br>3.97% |
|--|----------------------|------------------------|----------------------|
| Total OPEB Liability as of August 31, 2019 | \$16,368,852         | \$13,302,524           | \$10,951,772         |

*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<br>Rate | 1% Increase  |
|--|--------------|-----------------------|--------------|
| Total OPEB Liability as of August 31, 2019 | \$10,499,401 | \$13,302,524          | \$17,166,053 |

### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended August 31, 2018 and 2019, the District recognized OPEB expense as follows:



| For the year ending                                    | August 31, 2018 | August 31, 2019 |
|--|-----------------|-----------------|
| Service cost   | \$ 923,519      | \$ 843,752      |
| Interest on Total OPEB Liability                       | 339,947         | 391,909         |
| Effect of plan changes                                 | -               | -               |
| Recognition of Deferred Inflows/Outflows of Resources: |                 |                 |
| Recognition of economic/demographic gains/losses       | -               | 91,496          |
| Recognition of assumption changes or inputs            | (78,766)        | 130,546         |
| OPEB Expense   | \$ 1,184,700    | \$ 1,457,703    |

The District reported deferred outflows and inflows of resources as of the August 31, 2019 Measurement Date as follows:

|   | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Differences between expected and actual experience    | \$ 850,915                     | \$ -                          |
| Changes of assumptions or inputs                      | 1,946,606                      | (653,754)                     |
| Contributions made subsequent to the Measurement Date | NA                             | NA                            |
| Total   | \$ 2,797,521                   | (653,754)                     |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense is detailed in the table below. Additional future deferred outflows and inflows of resources may impact these numbers.

| Measurement Period Ending August 31, |              |
|--------------------------------------|--------------|
| 2020                                 | \$ 222,042   |
| 2021                                 | 222,042      |
| 2022                                 | 222,042      |
| 2023                                 | 222,042      |
| 2024                                 | 222,042      |
| Thereafter                           | \$ 1,033,557 |

#### **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** (see also Note 8)



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

#### Unpaid Claims Liabilities

The Cooperative 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 Cooperative 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 Cooperative as direct insurer of the risks reinsured. The Cooperative 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, 2019, for reinsurance was \$0. Premiums ceded to reinsurers during 2019 were \$1,420,996.

#### 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 Cooperative 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 Cooperative at August 31, 2019:

| 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/<br>\$ 50,000 |
| Privacy & Network Liability | \$ 1,000           | \$ 10,000/<br>\$ 25,000/<br>\$ 50,000 | \$ 1,000,000           |
| Terrorism - Property        | \$ -               | \$ -                                  | \$ 100,000,000         |
| Terrorism - NCBB            | \$ -               | \$ -                                  | \$ 25,000,000          |

#### Excess Insurance Contracts/Reinsurance

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

| Excess Insurance Contracts | For the Year Ending August 31, 2019 |
|----------------------------|-------------------------------------|
| WSRMP - Property           | \$ 1,000,000,000                    |
| WSRMP - Liability          | \$ 40,000,000                       |

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

| Excess Insurance Contracts | For the Year Ending August 31, 2019 |
|----------------------------|-------------------------------------|
| WSRMP - Property           | \$ 1,000,000,000                    |
| WSRMP - Liability          | \$ 40,000,000                       |

#### Members' Supplemental Assessments and Credits

The interlocal governmental agreement provides for supplemental assessments to members based on actual claim experience. (During the fiscal year ending August 31, 2019, the Cooperative did not make a supplemental assessment).

#### Unpaid Claims Liabilities

The Cooperative 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 Cooperative during the past two years ending August 31:

|   | 2018       | 2019       |
|---|------------|------------|
| Unpaid claims and claim adjustment expenses, beginning of year                      | \$ 997,771 | \$ 690,346 |
| Incurring claims and claim adjustment expenses:                                     |            |            |
| Provision for insured events of current year  | 480,505    | 522,852    |
| Increases in provision for insured events of prior years                            | 112,007    | 171,278    |
| Total Incurred  | 592,512    | 694,130    |
| Payments:   |            |            |
| Claims and claim adjustment expenses attributable to insured events of current year | (309,350)  | (236,122)  |
| Claims and claim adjustment expenses attributable to insured events of prior years  | (590,587)  | (365,697)  |
| Total Payments  | (899,937)  | (601,819)  |
| Total unpaid claims and claim adjustment expenses, end of year                      | \$ 690,346 | \$ 782,657 |

As of the year ended August 31, 2019, \$782,657 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 \$6,547,144. Since the Trust is a cooperative program, there is a joint liability among participating members.

For the fiscal year ending August 31, 2019, there were 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, 2019, the amount of claims liabilities totaled \$6,650,752. 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 9/1/2018 | Current Year Claims and Changes in Estimates | Ending Balance 8/31/2019 |
|---------------------------------------|----------------------------|--|--------------------------|
| Incurred but not Reported             | \$ 2,001,004               | \$ 74,112                                    | \$ 2,075,116             |
| Future L&I Assessments                | 939,409                    | 148,383                                      | 1,087,792                |
| Estimated Unallocated Loss Adjustment | 374,000                    | 9,000  | 383,000                  |
| Claim Reserves                        | 3,339,581                  | (234,737)                                    | 3,104,844                |

**Unemployment Compensation Insurance Pool**

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 Pool. There is provision that members can be additionally assessed if the Pool requires additional funding.

For the fiscal year ending August 31, 2019, there were 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, 2019, the amount of claims liabilities totaled \$135,414. This liability is the Pool's best estimate based on available information. Changes in the reported liability since August 31, 2019, resulted in the following:

|                          | Beginning Balance<br>9/1/2018 | Current Year Claims<br>and Changes in<br>Estimates | Ending Balance<br>8/31/2019 |
|--------------------------|-------------------------------|--|-----------------------------|
| Claims Reserves and ULAE | \$ 382,662                    | \$ (247,248)                                       | \$ 135,414                  |

**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 Pool 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 and was required to exercise its option to withdraw by January 25, 2020. The Pool rescinded the notice to withdraw from WSRMP on December 18, 2019.

The Pool 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 65<sup>th</sup> 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   | \$ 1,905           | \$ 1,905             |
| Investments   | 7,644,405          | 7,644,405            |
| Receivables   | n.a.               | -                    |
| Prepaid expenses  | n.a.               | -                    |
| Total   | 7,646,310          | 7,646,310            |
| Less: Non-claims liabilities  | (411,876)          | (411,876)            |
| Less: Unearned member contributions   | -                  | n.a.                 |
| Total primary assets  | \$ 7,234,434       |                      |
| Total secondary assets  |                    | \$ 7,234,434         |
| Compared to:  |                    |                      |
| Claim liabilities at expected level per actuary (sum of all claims liabilities) | \$ 782,657         |                      |
| Claim liabilities at 80% confidence level per actuary                           |                    | \$ 2,634,657         |
| Solvency test results   | MET                | MET                  |

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

The District's statement of net position reports \$3,216,594 of net assets restricted for support programs as follows as of August 31, 2019:

| Support Program                           | Amount       |
|---|--------------|
| Restricted for Transportation Equipment   | \$ 203,923   |
| Restricted for Instructional Programs     | 2,854,645    |
| Restricted for Non-Instructional Programs | 158,026      |
| Total Restricted for Support Programs     | \$ 3,216,594 |

In the 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 fiscal year ending August 31, 2019, monthly costs averaged \$25,000 per month, with a monthly range of \$18,700 - \$31,900. As of August 31, 2019, 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 (ESDs) 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, 2019, is as follows:

| Statement of Net Position                                     | Amount        |
|---|---------------|
| Assets & Deferred Outflows                                    |               |
| Current Assets  | \$ 6,341,989  |
| Non-Current Assets  | 1,811,056     |
| Deferred Outflows - Pensions                                  | 709,558       |
| Deferred Outflows - OPEB                                      | 807,689       |
| Total Assets & Deferred Outflows                              | \$ 9,670,292  |
| Liabilities, Deferred Inflows and Joint Venture Capital       |               |
| Current Liabilities   | \$ 698,488    |
| Noncurrent Liabilities - Other                                | 451,419       |
| Noncurrent Liabilities - Net Pension Liability                | 3,133,685     |
| Noncurrent Liabilities - Total OPEB Liability                 | 4,205,218     |
| Deferred Inflows - Pensions                                   | 1,823,235     |
| Deferred Inflows - OPEB                                       | 194,481       |
| Investment in Joint Venture                                   | (836,234)     |
| Total Liabilities, Deferred Inflows and Joint Venture Capital | \$ 9,670,292  |
| Statement of Revenues, Expenses and Changes in Net Position   | Amount        |
| Operating Revenues  | \$ 24,036,009 |
| Less: Operating Expenses                                      | (23,957,020)  |
| Increase (Decrease) in Net Position, Operations               | \$ 78,989     |

WSIPC employees participate in the Washington state retirement system; the Cooperative is required to recognize their proportionate share of the individual plans' net pension liability and related component measures under generally accepted accounting principles. 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's financial statements.

WSIPC has further implemented generally accepted accounting principles for postemployment benefits other than pensions (OPEB). 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. General disclosures regarding the OPEB plan may be found in Note 6. Specific disclosures for WSIPC's plan participation may be found in the notes to WSIPC's financial statements.

The District's share of the total Investment in the Joint Venture is a net position of \$(92,915), including the District's share of the net pension liability and total OPEB liability. The District contributed \$0 to the Joint Venture during the fiscal years ending August 31, 2019 and 2018. There were no distributions in the fiscal years ending August 31, 2019 and 2018. 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 joint venture 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**

##### **Subsequent Events – Authorization for Issuance of Debt for Property Purchase**

On September 24, 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 \$2,450,000 at an interest rate of 2.47% for the purpose of funding the acquisition of capital facilities. Maturity date for the bond is set as November 1, 2029. The Office of the Superintendent of Public Instruction has approved the Project by letter dated August 26, 2019. Bonds were issued on October 30, 2019.

The real property purchased with the bond issuance consists of two parcels:

- (1) Approximately 11,400 square feet of real property with an approximately 6600 square-foot building and improvements located at 1217 – 14<sup>th</sup> Avenue, Longview WA. The building is currently leased by the District for program service delivery. Total purchase price is \$585,000, with \$550,000 funded by the bond issuance. The District expects to continue a sublease that is in place, terminating August 31, 2023 for approximately 21% of the building space (see Note 3 for the STEPS sublet lease).
- (2) Approximately 152,460 square feet of real property (3.5 acres) with an approximately 9,980 square-foot building and improvements located at 1121 NE 136<sup>th</sup> Avenue, Vancouver WA. The building will be used to house specialized and regional transportation activities for the District. The District has executed a lease back agreement with the current property owners through January 31, 2020 as part of the purchase and sale agreement. Total purchase price, excluding the lease back agreement is \$1,900,000.

##### **Subsequent Events – Legal Claims**

Subsequent to year end, a tort claim was filed against a party who is a participant in the District's Special Education Cooperative. It is possible that the District may be named as a party in this claim. In management's opinion, insurance coverage is adequate to cover any damages claimed and awarded.

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 \*\*

| <b>TOTAL OPEB LIABILITY</b>                             | <b>2019</b>          | <b>2018</b>         |
|---|----------------------|---------------------|
| Service cost  | \$ 843,752           | \$ 923,519          |
| Interest on total OPEB liability                        | 391,909              | 339,947             |
| Changes in benefit terms                                | -                    | -                   |
| Effect of economic/demographic gains or (losses)        | 942,411              | -                   |
| Effect of assumption changes or inputs                  | 2,155,918            | (811,286)           |
| Expected benefit payments                               | (167,206)            | (154,710)           |
| Net change in total OPEB liability                      | 4,166,784            | 297,470             |
| Total OPEB liability, beginning balance                 | 9,135,740            | 8,838,270           |
| Total OPEB liability, ending balance                    | <u>\$ 13,302,524</u> | <u>\$ 9,135,740</u> |
| Covered employee payroll                                | \$ 32,851,623        | \$ 29,066,710       |
| Total OPEB liability as a % of covered employee payroll | 40.49%               | 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.



## REQUIRED SUPPLEMENTAL INFORMATION

## SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

AS OF JUNE 30, \*

Last 10 Fiscal Years \*\*

| <b>PERS 1</b>   | <b>2015</b>   | <b>2016</b>   | <b>2017</b>   | <b>2018</b>   | <b>2019</b>   |
|---|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the net pension liability (percentage)   | 0.137831%     | 0.143675%     | 0.149520%     | 0.158295%     | 0.165156%     |
| District's proportionate share of the net pension liability (amount)  | \$ 7,209,842  | \$ 7,716,035  | \$ 7,094,839  | \$ 7,069,486  | \$ 6,350,834  |
| District's covered-employee payroll ***   | \$ 15,794,344 | \$ 17,469,821 | \$ 18,855,854 | \$ 21,206,993 | \$ 23,150,819 |
| 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%        | 27.43%        |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 59.10%        | 57.03%        | 61.24%        | 63.22%        | 67.12%        |
| <b>SERS 2/3</b>   | <b>2015</b>   | <b>2016</b>   | <b>2017</b>   | <b>2018</b>   | <b>2019</b>   |
| District's proportion of the net pension liability (percentage)   | 0.914099%     | 0.947901%     | 0.922953%     | 0.972677%     | 0.956461%     |
| District's proportionate share of the net pension liability (amount)  | \$ 3,712,623  | \$ 6,225,500  | \$ 4,554,543  | \$ 2,908,908  | \$ 2,242,882  |
| District's covered-employee payroll   | \$ 15,735,528 | \$ 17,466,143 | \$ 18,855,854 | \$ 21,206,993 | \$ 23,150,819 |
| 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%        | 9.69%         |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 90.92%        | 86.52%        | 90.79%        | 94.77%        | 96.31%        |
| <b>TRS 1</b>  | <b>2015</b>   | <b>2016</b>   | <b>2017</b>   | <b>2018</b>   | <b>2019</b>   |
| District's proportion of the net pension liability (percentage)   | 0.138752%     | 0.130032%     | 0.127971%     | 0.115316%     | 0.121908%     |
| District's proportionate share of the net pension liability (amount)  | \$ 4,395,869  | \$ 4,439,600  | \$ 3,868,896  | \$ 3,367,899  | \$ 3,018,197  |
| District's covered-employee payroll ****  | \$ 6,853,854  | \$ 6,670,513  | \$ 7,188,525  | \$ 6,838,973  | \$ 8,223,915  |
| 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%        | 36.70%        |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 65.70%        | 62.07%        | 65.58%        | 66.52%        | 70.37%        |
| <b>TRS 2/3</b>  | <b>2015</b>   | <b>2016</b>   | <b>2017</b>   | <b>2018</b>   | <b>2019</b>   |
| District's proportion of the net pension liability (percentage)   | 0.146486%     | 0.133857%     | 0.131104%     | 0.117193%     | 0.123195%     |
| District's proportionate share of the net pension liability (amount)  | \$ 1,236,052  | \$ 1,838,252  | \$ 1,210,014  | \$ 527,502    | \$ 742,294    |
| District's covered-employee payroll   | \$ 6,853,854  | \$ 6,670,513  | \$ 7,188,525  | \$ 6,835,629  | \$ 8,223,915  |
| 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%         | 9.03%         |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 92.48%        | 88.72%        | 93.14%        | 96.88%        | 96.36%        |

**Notes to Schedules:**

\* Schedules are based on the Department of Retirement Systems' 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 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

SCHEDULES OF EMPLOYER CONTRIBUTIONS

AS OF AUGUST 31,\*

Last 10 Fiscal Years \*\*

| <b>PERS 1</b>   | <b>2015</b>   | <b>2016</b>   | <b>2017</b>   | <b>2018</b>   | <b>2019</b>   |
|---|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution                                   | \$ 640,661    | \$ 846,405    | \$ 917,475    | \$ 1,077,878  | \$ 1,203,668  |
| Contributions in relation to the contractually required contributions | \$ 640,661    | \$ 846,405    | \$ 917,475    | \$ 1,077,878  | \$ 1,203,668  |
| Contribution deficiency (excess)                                      | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| District's covered-employee payroll ***                               | \$ 15,969,479 | \$ 17,756,527 | \$ 19,234,654 | \$ 21,444,499 | \$ 23,466,030 |
| Contribution as a percentage of covered-employee payroll              | 4.01%         | 4.77%         | 4.77%         | 5.03%         | 5.13%         |
| <b>SERS 2/3</b>   | <b>2015</b>   | <b>2016</b>   | <b>2017</b>   | <b>2018</b>   | <b>2019</b>   |
| Contractually required contribution                                   | \$ 898,415    | \$ 1,176,549  | \$ 1,275,234  | \$ 1,770,782  | \$ 1,940,597  |
| Contributions in relation to the contractually required contributions | \$ 898,415    | \$ 1,176,549  | \$ 1,275,234  | \$ 1,770,782  | \$ 1,940,597  |
| Contribution deficiency (excess)                                      | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| District's covered-employee payroll                                   | \$ 15,914,253 | \$ 17,756,527 | \$ 19,234,654 | \$ 21,444,499 | \$ 23,466,030 |
| Contribution as a percentage of covered-employee payroll              | 5.65%         | 6.63%         | 6.63%         | 8.26%         | 8.27%         |
| <b>TERS 1</b>   | <b>2015</b>   | <b>2016</b>   | <b>2017</b>   | <b>2018</b>   | <b>2019</b>   |
| Contractually required contribution                                   | \$ 311,276    | \$ 415,493    | \$ 450,372    | \$ 489,400    | \$ 629,422    |
| Contributions in relation to the contractually required contributions | \$ 311,276    | \$ 415,493    | \$ 450,372    | \$ 489,400    | \$ 629,422    |
| Contribution deficiency (excess)                                      | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| District's covered-employee payroll ****                              | \$ 6,895,412  | \$ 6,683,711  | \$ 7,229,225  | \$ 6,819,506  | \$ 8,515,510  |
| Contribution as a percentage of covered-employee payroll              | 4.51%         | 6.22%         | 6.23%         | 7.18%         | 7.39%         |
| <b>TERS 2/3</b>   | <b>2015</b>   | <b>2016</b>   | <b>2017</b>   | <b>2018</b>   | <b>2019</b>   |
| Contractually required contribution                                   | \$ 392,745    | \$ 448,822    | \$ 485,799    | \$ 532,454    | \$ 666,764    |
| Contributions in relation to the contractually required contributions | \$ 392,745    | \$ 448,822    | \$ 485,799    | \$ 532,454    | \$ 666,764    |
| Contribution deficiency (excess)                                      | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| District's covered-employee payroll                                   | \$ 6,895,412  | \$ 6,683,711  | \$ 7,229,225  | \$ 6,816,162  | \$ 8,515,510  |
| Contribution as a percentage of covered-employee payroll              | 5.70%         | 6.72%         | 6.72%         | 7.81%         | 7.83%         |

**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,\*

|  | 2010      | 2011      | 2012      | 2013      | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1. Required contribution & investment revenue:     |           |           |           |           |           |           |           |           |           |           |
| Earned   | 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 | 8,107,233 |
| Ceded  | 148,682   | 120,478   | 116,336   | 113,521   | 130,143   | 144,738   | 147,245   | 159,256   | 161,327   | 169,465   |
| Net Earned   | 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 | 7,937,768 |
| 2. Unallocated expenses (ESD Admin)                | 754,130   | 870,972   | 846,578   | 914,935   | 829,238   | 816,878   | 878,925   | 930,245   | 890,274   | 761,688   |
| 3. Estimated claims & expenses end of policy Year: |           |           |           |           |           |           |           |           |           |           |
| Incurred   | 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 | 3,849,747 |
| Ceded **   | 58,606    | 54,893    | 67,754    | 53,488    | 44,880    | 43,081    | 107,773   | 131,013   | 98,144    | 49,747    |
| Net incurred                                       | 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 | 3,800,000 |
| 4. Net paid (cumulative) as of:                    |           |           |           |           |           |           |           |           |           |           |
| End of policy year                                 | 1,004,208 | 800,166   | 633,705   | 768,778   | 936,029   | 757,591   | 1,325,098 | 1,069,691 | 1,093,426 | 1,310,111 |
| One year later                                     | 1,659,516 | 1,559,369 | 1,243,751 | 1,466,810 | 1,842,625 | 1,630,224 | 2,316,612 | 2,040,860 | 1,739,934 |           |
| Two years later                                    | 1,858,712 | 1,876,863 | 1,405,642 | 1,773,789 | 2,416,492 | 1,966,418 | 2,905,912 | 2,529,033 |           |           |
| Three years later                                  | 1,907,531 | 2,071,794 | 1,438,620 | 1,640,063 | 2,667,044 | 2,157,889 | 3,213,868 |           |           |           |
| Four years later                                   | 1,975,414 | 2,126,577 | 1,466,662 | 1,669,828 | 2,830,159 | 2,319,533 |           |           |           |           |
| Five years later                                   | 2,030,644 | 2,168,543 | 1,498,612 | 1,992,005 | 2,918,255 |           |           |           |           |           |
| Six years later                                    | 2,056,295 | 2,214,020 | 1,500,907 | 2,075,124 |           |           |           |           |           |           |
| Seven years later                                  | 2,091,282 | 2,294,365 | 1,501,977 |           |           |           |           |           |           |           |
| Eight years later                                  | 2,105,862 | 2,336,103 |           |           |           |           |           |           |           |           |
| Nine years later                                   | 2,106,436 |           |           |           |           |           |           |           |           |           |
| 5. Reestimated net ceded claims and expenses *     | 7,209     | 7,197     | 7,623     | 313,563   | 10,186    | 14,522    | 17,641    | 22,326    | 31,983    | 49,747    |
| 6. Reestimated net incurred claims & expenses:     |           |           |           |           |           |           |           |           |           |           |
| End of policy year                                 | 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 | 3,800,000 |
| One year later                                     | 2,250,000 | 2,225,000 | 1,800,000 | 2,450,000 | 2,950,000 | 2,375,000 | 3,500,000 | 3,450,000 | 2,700,000 |           |
| Two years later                                    | 2,150,000 | 2,300,000 | 1,675,000 | 2,300,000 | 2,950,000 | 2,600,000 | 3,800,000 | 3,250,000 |           |           |
| Three years later                                  | 2,115,000 | 2,360,000 | 1,600,000 | 2,425,000 | 2,975,000 | 2,510,000 | 3,715,000 |           |           |           |
| Four years later                                   | 2,150,000 | 2,360,000 | 1,600,000 | 2,200,000 | 3,100,000 | 2,480,000 |           |           |           |           |
| Five years later                                   | 2,160,000 | 2,295,000 | 1,570,000 | 2,085,000 | 3,015,000 |           |           |           |           |           |
| Six years later                                    | 2,205,000 | 2,300,000 | 1,540,000 | 2,130,000 |           |           |           |           |           |           |
| Seven years later                                  | 2,165,000 | 2,375,000 | 1,525,000 |           |           |           |           |           |           |           |
| Eight years later                                  | 2,125,000 | 2,351,000 |           |           |           |           |           |           |           |           |
| Nine years later                                   | 2,115,000 |           |           |           |           |           |           |           |           |           |

|  |           |         |           |           |         |        |         |        |           |     |
|--|-----------|---------|-----------|-----------|---------|--------|---------|--------|-----------|-----|
| 7. Increase (decrease) in estimated net incurred claims & expenses from end of policy year                                 | (135,000) | 176,000 | (425,000) | (145,000) | 115,000 | 55,000 | 465,000 | 50,000 | (400,000) | -   |
| 8. Increase (decrease) in estimated net incurred claims & expenses from end of policy year as a percentage of Net Incurred | -6.0%     | 8.1%    | -21.8%    | -6.4%     | 4.0%    | 2.3%   | 14.3%   | 1.6%   | -12.9%    | 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  
REQUIRED SUPPLEMENTARY INFORMATION

TEN YEAR CLAIMS DEVELOPMENT INFORMATION  
SW WA WORKERS' COMPENSATION TRUST  
(THE TRUST)  
SEPTEMBER 1, 2018 THROUGH AUGUST 31, 2019

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, \*

|  | 2010      | 2011      | 2012      | 2013      | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1. Required contribution & investment revenue:   |           |           |           |           |           |           |           |           |           |           |
| Earned   | 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 | 3,159,612 |
| Ceded  | 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 | 1,420,996 |
| Net Earned   | 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 | 1,738,616 |
| 2. Unallocated expenses  | 357,809   | 358,608   | 365,257   | 343,608   | 464,949   | 445,016   | 588,343   | 560,382   | 551,627   | 555,063   |
| 3. Estimated claims & expenses end of policy Year:   |           |           |           |           |           |           |           |           |           |           |
| Incurred   | 1,251,483 | 1,701,304 | 1,660,057 | 1,011,221 | 1,049,257 | 861,535   | 679,850   | 976,873   | 604,138   | 704,680   |
| Ceded **   | 391,144   | 802,721   | 589,604   | 412,823   | 283,604   | 182,393   | 181,563   | 165,980   | 123,633   | 181,827   |
| Net incurred   | 860,339   | 898,583   | 1,070,453 | 598,398   | 765,653   | 679,142   | 498,287   | 810,893   | 480,505   | 522,853   |
| 4. Net paid (cumulative) as of:  |           |           |           |           |           |           |           |           |           |           |
| End of policy year   | 386,235   | 312,911   | 390,972   | 181,780   | 290,204   | 381,620   | 230,280   | 426,057   | 309,350   | 236,122   |
| One year later   | 893,404   | 622,000   | 709,917   | 274,480   | 539,519   | 466,872   | 382,203   | 847,463   | 454,686   |           |
| Two years later  | 904,033   | 648,377   | 1,051,953 | 516,638   | 604,991   | 593,521   | 379,963   | 890,623   |           |           |
| Three years later  | 915,982   | 608,635   | 1,224,014 | 516,159   | 675,566   | 619,616   | 379,003   |           |           |           |
| Four years later   | 937,935   | 716,020   | 1,228,073 | 546,874   | 783,516   | 649,092   |           |           |           |           |
| Five years later   | 937,935   | 716,020   | 1,234,609 | 546,624   | 846,957   |           |           |           |           |           |
| Six years later  | 937,935   | 716,020   | 1,240,874 | 546,747   |           |           |           |           |           |           |
| Seven years later  | 937,935   | 716,020   | 1,281,158 |           |           |           |           |           |           |           |
| Eight years later  | 937,935   |           |           |           |           |           |           |           |           |           |
| Nine years later   | 937,935   |           |           |           |           |           |           |           |           |           |
| 5. Reestimated net ceded claims and expenses *   | 64,792    | 226,457   | 1,084,406 | 31,729    | 93,574    | 46,740    | 53,936    | 55,688    | 131,608   | 181,827   |
| 6. Reestimated net incurred claims & expenses:   |           |           |           |           |           |           |           |           |           |           |
| End of policy year   | 860,339   | 898,583   | 1,070,453 | 598,398   | 765,653   | 679,142   | 498,287   | 810,893   | 480,505   | 522,853   |
| One year later   | 1,067,690 | 763,596   | 1,291,492 | 653,224   | 647,336   | 729,833   | 483,301   | 944,298   | 608,235   |           |
| Two years later  | 982,690   | 722,150   | 1,302,684 | 595,101   | 894,072   | 682,490   | 436,295   | 960,152   |           |           |
| Three years later  | 972,690   | 672,325   | 1,309,162 | 578,101   | 874,072   | 680,490   | 392,295   |           |           |           |
| Four years later   | 948,677   | 725,357   | 1,306,182 | 555,881   | 858,930   | 656,834   |           |           |           |           |
| Five years later   | 945,677   | 723,357   | 1,316,653 | 554,881   | 853,930   |           |           |           |           |           |
| Six years later  | 944,677   | 725,357   | 1,315,653 | 552,881   |           |           |           |           |           |           |
| Seven years later  | 943,677   | 722,357   | 1,368,653 |           |           |           |           |           |           |           |
| Eight years later  | 941,677   | 719,357   |           |           |           |           |           |           |           |           |
| Nine years later   | 940,677   |           |           |           |           |           |           |           |           |           |
| 7. Increase (decrease) in estimated net incurred claims & expenses from end of policy year                                 | 80,338    | -179,226  | 298,200   | -45,517   | 88,277    | -22,308   | -105,992  | 149,259   | 127,730   | 0         |
| 8. Increase (decrease) in estimated net incurred claims & expenses from end of policy year as a percentage of Net Incurred | 9.3%      | -19.9%    | 27.9%     | -7.6%     | 11.5%     | -3.3%     | -21.3%    | 18.4%     | 26.6%     | 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  
REQUIRED SUPPLEMENTARY INFORMATION

TEN YEAR CLAIMS DEVELOPMENT INFORMATION  
SW WA RISK MANAGEMENT COOPERATIVE  
(THE RISK COOPERATIVE)  
SEPTEMBER 1, 2018 THROUGH AUGUST 31, 2019

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 2019

|  | For the Years Ending August 31,<br>2018 | 2019         |
|--|---|--------------|
| Unpaid Claims and Claim Adjustment Expenses at<br>Beginning of the Fiscal Year | \$ 6,341,263                            | \$ 6,653,994 |
| <u>Add Incurred Claims and Claim Adjustment Expenses:</u>                      |   |              |
| Provision for Insured Events of the Current Fiscal Year                        | 3,100,000                               | 3,800,000    |
| Provision for Insured Events of the Current Fiscal Year -<br>L&I Assessments   | 2,418,208                               | 2,688,758    |
| Increases (Decreases) in Provision for Insured Events of<br>Prior Years        | 511,000                                 | (805,500)    |
| Changes in Provision for ULAE  | 10,000                                  | 9,000        |
| Total Incurred Claims and Claim Adjustment Expenses                            | 6,039,208                               | 5,692,258    |
| <u>Less Payments:</u>  |   |              |
| Claim Expenses Attributable to Insured Events of the<br>Current Year           | 1,093,426                               | 1,310,111    |
| Claim Expenses Attributable to Insured Events of Prior<br>Years                | 2,453,062                               | 1,845,014    |
| Washington State L&I Assessment Payments                                       | 2,179,989                               | 2,540,375    |
| Total Payments   | 5,726,477                               | 5,695,500    |
| Total Unpaid Claims and Claim Adjustment Expenses at<br>the End of the Year    | \$ 6,653,994                            | \$ 6,650,752 |
| <u>Components:</u>   |   |              |
| Reserve for Open Claims  | \$ 3,339,581                            | \$ 3,104,844 |
| Claims Incurred But Not Reported (IBNR)  | 2,001,004                               | 2,075,116    |
| Unallocated Loss Adjustment Exp (ULAE)   | 374,000                                 | 383,000      |
| Washington State L&I Assessment (L&I)  | 939,409                                 | 1,087,792    |
| Total Claims Liabilities   | \$ 6,653,994                            | \$ 6,650,752 |

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 2019

|  | For the Years Ending August 31,<br>2018 | 2019       |
|--|---|------------|
| Unpaid Claims and Claim Adjustment Expenses at<br>Beginning of the Fiscal Year | \$ 997,771                              | \$ 690,346 |
| <i>Add Incurred Claims and Claim Adjustment Expenses:</i>                      |   |            |
| Provision for Insured Events of the Current Fiscal Year                        | 480,505                                 | 522,853    |
| Increases (Decreases) in Provision for Insured Events of<br>Prior Years        | 131,007                                 | 166,278    |
| Changes in Provision for ULAE  | (19,000)                                | 5,000      |
| Total Incurred Claims and Claim Adjustment Expenses                            | 592,512                                 | 694,131    |
| <i>Less Payments:</i>  |   |            |
| Claim Expenses Attributable to Insured Events of the<br>Current Year           | 309,350                                 | 236,122    |
| Claim Expenses Attributable to Insured Events of Prior<br>Years                | 590,587                                 | 365,698    |
| Total Payments   | 899,937                                 | 601,820    |
| Total Unpaid Claims and Claim Adjustment Expenses at the<br>End of the Year    | \$ 690,346                              | \$ 782,657 |
| <i>Components:</i>   |   |            |
| Reserve for Open Claims  | \$ 357,711                              | \$ 407,249 |
| Claims Incurred But Not Reported (IBNR)  | 287,635                                 | 325,408    |
| Unallocated Loss Adjustment Exp (ULAE)   | 45,000                                  | 50,000     |
| Total Claims Liabilities   | \$ 690,346                              | \$ 782,657 |



**Educational Service District No. 112**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2019**

| Federal Agency<br>(Pass-Through Agency)   | Federal Program  | CFDA<br>Number | Other Award<br>Number   | Expenditures                    |                       |                | Passed through<br>to<br>Subrecipients | Note  |
|---|--|----------------|---|---------------------------------|-----------------------|----------------|---------------------------------------|-------|
|   |  |                |   | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Total          |                                       |       |
| FOOD AND NUTRITION<br>SERVICE, AGRICULTURE,<br>DEPARTMENT OF (via WA<br>OSPI)   | Child and Adult Care<br>Food Program                           | 10.558         | 159256  | 315,643                         | -                     | 315,643        | -                                     | 2,5   |
| <b>CDBG - Entitlement Grants Cluster</b>  |  |                |   |                                 |                       |                |                                       |       |
| ASSISTANT SECRETARY FOR<br>COMMUNITY PLANNING AND<br>DEVELOPMENT, HOUSING AND<br>URBAN DEVELOPMENT,<br>DEPARTMENT OF (via Clark<br>County, WA)            | Community<br>Development Block<br>Grants/Entitlement<br>Grants | 14.218         | 2018-CDBG-<br>1812/Mod2   | 217,780                         | -                     | 217,780        | -                                     | 2,3,7 |
| <b>Total CDBG - Entitlement Grants Cluster:</b>   |  |                |   | <b>217,780</b>                  | <b>-</b>              | <b>217,780</b> | <b>-</b>                              |       |
| OFFICE OF JUSTICE<br>PROGRAMS, JUSTICE,<br>DEPARTMENT OF (via WA State<br>Partnership Council on Juvenile<br>Justice, Office of Juvenile Justice<br>DSHS) | Juvenile Justice and<br>Delinquency Prevention                 | 16.540         | I-OJJ-ESD112-<br>0118, I-300-<br>0118-2   | 89,697                          | -                     | 89,697         | -                                     | 2,3   |
| OFFICE OF JUSTICE<br>PROGRAMS, JUSTICE,<br>DEPARTMENT OF (via WA<br>OSPI)   | STOP School Violence   | 16.839         | 0820014   | 40,657                          | -                     | 40,657         | -                                     | 2     |
| <b>WIOA Cluster</b>   |  |                |   |                                 |                       |                |                                       |       |
| EMPLOYMENT AND TRAINING<br>ADMINISTRATION, LABOR,<br>DEPARTMENT OF (via WA<br>Employment Security Department<br>through Workforce SW<br>Washington)       | WIOA Youth Activities  | 17.259         | WSW 18-20,<br>WSW 18-<br>04/6107-7008,<br>WSW 1807<br>MOD2/6107-<br>7008, WSW 19-<br>03/6107-7009,<br>WSW 19-<br>05/6107-7009 | 349,716                         | -                     | 349,716        | -                                     | 2     |

*The accompanying notes are an integral part of this schedule.*

**Educational Service District No. 112**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2019**

| Federal Agency<br>(Pass-Through Agency)  | Federal Program   | CFDA<br>Number | Other Award<br>Number   | Expenditures                    |                       |                  | Passed through<br>to<br>Subrecipients | Note |
|--|---|----------------|---|---------------------------------|-----------------------|------------------|---------------------------------------|------|
|  |   |                |   | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Total            |                                       |      |
|  |   |                | Total WIOA Cluster:   | 349,716                         | -                     | 349,716          |                                       |      |
| OFFICE OF ELEMENTARY AND<br>SECONDARY EDUCATION,<br>EDUCATION, DEPARTMENT OF<br>(via WA OSPI)  | Title I Grants to Local<br>Educational Agencies                                       | 84.010         | 0260078,<br>0260088,<br>0222559,<br>0222676                         | 412,777                         | -                     | 412,777          | -                                     | 2    |
| OFFICE OF ELEMENTARY AND<br>SECONDARY EDUCATION,<br>EDUCATION, DEPARTMENT OF<br>(via WA OSPI)  | Title I State Agency<br>Program for Neglected<br>and Delinquent Children<br>and Youth | 84.013         | 0223094   | 38,247                          | -                     | 38,247           | -                                     | 2    |
| <b>Special Education Cluster (IDEA)</b>  |   |                |   |                                 |                       |                  |                                       |      |
| OFFICE OF SPECIAL<br>EDUCATION AND<br>REHABILITATIVE SERVICES,<br>EDUCATION, DEPARTMENT OF<br>(via WA OSPI)  | Special Education<br>Grants to States   | 84.027         | 0320264,<br>0320273,<br>0381004,<br>0381058,<br>0306535,<br>0338121 | 2,704,857                       | -                     | 2,704,857        | -                                     | 2    |
| OFFICE OF SPECIAL<br>EDUCATION AND<br>REHABILITATIVE SERVICES,<br>EDUCATION, DEPARTMENT OF<br>(via WA OSPI)  | Special Education<br>Preschool Grants   | 84.173         | 0380314,<br>0380323,<br>0366025                                     | 125,821                         | -                     | 125,821          | -                                     | 2    |
| <b>Total Special Education Cluster (IDEA):</b>   |   |                |   | <b>2,830,678</b>                | <b>-</b>              | <b>2,830,678</b> | <b>-</b>                              |      |
| OFFICE OF SPECIAL<br>EDUCATION AND<br>REHABILITATIVE SERVICES,<br>EDUCATION, DEPARTMENT OF<br>(via WA Department of Children,<br>Youth & Families) | Special Education-<br>Grants for Infants and<br>Families                              | 84.181         | 18-1216, 18-<br>1196, 20-1199,<br>20-1116                           | 517,975                         | -                     | 517,975          | -                                     | 2,3  |

The accompanying notes are an integral part of this schedule.

**Educational Service District No. 112**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2019**

| Federal Agency<br>(Pass-Through Agency)   | Federal Program   | CFDA<br>Number | Other Award<br>Number     | Expenditures                    |                       |                | Passed through<br>to<br>Subrecipients | Note |
|---|---|----------------|---------------------------|---------------------------------|-----------------------|----------------|---------------------------------------|------|
|   |   |                |                           | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Total          |                                       |      |
| OFFICE OF ELEMENTARY AND<br>SECONDARY EDUCATION,<br>EDUCATION, DEPARTMENT OF<br>(via WA OSPI)   | Twenty-First Century<br>Community Learning<br>Centers   | 84.287         | 0991221                   | 289,139                         | -                     | 289,139        | -                                     | 2    |
| OFFICE OF ELEMENTARY AND<br>SECONDARY EDUCATION,<br>EDUCATION, DEPARTMENT OF<br>(via WA Student Achievement<br>Council)   | Supporting Effective<br>Instruction State Grants<br>(formerly Improving<br>Teacher Quality State<br>Grants) | 84.367         | 17-IA086-A3               | 3,711                           | -                     | 3,711          | -                                     | 2    |
| SUBSTANCE ABUSE AND<br>MENTAL HEALTH SERVICES<br>ADMINISTRATION, HEALTH<br>AND HUMAN SERVICES,<br>DEPARTMENT OF (via WA<br>OSPI)                                      | Substance Abuse and<br>Mental Health Services<br>Projects of Regional<br>and National<br>Significance       | 93.243         | 0590014,<br>0590023       | 266,854                         | -                     | 266,854        | 68,544                                | 2,4  |
| SUBSTANCE ABUSE AND<br>MENTAL HEALTH SERVICES<br>ADMINISTRATION, HEALTH<br>AND HUMAN SERVICES,<br>DEPARTMENT OF (via WA<br>Department of Social & Health<br>Services) | Substance Abuse and<br>Mental Health Services<br>Projects of Regional<br>and National<br>Significance       | 93.243         | 1765-94285-04,<br>K3916   | 58,285                          | -                     | 58,285         | -                                     | 2,3  |
| <b>Total CFDA 93.243:</b>   |   |                |                           | <b>325,139</b>                  | <b>-</b>              | <b>325,139</b> | <b>68,544</b>                         |      |
| SUBSTANCE ABUSE AND<br>MENTAL HEALTH SERVICES<br>ADMINISTRATION, HEALTH<br>AND HUMAN SERVICES,<br>DEPARTMENT OF   | Drug-Free Communities<br>Support Program<br>Grants  | 93.276         | 15SP23003A,<br>16SP21866A | -                               | 221,249               | 221,249        | -                                     | 2,3  |

*The accompanying notes are an integral part of this schedule.*

**Educational Service District No. 112**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2019**

| Federal Agency<br>(Pass-Through Agency)  | Federal Program  | CFDA<br>Number | Other Award<br>Number                           | Expenditures                    |                       |                | Passed through<br>to<br>Subrecipients | Note |
|--|--|----------------|---|---------------------------------|-----------------------|----------------|---------------------------------------|------|
|  |  |                |   | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Total          |                                       |      |
| CENTERS FOR DISEASE<br>CONTROL AND PREVENTION,<br>HEALTH AND HUMAN<br>SERVICES, DEPARTMENT OF<br>(via WA State Department of<br>Health)                                | PPHF 2018: Office of<br>Smoking and Health-<br>National State-Based<br>Tobacco Control<br>Programs-Financed in<br>part by 2018 Prevention<br>and Public Health funds<br>(PPHF) | 93.305         | MI-77410270/<br>SCH20851-14,<br>SCH2439-01      | 21,242                          | -                     | 21,242         | -                                     | 2,3  |
| ADMINISTRATION FOR<br>CHILDREN AND FAMILIES,<br>HEALTH AND HUMAN<br>SERVICES, DEPARTMENT OF<br>(via Educational Service District<br>No 105)                            | Every Student<br>Succeeds Act/Preschool<br>Development Grants  | 93.434         | 90TP001801/<br>3471800136                       | 3,783                           | -                     | 3,783          | -                                     | 2    |
| <b>CCDF Cluster</b>  |  |                |   |                                 |                       |                |                                       |      |
| ADMINISTRATION FOR<br>CHILDREN AND FAMILIES,<br>HEALTH AND HUMAN<br>SERVICES, DEPARTMENT OF<br>(via Department of Early<br>Learning, Childcare Aware of<br>Washington) | Child Care and<br>Development Block<br>Grant   | 93.575         | 01-110-20119-<br>6100-01                        | 68,865                          | -                     | 68,865         | -                                     | 2,3  |
| ADMINISTRATION FOR<br>CHILDREN AND FAMILIES,<br>HEALTH AND HUMAN<br>SERVICES, DEPARTMENT OF<br>(via Department of Early<br>Learning)                                   | Child Care and<br>Development Block<br>Grant   | 93.575         | 01-110-20119-<br>6100-01, 0-110-<br>201120-6100 | 169,048                         | -                     | 169,048        | -                                     | 2    |
| <b>Total CCDF Cluster:</b>   |  |                |   | <b>237,913</b>                  | <b>-</b>              | <b>237,913</b> | <b>-</b>                              |      |

*The accompanying notes are an integral part of this schedule.*

**Educational Service District No. 112**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2019**

| Federal Agency<br>(Pass-Through Agency)  | Federal Program  | CFDA<br>Number | Other Award<br>Number                       | Expenditures                    |                       |                                       | Note  |
|--|--|----------------|---|---------------------------------|-----------------------|---------------------------------------|-------|
|  |  |                |   | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Passed through<br>to<br>Subrecipients |       |
| ADMINISTRATION FOR<br>CHILDREN AND FAMILIES,<br>HEALTH AND HUMAN<br>SERVICES, DEPARTMENT OF<br>(via WA Department of Children,<br>Youth & Families)    | Head Start   | 93.600         | 18-1248                                     | 5,000                           | -                     | -                                     | 2,3   |
| ADMINISTRATION FOR<br>CHILDREN AND FAMILIES,<br>HEALTH AND HUMAN<br>SERVICES, DEPARTMENT OF  | Head Start   | 93.600         | 10CH0225-04 &<br>-05,<br>10CHP000087-<br>02 | -                               | 2,332,066             | 209,655                               | 2,3,4 |
| <b>Total CFDA 93.600:</b>  |  |                |   | <b>5,000</b>                    | <b>2,332,066</b>      | <b>209,655</b>                        |       |
| CENTERS FOR DISEASE<br>CONTROL AND PREVENTION,<br>HEALTH AND HUMAN<br>SERVICES, DEPARTMENT OF<br>(via WA State Department of<br>Health)                | Preventive Health and<br>Health Services Block<br>Grant funded solely with<br>Prevention and Public<br>Health Funds (PPHF) | 93.758         | MI-77410272 /<br>SCH20851-11                | 1,135                           | -                     | -                                     | 2,3   |
| SUBSTANCE ABUSE AND<br>MENTAL HEALTH SERVICES<br>ADMINISTRATION, HEALTH<br>AND HUMAN SERVICES,<br>DEPARTMENT OF (via WA<br>OSPI)                       | Opioid STR   | 93.788         | 0999088,<br>0999053,<br>0999061             | 165,302                         | -                     | -                                     | 2     |
| SUBSTANCE ABUSE AND<br>MENTAL HEALTH SERVICES<br>ADMINISTRATION, HEALTH<br>AND HUMAN SERVICES,<br>DEPARTMENT OF (via WA State<br>Department of Health) | Opioid STR   | 93.788         | GVL24396                                    | 87,500                          | -                     | -                                     | 2,6   |

*The accompanying notes are an integral part of this schedule.*

**Educational Service District No. 112**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2019**

| Federal Agency<br>(Pass-Through Agency)   | Federal Program   | CFDA<br>Number     | Other Award<br>Number                                    | Expenditures                    |                       |           | Passed through<br>to<br>Subrecipients | Note    |     |
|---|---|--------------------|--|---------------------------------|-----------------------|-----------|---------------------------------------|---------|-----|
|   |   |                    |  | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Total     |                                       |         |     |
| SUBSTANCE ABUSE AND<br>MENTAL HEALTH SERVICES<br>ADMINISTRATION, HEALTH<br>AND HUMAN SERVICES,<br>DEPARTMENT OF (via WA State<br>Health Care Authority)               | Opioid STR  | 93.788             | 1765-94285-<br>A04, K3916,<br>1765-12642-<br>02/TI080249 | 171,885                         | -                     | 171,885   | -                                     | 2,3     |     |
|   |   | Total CFDA 93.788: |  |                                 | 424,687               | -         | 424,687                               | -       |     |
|   |   |                    |  |                                 |                       |           |                                       |         |     |
| SUBSTANCE ABUSE AND<br>MENTAL HEALTH SERVICES<br>ADMINISTRATION, HEALTH<br>AND HUMAN SERVICES,<br>DEPARTMENT OF (via OSPI)  | Block Grants for<br>Prevention and<br>Treatment of Substance<br>Abuse | 93.959             | 998204,<br>0998213                                       | 397,195                         | -                     | 397,195   | -                                     | 2       |     |
|   |   | Total CFDA 93.959: |  |                                 | 221,618               | -         | 221,618                               | -       | 2,3 |
|   |   |                    |  |                                 |                       |           |                                       |         |     |
| SUBSTANCE ABUSE AND<br>MENTAL HEALTH SERVICES<br>ADMINISTRATION, HEALTH<br>AND HUMAN SERVICES,<br>DEPARTMENT OF (via WA<br>Department of Social & Health<br>Services) | Block Grants for<br>Prevention and<br>Treatment of Substance<br>Abuse | 93.959             | 1765-94285-04,<br>K3916                                  | 17,556                          | -                     | 17,556    | -                                     | 2       |     |
|   |   | Total CFDA 93.959: |  |                                 | 636,369               | -         | 636,369                               | -       |     |
|   |   |                    |  |                                 |                       |           |                                       |         |     |
| CENTERS FOR DISEASE<br>CONTROL AND PREVENTION,<br>HEALTH AND HUMAN<br>SERVICES, DEPARTMENT OF<br>(via WA Department of Children,<br>Youth & Families)                 | Preventive Health and<br>Health Services Block<br>Grant               | 93.991             | MI-77410272 /<br>SCH20851-14                             | 37,756                          | -                     | 37,756    | -                                     | 2,3     |     |
|   |   | Total CFDA 93.991: |  |                                 | 6,799,044             | 2,553,315 | 9,352,359                             | 278,199 |     |
|   |   |                    |  |                                 |                       |           |                                       |         |     |

The accompanying notes are an integral part of this schedule.

**NOTES TO THE STATEMENT OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2019**

**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 did not qualify to elect use of the diminis rate of 10% under the Uniform Guidance. The District used the Federal restricted rate approved by its cognizant agency of 7.64% for grants awarded prior to July 1, 2018, 7.38% for grants awarded July 1, 2018 and 7.18% for grants awarded July 1, 2019. Total indirect costs:

\$ 590,320

**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 (Uniform Guidance), 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.

**NOTE 6 - FIXED AWARD CONTRACTS**

Revenues received based on fixed award issued under CFR 200.332. Excess of fixed contract received over expenditures may be retained.

**NOTE 7 - FEDERAL LOAN PROGRAMS****Loans through Federal Entitlement Grants**

The District was approved by Clark County, Washington to receive a CDBG zero-interest loan award for "Portable Acquisition and Installation". The loan is in interim financing status for the construction-in-process, as of year end. The restrictive period for the loan is twenty years and begins when construction is complete and final project reporting requirements have been met. The amount listed for this loan includes the proceeds used during the year for construction financing, \$137,263 remitted as of the fiscal year end and \$80,517 as a claim in process.

|          | Program Name                         | Beginning Balance<br>of Loans as of<br>September 1, 2018 | New Loans<br>Processed | Ending Balance of<br>Loans as of August<br>31, 2019 |
|----------|--------------------------------------|--|------------------------|---|
| CFDA No. |                                      |  |                        |   |
| 14.218   | CDBG Block Grants/Entitlement Grants | \$ -   | \$ 217,780             | \$ 217,780  |

Educational Service District No. 112  
OTHER INFORMATION

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

|  | 2010      | 2011      | 2012      | 2013      | 2014      | 2015     | 2016     | 2017    | 2018      | 2019      |
|--|-----------|-----------|-----------|-----------|-----------|----------|----------|---------|-----------|-----------|
| 1. Required Contribution & Investment Revenue:   |           |           |           |           |           |          |          |         |           |           |
| Earned   | 706,927   | 2,140,056 | 2,110,945 | 1,664,882 | 1,504,011 | 781,179  | 838,586  | 901,505 | 983,725   | 1,098,029 |
| Investment Income  | 25,813    | 13,346    | 12,365    | 14,187    | 19,110    | 19,156   | 24,165   | 35,414  | 59,750    | 118,421   |
| Ceded  | -         | -         | -         | -         | -         | -        | -        | -       | -         | -         |
| Net Earned   | 732,740   | 2,153,402 | 2,123,310 | 1,679,069 | 1,523,121 | 800,334  | 862,751  | 936,919 | 1,043,475 | 1,216,450 |
| 2. Unallocated Expenses (ESD Admin)  | 179,746   | 181,165   | 193,309   | 187,197   | 180,533   | 193,391  | 216,669  | 223,494 | 237,559   | 237,716   |
| 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   | 411,245   |
| Ceded **   | -         | -         | -         | -         | -         | -        | -        | -       | -         | 0         |
| Net Incurred   | 1,146,801 | 1,066,790 | 961,583   | 532,497   | 463,435   | 290,847  | 257,217  | 319,529 | 431,182   | 411,245   |
| 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   | 300,425   |
| One year later   | 1,060,491 | 956,730   | 912,571   | 485,595   | 432,028   | 219,813  | 231,440  | 422,473 | 446,529   |           |
| Two years later  | 1,072,607 | 959,832   | 921,460   | 485,926   | 429,732   | 220,914  | 232,392  | 424,116 |           |           |
| Three years later  | 1,072,722 | 960,501   | 921,172   | 485,580   | 429,556   | 219,551  | 323,392  |         |           |           |
| Four years later   | 1,072,722 | 960,501   | 921,172   | 485,580   | 429,556   | 219,551  |          |         |           |           |
| Five years later   | 1,072,722 | 960,501   | 921,172   | 485,580   | 429,556   |          |          |         |           |           |
| Six years later  | 1,072,722 | 960,501   | 921,172   | 485,580   |           |          |          |         |           |           |
| Seven years later  | 1,072,722 | 960,501   | 921,172   |           |           |          |          |         |           |           |
| Eight years later  | 1,072,722 | 960,501   |           |           |           |          |          |         |           |           |
| Nine years later   | 1,072,722 |           |           |           |           |          |          |         |           |           |
| 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   | 411,245   |
| One year later   | 1,070,214 | 969,074   | 919,339   | 489,770   | 435,597   | 222,610  | 233,138  | 424,950 | 449,565   |           |
| Two years later  | 1,072,722 | 960,377   | 921,969   | 486,493   | 430,209   | 220,913  | 232,392  | 424,174 |           |           |
| Three years later  | 1,072,722 | 960,501   | 921,172   | 485,580   | 429,556   | 219,551  | 323,392  |         |           |           |
| Four years later   | 1,072,722 | 960,501   | 921,172   | 485,580   | 429,556   | 219,551  |          |         |           |           |
| Five years later   | 1,072,722 | 960,501   | 921,172   | 485,580   | 429,556   |          |          |         |           |           |
| Six years later  | 1,072,722 | 960,501   | 921,172   | 485,580   |           |          |          |         |           |           |
| Seven years later  | 1,072,722 | 960,501   |           |           |           |          |          |         |           |           |
| Eight years later  | 1,072,722 |           |           |           |           |          |          |         |           |           |
| Nine years later   | 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) | 104,645 | 18,383    | 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, 2018 THROUGH AUGUST 31, 2019

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 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 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 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.

Educational Service District No. 112  
OTHER INFORMATION

SW WA UNEMPLOYMENT COMPENSATION POOL  
RECONCILIATION OF CLAIMS LIABILITIES  
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2019

|  | For the Years Ending August 31,<br>2018 | 2019       |
|--|---|------------|
| Unpaid Claims and Claim Adjustment Expenses at<br>Beginning of the Fiscal Year | \$ 335,900                              | \$ 382,662 |
| <i><u>Add Incurred Claims and Claim Adjustment Expenses:</u></i>               |   |            |
| Provision for Insured Events of the Current Fiscal Year                        | 581,139                                 | 547,800    |
| Increases (Decreases) in Provision for Insured Events of<br>Prior Years        | (41,139)                                | (85,043)   |
| Changes in Provision for ULAE  | 11,658                                  | (260,134)  |
| Total Incurred Claims and Claim Adjustment Expenses                            | 551,658                                 | 202,623    |
| <i><u>Less Payments:</u></i>   |   |            |
| Claim Expenses Attributable to Insured Events of the<br>Current Year           | 482,589                                 | 436,980    |
| Claim Expenses Attributable to Insured Events of Prior<br>Years                | 22,307                                  | 12,891     |
| Total Payments   | 504,896                                 | 449,871    |
| Total Unpaid Claims and Claim Adjustment Expenses at the<br>End of the Year    | \$ 382,662                              | \$ 135,414 |

Educational Service District No. 112  
OTHER INFORMATION

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

AS OF AUGUST 31, 2019

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, 2019

|  |    |                  |
|--|----|------------------|
| Excess Insurance                                     | \$ | 158,474          |
| Contracted Services:                                 |    |                  |
| Third Party Administrator Fees                       |    | -                |
| Actuarial  |    | 49,840           |
| Audit Expenses                                       |    | -                |
| Brokerage Fees                                       |    | 10,991           |
| Legal Fees   |    | 2,610            |
| Other Consultant Fees                                |    | 5,477            |
| General Administrative Expenses:                     |    |                  |
| Personnel Services                                   |    | 603,059          |
| Communication & Network                              |    | 25,460           |
| Supplies and Materials                               |    | 14,530           |
| Dues and Conferences                                 |    | 2,389            |
| Retreat/Board Meetings                               |    | 602              |
| Training   |    | 3,744            |
| Travel   |    | 8,198            |
| Occupancy  |    | 40,162           |
| Printing/Copier                                      |    | 5,668            |
| Miscellaneous  |    | -                |
| Other:   |    |                  |
| Claims Paid  |    | 3,164,529        |
| Change in Claim Reserves                             |    | (3,242)          |
| Labor & Industry Assessment                          |    | 2,540,375        |
| Right to Know  |    | 20,039           |
| Safe Schools Online Training                         |    | 24,840           |
| Pension Expense from Change in Net Pension Liability |    | (132,377)        |
| OPEB Expense from Change in Total OPEB Liability     |    | (73,316)         |
| Return to Work-District Reimbursement                |    | 51,063           |
| Miscellaneous  |    | 16,163           |
| Total Operating Expenses                             | \$ | <u>6,539,278</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, 2019

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, 2019

|  |                            |
|--|----------------------------|
| Excess Insurance                                     | \$ 1,420,996               |
| Contracted Services:                                 |                            |
| Third Party Administrator Fees                       | -                          |
| Actuarial  | 41,447                     |
| Audit Expenses                                       | -                          |
| Brokerage Fees                                       | -                          |
| Legal Fees   | -                          |
| Other Consultant Fees                                | -                          |
| General Administrative Expenses:                     |                            |
| Personnel Services                                   | 443,276                    |
| Communication & Network                              | 17,107                     |
| Supplies and Materials                               | 1,923                      |
| Dues and Conferences                                 | 4,358                      |
| Retreat/Board Meetings                               | -                          |
| Training   | 13,390                     |
| Travel   | 6,781                      |
| Occupancy  | 23,401                     |
| Printing/Copier                                      | 3,381                      |
| Miscellaneous  | -                          |
| Other:   |                            |
| Claims Paid  | 601,819                    |
| Change in Claim Reserves                             | 92,311                     |
| State Risk Manager Fee                               | 11,720                     |
| Refund to Member Districts                           | -                          |
| Experienced Administrator Consultation               | 52,837                     |
| Pre-Loss Attorney Consultation                       | 2,444                      |
| Pension Expense from Change in Net Pension Liability | (32,435)                   |
| OPEB Expense from Change in Total OPEB Liability     | (27,090)                   |
| Miscellaneous  | 80,000                     |
|  | <hr/>                      |
| Total Operating Expenses                             | <u><u>\$ 2,757,666</u></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, 2019

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, 2019

|  |                   |
|--|-------------------|
| Excess Insurance                                     | \$ -              |
| Contracted Services:                                 |                   |
| Third Party Administrator Fees                       |                   |
| Actuarial  | 20,274            |
| Audit Expenses                                       | -                 |
| Brokerage Fees                                       | -                 |
| Legal Fees   | 209               |
| Other Consultant Fees                                | 5,477             |
| General Administrative Expenses:                     |                   |
| Personnel Services                                   | 186,679           |
| Communication & Network                              | 4,786             |
| Supplies and Materials                               | 1,804             |
| Dues and Conferences                                 | 273               |
| Retreat/Board Meetings                               | -                 |
| Training   | 2,090             |
| Travel   | 3,193             |
| Occupancy  | 12,081            |
| Printing/Copier                                      | 850               |
| Miscellaneous  |                   |
| Other:   |                   |
| Claims Paid  | 449,871           |
| Change in Claim Reserves                             | (247,248)         |
| Pension Expense from Change in Net Pension Liability | (17,720)          |
| OPEB Expense from Change in Total OPEB Liability     | (14,153)          |
| Miscellaneous  | 196               |
|  | <hr/>             |
| Total Operating Expenses                             | <u>\$ 408,662</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, 2019

|  | WORKERS        |                             | RISK                        |                           |                 |
|--|----------------|-----------------------------|-----------------------------|---------------------------|-----------------|
|  | OPERATING FUND | COMPENSATION INSURANCE FUND | UNEMPLOYMENT INSURANCE FUND | MANAGEMENT INSURANCE FUND | TOTAL ALL FUNDS |
| <b>SCHEDULE OF EFFECT OF LONG TERM OBLIGATIONS FOR FUNDING STATE-MANDATED AND ADMINISTERED RETIREMENT BENEFIT PLANS ON COMPONENTS OF UNRESTRICTED NET POSITION</b> |                |                             |                             |                           |                 |
| UNRESTRICTED NET POSITION  |                |                             |                             |                           |                 |
| Unrestricted for Operations  | 13,873,761     | 4,098,520                   | 5,081,564                   | 6,684,181                 | 29,855,940      |
| Unrestricted for Joint Venture   | 778,126        |                             |                             |                           | 778,126         |
| Subtotal, Unrestricted Net Position excluding State-mandated retirement obligations  | 14,651,887     | 4,098,520                   | 5,081,564                   | 6,684,181                 | 30,634,066      |
| Share of Net Pension Liability (see Notes below)   | (12,786,117)   | (164,396)                   | (53,528)                    | (127,415)                 | (13,355,170)    |
| Unrestricted for Operations  | (471,929)      |                             |                             |                           | (471,929)       |
| Unrestricted for Joint Venture   |                |                             |                             |                           |                 |
| Total OPEB Obligation (see Notes below)  | (10,675,712)   | (100,424)                   | (24,659)                    | (61,447)                  | (11,158,756)    |
| Unrestricted for Operations  | (399,112)      |                             |                             |                           | (399,112)       |
| Unrestricted for Joint Venture   |                |                             |                             |                           |                 |
| NET UNRESTRICTED POSITION, per statement balances, 8/31/2019   | (9,680,983)    | 3,833,700                   | 5,003,377                   | 6,495,319                 | 5,249,099       |
| <b>SCHEDULE OF EFFECT ON UNRESTRICTED NET POSITION, SHARE OF NET PENSION LIABILITY (NPL) FOR OPERATIONS</b>  |                |                             |                             |                           |                 |
| Cumulative Effect of NPL, 8/31/2018  | (14,796,006)   | (296,773)                   | (71,249)                    | (159,850)                 | (15,364,997)    |
| Current Year Share-Change in WA State DRS NPL  | 2,009,889      | 132,377                     | 17,721                      | 32,435                    | 2,009,827       |
| Total, Unrestricted Net Position for Operations for NPL, 8/31/2019   | (12,786,117)   | (164,396)                   | (53,528)                    | (127,415)                 | (13,355,170)    |
| <b>SCHEDULE OF EFFECT ON UNRESTRICTED NET POSITION, TOTAL OPEB OBLIGATION</b>  |                |                             |                             |                           |                 |
| Beginning Balance, 8/31/18   | (9,472,020)    | (173,740)                   | (38,812)                    | (88,537)                  | (9,868,259)     |
| Current Year Change in Total OPEB Obligation   | (1,203,692)    | 73,316                      | 14,153                      | 27,090                    | (1,290,497)     |
| Total, Unrestricted Net Position for Operations for Total OPEB Liability, 8/31/19  | (10,675,712)   | (100,424)                   | (24,659)                    | (61,447)                  | (11,158,756)    |

Educational Service District No. 112  
OTHER INFORMATION  
PRESENTING EFFECT OF LONG TERM OBLIGATIONS FOR FUNDING STATE-MANDATED AND ADMINISTERED RETIREMENT BENEFIT PLANS  
AUGUST 31, 2019

|   | OPERATING FUND      | WORKERS<br>COMPENSATION<br>INSURANCE FUND | UNEMPLOYMENT<br>INSURANCE FUND | RISK<br>MANAGEMENT<br>INSURANCE FUND | CHILD CARE FUND  | TOTAL ALL FUNDS     |
|---|---------------------|---|--------------------------------|--------------------------------------|------------------|---------------------|
| <b>SCHEDULE OF EFFECT OF STATE-MANDATED &amp; ADMINISTERED RETIREMENT BENEFIT PLANS ON CHANGES IN NET POSITION</b>                              |                     |   |                                |                                      |                  |                     |
| <b>Increase (Decrease) in Net Position before share of current year activity for state-mandated &amp; administered retirement benefit plans</b> | <b>\$ 4,656,447</b> | <b>\$ 1,362,506</b>                       | <b>\$ 775,914</b>              | <b>\$ 347,993</b>                    | <b>\$ 37,845</b> | <b>\$ 7,180,705</b> |
| PENSIONS: Current Year Share of change in WA State DRS Net Pension Liability-   |                     |   |                                |                                      |                  |                     |
| District Operations   | 2,009,889           | 132,377                                   | 17,721                         | 32,435                               | (182,595)        | 2,009,827           |
| Joint Venture   | 75,699              |   |                                |                                      |                  | 75,699              |
| OPEB: Current Year Share of change in state mandated participation in PEBB OPEB plans for   |                     |   |                                |                                      |                  |                     |
| Total OPEB Obligations-   |                     |   |                                |                                      |                  |                     |
| District Operations   | (1,203,692)         | 73,316                                    | 14,153                         | 27,090                               | (201,364)        | (1,290,497)         |
| Joint Venture   | (27,912)            |   |                                |                                      |                  | (27,912)            |
| Increase (Decrease) in Net Position, per audited balances, current operations   | \$ 5,510,431        | \$ 1,568,199                              | \$ 807,788                     | \$ 407,518                           | \$ (346,114)     | \$ 7,947,822        |

**Notes to Schedule:**

*This information is provided to illustrate the impact of implementation of generally accepted accounting principles (initially GASB No. 68 for pensions and GASB No. 75 for OPEB), 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.

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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                            | <a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a> |
| Main telephone                                     | (564) 999-0950   |
| Toll-free Citizen Hotline                          | (866) 902-3900   |
| Website  | <a href="http://www.sao.wa.gov">www.sao.wa.gov</a>                     |