Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Puget Sound Educational Service District

For the period September 1, 2018 through August 31, 2019

Published September 28, 2020

Report No. 1027017

Office of the Washington State Auditor
Pat McCarthy

September 28, 2020

Board of Directors
Puget Sound Educational Service District
Renton, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Puget Sound Educational Service District's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

TABLE OF CONTENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Puget Sound Educational Service District
September 1, 2018 through August 31, 2019

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of the Puget Sound Educational Service District 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.

CFDA No.	Program or Cluster Title
84.027	Special Education Cluster (IDEA) – Special Education Grants to States
84.173	Special Education Cluster (IDEA) – Special Education Preschool Grants
93.600	Head Start

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $875,739.

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*

Puget Sound Educational Service District
September 1, 2018 through August 31, 2019

Board of Directors
Puget Sound Educational Service District
Renton, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of the Puget Sound Educational Service District, 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 September 18, 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.

As discussed in Note 13 to the financial statements, in February 2020 a state of emergency was declared which could have a negative financial effect on the District. Our opinion is not modified with respect to this matter.

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.

Pat McCarthy

State Auditor

Olympia, WA

September 18, 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

Puget Sound Educational Service District
September 1, 2018 through August 31, 2019

Board of Directors
Puget Sound Educational Service District
Renton, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

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

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

September 18, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Puget Sound Educational Service District
September 1, 2018 through August 31, 2019

Board of Directors
Puget Sound Educational Service District
Renton, Washington

REPORT ON THE FINANCIAL STATEMENTS

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Puget Sound Educational Service District, as of August 31, 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.

Matters of Emphasis

As discussed in Note 13 to the financial statements, in February 2020 a state of emergency was declared which could have a negative financial effect on the District. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed on page 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.

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.

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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 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.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

September 18, 2020

FINANCIAL SECTION

Puget Sound Educational Service District
September 1, 2018 through August 31, 2019

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY AND OTHER INFORMATION

Educational Service District #121
STATEMENT OF NET POSITION - ALL FUNDS
August 31, 2019

	NOTE REF	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	Note 1	$ 18,812,876	$ 61,761,551	$ 11,781,379	$ 92,355,807
Accounts Receivable (net of uncollectible allowance)	Note 1	8,017,552			8,017,552
Member Assessments/Contributions			1,079,215	92,027	1,171,242
Excess/Reinsurance Recoverable	Note 8		127,363		127,363
Due from Other Governments	Note 1	39,924	117,410	21,887	179,222
Prepaids	Note 1		93,612		93,612
Restricted Assets	Note 1	7,254			7,254
TOTAL CURRENT ASSETS		26,877,607	63,179,152	11,895,293	101,952,052
NONCURRENT ASSETS					
Capital Assets	Note 3				
Land and Land Improvements		2,445,000			2,445,000
Building		31,354,637			31,354,637
Equipment		4,681,839	50,381		4,732,220
Less: Accumulated Depreciation		(13,851,777)	(50,381)		(13,902,158)
Net Capital Assets		24,629,698	-	-	24,629,698
Net Cash/Investments Held for Compensated Absences	Note 11	528,273			528,273
Investment in Joint Venture	Note 12	(92,914)			(92,914)
TOTAL NONCURRENT ASSETS		25,065,056	-	-	25,065,056
TOTAL ASSETS		51,942,663	63,179,152	11,895,293	127,017,109
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Gain on Refunding		562,240			562,240
Deferred OutFlows Related to Pensions		3,066,502			3,066,502
Deferred OutFlows Related to OPEB		2,216,596			2,216,596
TOTAL DEFERRED OUTFLOWS OF RESOURCES	Note 1	5,845,337	-	-	5,845,337
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	Note 1	4,811,521	1,113,543	24,451	5,949,515
Accrued Interest Payable	Note 5	48,119			48,119
Accrued Salaries	Note 1	16,343			16,343
Payroll Deductions & Taxes Payable	Note 1	76,026			76,026
Public Employees' Retirement System					-
Deferred Compensation					-
Compensated Absences	Note 1	333,456			333,456
Bonds Payable	Note 4	526,755			526,755
Claim Reserves	Note 8				
IBNR			3,791,282	732,346	4,523,628
Open Claims			5,586,555		5,586,555
Unallocated Loss Adjustment Expenses			1,900,000	116,095	2,016,095
Future L&I Assessments			3,592,712		3,592,712
OPEB Liability_	Note 7	173,294			173,294
Deposits	Note 1				-
Unearned Revenue	Note 1	1,935,375			1,935,375
Unearned Member Assessments/Contributions	Note 8				-
Other Liabilities and Credits	Note 1				-

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

Educational Service District #121
STATEMENT OF NET POSITION - ALL FUNDS
August 31, 2019

	NOTE REF	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
TOTAL CURRENT LIABILITIES		7,920,889	15,984,092	872,892	24,777,873
NONCURRENT LIABILITIES					
Compensated Absences_	Note 1	1,684,283			1,684,283
Claim Reserves_	Note 8				
IBNR_			11,930,098		11,930,098
Open Claims_			4,391,003		4,391,003
Net Pension Liability_	Note 6	11,044,182			11,044,182
OPEB Liability_	Note 7	10,615,940			10,615,940
Bonds Payable_	Note 4	7,460,266			7,460,266
TOTAL NONCURRENT LIABILITIES		30,804,671	16,321,101	-	47,125,772
TOTAL LIABILITIES		38,725,560	32,305,194	872,892	71,903,645
DEFERRED INFLOWS OF RESOURCES	Note 1				
Deferred Gain on Refunding					$ -
Deferred InFlows Related to Pensions	Note 6	4,348,052			4,348,052
Deferred InFlows Related to OPEB	Note 7	523,544			523,544
TOTAL DEFERRED INFLOWS OF RESOURCES		4,871,596	-	-	4,871,596
NET POSITION					
Net Investment in Capital Assets		17,204,917	-	-	17,204,917
Restricted for Debt Service	Note 10	777,113			777,113
Restricted for Support Programs	Note 10	10,793,092			10,793,092
Restricted for Risk Pool Net Position	Note 10		30,873,958	11,022,401	41,896,359
Unrestricted		(14,584,278)			(14,584,278)
TOTAL NET POSITION		$ 14,190,845	$ 30,873,958	$ 11,022,401	$ 56,087,204

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

Educational Service District #121
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2019

	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS	
OPERATING REVENUES					
Local Sources	$ 3,238,755			$ 3,238,755	
State Sources	36,148,174			36,148,174	
Allotment	795,619			795,619	
Federal Sources	29,599,671			29,599,671	
Cooperative Programs	7,977,221			7,977,221	
Other Programs	3,957,906			3,957,906	
Member Assessments/Contributions		29,334,504	946,289	30,280,793	
Other Operating Revenue		139		139	
TOTAL OPERATING REVENUE	81,717,347	29,334,643	946,289	111,998,279	
OPERATING EXPENSES					
General Operations and Administration	7,342,014	4,311,129	131,187	11,784,330	
Instructional Support Programs	65,728,341			65,728,341	
Non Instructional Support Programs	7,013,390			7,013,390	
Incurred Loss/Loss Adjustment Expenses					
Paid on Current Losses		5,170,596	651,487	5,822,082	
Change in Loss Reserves		6,949,727	128,672	7,078,398	
Unallocated Loss Adjustment Expenses					
Change in Unallocated Loss Reserves			30,955	30,955	
Excess/Reinsurance Premiums		725,267		725,267	
Professional Fees		75,450		75,450	
Labor & Industries Assessments		7,524,072		7,524,072	
Depreciation/Depletion	1,456,217			1,456,217	
Other Operating Expenses		7,666		7,666	
TOTAL OPERATING EXPENSES	81,539,961	24,763,906	942,301	107,246,168	
OPERATING INCOME (LOSS)	177,386	4,570,737	3,988	4,752,111	
NONOPERATING REVENUES (EXPENSES)					
Interest and Investment Income	764,575	2,069,841	393,179	3,227,594	
Interest Expense and Related Charges	(338,143)			(338,143)	
Change in Joint Venture	8,777			8,777	
TOTAL NONOPERATING REVENUES (EXPENSES)	435,208	2,069,841	393,179	2,898,228	
INCREASE (DECREASE) IN NET POSITION	612,594	6,640,578	397,167	7,650,339	
NET POSITION - BEGINNING BALANCE	12,349,992	24,233,380	10,625,234	47,208,607	
PRIOR PERIOD ADJUSTMENT	1,228,258			1,228,258	Note 15
NET POSITION - ENDING BALANCE	$ 14,190,845	$ 30,873,958	$ 11,022,401	$ 56,087,204	

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

Educational Service District #121
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2019

	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
CASH FLOW FROM OPERATING ACTIVITIES				
Cash Received from Customers	$ 7,047,043	$ -	$ -	$ 7,047,043
Cash Received from State and Federal Sources	66,103,863			66,103,863
Cash Received from Members	7,745,014	29,300,563	930,296	37,975,872
Payments to Suppliers for Goods and Services	(42,369,956)	(4,237,456)	(92,978)	(46,700,390)
Payments to Employees for Services	(37,503,195)			(37,503,195)
Cash Paid for Benefits/Claims		(13,467,161)	(651,487)	(14,118,648)
Cash Paid for Reinsurance		(736,068)		(736,068)
Cash Paid for Labor and Industries Assessments		(7,846,880)		(7,846,880)
Cash Paid for Professional Services		(75,450)		(75,450)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,022,769	2,937,548	185,831	4,146,147
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	(545,006)			(545,006)
Principal and Interest Paid on Capital Debt	(807,073)			(807,073)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,352,079)	-	-	(1,352,079)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends Received	753,551	2,041,155	388,089	3,182,795
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	753,551	2,041,155	388,089	3,182,795
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	424,240	4,978,702	573,920	5,976,863
CASH AND CASH EQUIVALENTS - BEGINNING	18,137,102	56,782,849	11,207,459	86,127,410
PRIOR PERIOD ADJUSTMENT				-
CASH AND CASH EQUIVALENTS - ENDING	18,561,342	61,761,551	11,781,379	92,104,272
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
OPERATING NET INCOME	177,386	4,570,737	3,988	4,752,111
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	1,456,217			1,456,217
Change in Assets and Liabilities				
Receivables, Net	(879,452)	(26,415)	(15,993)	(921,860)
Prepaids	10,989	(66,148)		(55,159)
Accounts and Other Payables	521,656	(215,271)	38,210	344,594
Unearned Revenue	58,025			58,025
Pension Expense from change in Net Pension Liability				
Change in Deferred Outflows	(1,825,222)			(1,825,222)

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

Educational Service District #121
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2019

	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
Change in Deferred Inflows	823,239			823,239
Change in Net Pension Liability	(170,996)			(170,996)
Pension Expense from change in Net OPEB Liability-				
Change in Deferred Outflows	(2,216,596)			(2,216,596)
Change in Deferred Inflows	(67,121)			(67,121)
Change in Net OPEB Liability	3,134,644			3,134,644
Provision for Unallocated Loss Adjustment			30,955	30,955
Insurance Recoverables		1,850		1,850
Claim Reserves		(1,327,206)	128,672	(1,198,534)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 1,022,769	$ 2,937,548	$ 185,831	$ 4,146,147
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
Joint Venture Change (WSIPC)	$ 8,777			$ 8,777

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

Educational Service District #121

STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS

August 31, 2019

	COMPENSATED ABSENCES
ASSETS	
Cash and Cash Equivalents	$ 1,028,832
Accounts Receivable	3,420
TOTAL ASSETS	1,032,253
LIABILITIES	
Accounts Payable	28,305
Deposits (from school districts)	1,003,948
TOTAL LIABILITIES	$ 1,032,253

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Educational Service District No. 121 (“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

Puget Sound Educational Service District No. 121 (ESD 121) is one of nine municipal corporations of the state of Washington organized pursuant to Title 28A *Revised Code of Washington* (RCW) for the purpose of (1) providing cooperative and informational services to local school districts; (2) assisting the state superintendent of public instruction and the state board of education in the performance of their respective statutory or constitutional duties; and (3) providing services to school districts to assure equal educational opportunities.

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

The district serves thirty-five school districts in King and Pierce counties as well as the Bainbridge Island School District in Kitsap County. These districts comprise approximately 40% (435,766 students) of the total enrollment of Washington’s public schools. Oversight responsibility for the district's operations is vested with the Board of Directors who are elected by the school directors of the educational service district, one from each of nine educational service district board-member districts. The district is committed to become an Antiracist Multicultural Organization and meet the Agency END: *Success for each child and eliminate the opportunity gap by leading with racial equity*. Management of the district is appointed by and accountable to the Board of Directors. Fiscal responsibility, including budget authority, the power to operate cooperatives, set fees for services, and issue debt consistent with the provisions of state statutes, rests with the Board and/or its designee. For financial reporting purposes, the district’s financial statements include all fund entities that are controlled by the district's Board of Directors and managed by the administrative staff, unless noted hereafter.

Basis of Accounting and Reporting

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

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

The district reports the following major proprietary funds:

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

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

In addition, the district reports the following fund types:

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

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

The district has prepared an annual program report to OSPI in a format issued separately. These reports require specific information, the format of which may differ from statements prepared on the basis of generally accepted accounting principles.

Assets, Liabilities, and Equity

Cash and Cash Equivalents
The *King* County Treasurer is the ex-officio treasurer for the district. In this capacity, the County Treasurer receives daily deposits and transacts investments on behalf of the district. On August 31, 2019, the County Treasurer was holding $92,305,307 in Operating and other proprietary funds and $1,028,832 for the Agency fun in short-term residual investments of surplus cash, reported at fair market value (see Note 2). These amounts are classified on the statement of net position and the statement of fiduciary net assets as cash and cash equivalents. Additionally, the district has a carrying amount in Imprest checking accounts of $50,500. These bank balances are covered by collateral held by the district's agent in the district's name.

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

Deposits and Investments – See Note 2

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

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

Interfund Receivables and Payables

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

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

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

Prepaid Items

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

Inventory
The district does not maintain material amounts of inventory.

Capital Assets and Depreciation – See Note 3

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

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

The balance reported in the Statement of Net Position as of August 31, 2019, represents the total liability and the balance in the Compensated Absences Pool (see Note 11).

Other Accrued Liabilities
These accounts consist of accrued wages and accrued employee benefits.

Long-Term Debt – See Note 4

Unearned Revenue
In the Operating fund, 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. Unearned Revenue also includes accounts receivable which, under GAAP, are measurable but not yet available.
Unearned Revenue and Unearned Member Assessments/Contributions represents memberships and other payments for services that pertain to the 2019-20 fiscal year and that are not available for expenses of the 2018-19 fiscal year. Unearned Revenue represent payments from entities received based on enrollment participation, not on an expenditure reimbursement method of payment.

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

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

Reserve for Unallocated Loss Adjustment Expense (ULAE)

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows or resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, 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.

Deferred Outflows and Deferred Inflows

Generally accepted accounting principles for other post-retirement employee benefits (OPEB) (see Note 7) 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.

The district has multiple items that qualify for reporting in this category. One type is the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition, the district recognizes as deferred outflows or inflows on the Statement of Net Position its proportionate share of the State Department of Retirement System's deferred income or expense items that will be recognized over a number of years. These items are presented on the Statement of Net Position and will impact the future calculations of the retirement system's pension funding status.

In addition to liabilities, the statement of financial position will report a separate section for the deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. As stated previously, the items recognized as deferred inflows of resources pertain to the District's proportionate share of the State Department of Retirement System's items for the calculation of the Net Pension Liability and the Health Care Authority's items for the calculation of Net OPEB Liability

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 6) or changes in OPEB liability (see Note 7).

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

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

Summary of Significant Reporting Changes

The district has evaluated and implemented the provisions of GASB Statement No. 88 and presented information in the notes related to debt, direct borrowing, and direct placements as applicable.

Note 2: DEPOSITS AND INVESTMENTS

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

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

Impaired Investments

In September 2008, King County bifurcated its Investment Pool to separate out the investments in impaired commercial paper assets. The County has restricted pool member access to these funds by placing them in Impaired Investment Retainage accounts (Impaired Pool) at the County. As cash is received by the County on these investments, these Impaired Pool accounts are reduced and the cash is placed into the County Pool members unrestricted cash accounts. As of August 31, 2019, all impaired commercial paper investments have completed enforcement events. The Impaired Pool held one commercial paper asset in which the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The Impaired Pool also held residual investments in four commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash out option. The District's share of the impaired investment pool principal is $44,137 and the district's fair value of these investments is $29,692.

As of August 31, 2019, the District had the following investments:

Investment	Fair Value
County Investment Pool	$94,278,155
County Impaired Pool	$29,692
Total Investments	$94,307,847

Credit Risk

As of August 31, 2019, the district's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositaries, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

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:

	% of Portfolio
Governmental Agencies	25.7%
Commercial Paper	2.9%
Treasury Securities	40.5%
Local Government Investment Pool	12.2%
U.S. Agency Mortgage-backed Securities	0.1%
Bank Corporate Notes	16.8%
Repurchase Agreements	1.9%
	100%

Source: King County Investment Pool Letter August-2019

The pool is not insured or guaranteed by any government; therefore, maintenance of principal is not fully insured. The King County Investment Pool does not have a credit rating. As of August 31, 2019, NAV per share was $1.0064.

The pool is managed and operated by the King County Treasurer's Office. The [King County Treasurer's Office publishes monthly reports, which are on the Internet at the Treasurer's website (https://www.kingcounty.gov/depts/finance-business-operations/treasury/investment-pool.aspx). As of the most recent report date, fair value equaled amortized cost. It is the policy of the King County Investment 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.

Concentration of Credit Risk

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, the District would not be able to recover the value of the investment or collateral securities. Of the District's total cash and investment position of $94,257,347, no balances are exposed to custodial credit risk. The District does not have a policy for custodial credit risk.

Interest Rate Risk

As of August 31, 2019, the King County Investment Pool average maturity was 0.96 years. As a means of limiting its exposure to rising interest rates, securities purchased in the pool must have a final maturity, or weighted average life, no longer than five years. While the pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The pool distributes earnings monthly using an amortized cost methodology.

Note 3: CAPITAL ASSETS

Capital assets, which include property, facilities, and large equipment, are capitalized at total acquisition cost, provided such cost exceeds $50,000 and the asset has an expected useful life of more than one year. This capitalization threshold represents a policy change from the prior year PSESD capitalization threshold of $5,000 and has been applied to FY1819 asset acquisitions.

Individual tracking records are maintained on all assets costing $5,000 or more and individual assets costing $500 or more that are deemed to be small and attractive. These assets are recognized as an expense when purchased.

Property, facilities, and large equipment that are purchased using Federal money are subject to inventory reporting if the acquisition cost is over $5,000. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives, based on the month placed in service:

Asset	Years
Vehicles	5–10
School Buses	8-13
Equipment	4–20
Buildings and structures	10–40
Land improvements	5–40

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

Capital assets activity for the fiscal year ended August 31, 2019, was as follows:

	Beginning Balance 9/1/2018	Increases	Decreases	Ending Balance 8/31/2019
Capital assets not depreciated:				
Land	$2,445,000	0	0	$2,445,000
Construction in Progress				
Total capital assets not being depreciated	2,445,000	0	0	2,445,000
Depreciable capital assets:				
Buildings & Improvements	31,354,637	0	0	31,354,637
Improvements other than buildings				

	Beginning Balance 9/1/2018	Increases	Decreases	Ending Balance 8/31/2019
Equipment	2,771,397	2,139,278	228,836	4,681,839
Other				
Total depreciable capital assets	34,126,034	2,139,278	228,836	36,036,476
Less accumulated depreciation for:				
Buildings & Improvements	10,014,507	1,088,357	0	11,102,864
Improvements other than buildings				
Equipment	2,243875	722,489	228,836	2,737,528
Other				
Total accumulated depreciation	12,258,382	1,810,846	228,836	13,840,392
Total depreciable assets, net	21,867,652	328,432	0	22,196,084
Total assets, net	$24,312,652	$328,432	$0	$24,641,084

Puget Sound ESD historically did not reflect federally purchased equipment on the financial statements. Beginning this year, federally purchased equipment with an acquisition cost of at least $50,000 are presented on the financial statements and a prior period adjustment of $1,228,258 was recorded.

The district sublets office space at its Blackriver facility in Renton. The current year revenue and sublease revenue forecast for this facility are as follow:

Fiscal Year Ending	Amount
August 31, 2019	$100,163
August 31, 2020	$118,979
Total:	$219,142

Workers' Compensation Trust Capital assets activity for the fiscal year ended August 31, 2019 was as follows:

	Beginning Balance 9/1/2018	Increases	Decreases	Ending Balance 8/31/2019
Depreciable capital assets Equipment	$ 50,381	$ 0	$ 0	$ 50,381
Less accumulated depreciation for Equipment:	50,381	0	0	50,381
Total capital assets, net	$ 0	$ 0	$ 0	$ 0

Note 4: LONG–TERM DEBT, LIABILITIES, AND LEASES

Long-Term Debt

The following is a summary of changes in long-term debt of the District for the fiscal year(s) ended August 31, 2019:

Governmental activities	Balance at Sept. 1, 2018	Increases	Decreases	Balance at Aug. 31, 2019	Due within One Year
2014 Refunding LGO	$8,400,000		$480,000	$7,920,000	$495,000

The District issued limited general obligation bonds and other debt instruments to finance the purchase of Black River Building. Long-term debt at August 31, 2019, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
Limited General Obligation Bonds					
2014 LGO	$9,490,000	$495,000-750,000	2031	2%-4%	$7,920,000

Debt service requirements on long-term debt as of August 31, 2019, are as follows:

	Bonds		
Years Ending August 31	Principal	Interest	Total
2020	$495,000	$283,763	$778,763
2021	500,000	268,813	767,213
2022	520,000	248,413	768,813
2023	540,000	227,213	768,413
2024	560,000	205,212	767,213
2025–2029	3,140,000	689,675	3,829,675
2030–2032	2,165,000	123,844	2,288,844
Total	$7,920,000	$2,046,931	$9,966,931

At August 31, 2019, the District had $528,171 available in an account at King County Treasury to service the limited general obligation bonds.

Changes in Long-Term Debt and Other Obligations

During the fiscal year ended August 31, 2019, the following changes occurred in long-term debt and other obligations:

	Beginning Balance 9/1/2018	Additions	Reductions	Ending Balance 8/31/2019	Due Within One Year
Bonds Payable					
2014 LGO Refunding	$8,400,000		$480,000	$7,920,000	$495,000
Unamortized Premium	151,485		37,310	114,175	36,164
Unamortized Discount	(51,404)		(4,249)	(47,155)	(4,409)
Net Bonds Payable	**8,500,081**		**513,061**	**7,987,020**	**526,755**
Compensated Absences*	2,006,654	406,520	395,435	2,017,739	333,456
Total OPEB Liability	7,654,590	3,134,644		10,615,940	173,294
Total Pension Liability TRS 1	308,839		104,681	204,159	
Total Pension Liability TRS 2/3	48,427	1,896		50,323	
Total Pension Liability SERS 2/3	3,143,955		334,962	2,808,993	
Total Pension Liability PERS 1	7,713,957	266,751		7,980,708	
Total long-term liabilities	**$29,376,503**	**$3,809,811**	**$1,348,139**	**$31,664,882**	**$1,033,505**

*Prior year adjustment for display of PSESD’s share in Compensated Absences Pool.

The ESD Properties located at 800 Oakesdale Avenue SW, Renton, WA 98057 have been pledged as collateral for the above mentioned ESD property general obligation bond.

Note 5: LEASES

Operating Lease(s)

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

Lease expenses for the year ended August 31, 2019, totaled $405,668. Future minimum rental commitments for these leases are as follows:

Fiscal Year Ending August 31	Amount Committed as of August 31, 2019
2020	$396,329
2021	$338,369
2022	$190,946
2023	$179,567
2024	$181,084
Total:	$1,286,294

Changes in Lease Liabilities

During the fiscal year ended August 31, 2019, the following changes occurred in lease liabilities:

	Beginning Balance 9/1/2018	Additions	Reductions	Ending Balance 8/31/2019	Due Within One Year
Operating Leases	$1,691,962	$	$405,668	$1,286,294	$396,329

Note 6: PENSION PLANS

General Information

The Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, 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 https://www.drs.wa.gov/wp-content/uploads/2019/10/CAFR-2019.pdf.

Membership Participation

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

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 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 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 is a cost-sharing multiple-employer retirement system comprised of two separate plans for membership purposes. SERS Plan 2 is a defined benefit plan and SERS Plan 3 is a defined benefit plan with a defined contribution component. SERS members include classified employees of school districts and educational service districts.

SERS is reported as two separate plans for accounting purposes: Plan 2/3 and Plan 3. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

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

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

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

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

Plan Contributions

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The methods used to determine the contribution requirements are established under chapters 41.34 and 41.40 RCW for PERS, 41.34 and 41.35 RCW for SERS, and 41.32 and 41.34 RCW 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 various plans are effective as of the dates shown in the table. 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	9/1/18 Rate	
PERS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	12.86%	12.83%	
Pension Rates			
	9/1/19 Rate	9/1/18 Rate	
TRS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	15.51%	15.41%	
TRS 2			
Member Contribution Rate	7.77%	7.06%	
Employer Contribution Rate	15.51%	15.41%	
TRS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	15.51%	15.41%	**
SERS 2			
Member Contribution Rate	8.25%	7.27%	
Employer Contribution Rate	13.19%	13.58%	
SERS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.19%	13.58%	**
Note: The DRS administrative rate of .0018 is included in the employer rate.			
* = Variable from 5% to 15% based on rate selected by the member.			
** = Defined benefit portion only.			

The Collective Net Pension Liability

The collective net pension liabilities for the pension plans school districts participated in are reported in the following tables.

The Net Pension Liability as of June 30, 2019:				
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)

At June 30, 2019, the district reported a total liability of $11,044,182 for its proportionate shares of the individual plans' collective net pension liability. The district'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	1,488,158	2,397,739	40,953	43,654
Proportionate Share of the Net Pension Liability	7,980,708	2,808,993	204,159	50,323

At June 30, 2019, the district's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below.

Allocation percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.207542%	1.197875%	0.008246%	0.008352%
Prior year proportionate share of the Net Pension Liability	0.172725%	1.051272%	0.010575%	0.010759%
Net difference percentage	0.034817%	0.146603%	-0.002328%	-0.002407%

Actuarial Assumptions

Capital Market Assumptions (CMAs) and expected rates of return by asset class are provided by the Washington State Investment Board (WSIB). 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 Report 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 invest in:

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

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

The long-term expected rate of return of 7.40 percent 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:

TRS 1, 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 percent, 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 percent. 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 percent 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 percent 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 percent 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:

Plan Name 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		($533,178)
Changes in assumptions or other inputs		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date of the collective NPL	239,656	
TOTAL	**$239,656**	**($533,178)**

Plan Name SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$1,767,562	
Net difference between projected and actual earnings on pension plan investments		(2,385,423)
Changes in assumptions or other inputs	85,980	(596,605)
Changes in proportion and differences between contributions and proportionate share of contributions	517,725	(659,487)
Contributions subsequent to the measurement date	384,622	
TOTAL	**$2,755,890**	**($3,641,515)**

Plan Name 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		($15,657)
Changes in assumptions or other inputs		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	$8,257	
TOTAL	**$8,257**	**($15,657)**

Plan Name TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$34,990	($1,619)
Net difference between projected and actual earnings on pension plan investments		(43,446)
Changes in assumptions or other inputs	18,972	(13,371)
Changes in proportion and differences between contributions and proportionate share of contributions		(99,265)
Contributions subsequent to the measurement date	8,737	
TOTAL	**$62,699**	**($157,702)**

$641,272 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	(117,702)	(405,851)	(3,214)	(26,085)
2021	(278,802)	(900,715)	(8,406)	(28,632)

2022	(99,493)	(230,001)	(2,956)	(15,469)
2023	(37,181)	(49,210)	(1,082)	(10,994)
2024	-	252,473	-	(7,331)
Thereafter	-	63,058	-	(15,230)

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 proportion share of the collective net pension liability. For the year ending August 31, 2019, the district recognized a total pension expense as follows:

	Pension Expense
PERS 1	1,875,843
SERS 2/3	1,015,345
TRS 1	(65,254)
TRS 2/3	(343)
TOTAL	$2,825,592

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

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

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1 NPL	$4,815,609,000	$3,845,355,000	$3,003,532,000
Allocation Percentage	0.207542%	0.207542%	0.207542%
Proportionate Share of Collective NPL	$9,994,388	$7,980,708	$6,233,576
SERS 2/3 NPL	$1,141,883,000	$234,498,000	($513,722,000)
Allocation Percentage	1.197875%	1.197875%	1.197875%
Proportionate Share of Collective NPL	$13,678,330	$2,808,993	($6,153,747)
TRS 1 NPL	$3,164,358,000	$2,475,803,000	$1,878,531,000
Allocation Percentage	0.008246%	0.008246%	0.008246%
Proportionate Share of Collective NPL	$260,938	$204,159	$154,907
TRS 2/3 NPL	$3,283,747,000	$602,534,000	($1,577,475,000)
Allocation Percentage	0.008352%	0.008352%	0.008352%
Proportionate Share of Collective NPL	$274,256	$50,323	($131,749)

Note 7: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS

457 Plan – Deferred Compensation Plan

District employees have the option of participating in an IRC, Section 457, deferred compensation plan administered by the Washington State Department of Retirement Systems.

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 districts to have written plans to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by OMNI Group, (a third party administrator).

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

Access to Medical Benefits through the Washington State Health Care Authority (HCA)

The state, through the Health Care Authority (HCA), administers an agent multiple-employer other post-employment benefit plan. The Public Employees Benefits Board (PEBB), created within 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. Programs include medical, dental, life and long-term disability.

Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), 74 of the state's K–12 school and educational service districts (ESDs), and 236 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 238 K–12 school districts and ESDs. RCW 41.05.085 provides that contribution requirements of participating employers and of plan members are established by and may be amended by the HCA Board of Directors. Participating employers and active plan members are required to contribute the established benefit rates. All K-12 school districts and ESDs contribute the same rate which is set annually as an amount per pro-rated FTE under RCW 28A.400.410. Employers do not have the ability to contribute additionally to funding against future liabilities or impact funding progress on the actuarially determined liability of the HCA OPEB plan.

The district's retirees are eligible to participate in the PEBB plan under this arrangement. Currently, the District has 83 retirees and their spouses participating in the OPEB plan.

The district is deemed to provide to its retirees employer-provided subsidies associated with post-employment medical and life insurance benefits provided through the PEBB. According to state law, the Washington State Treasurer collects a fee from all school district entities which are not current active members of the state Health Care Authority but participate in the state retirement system. As outlined in the state's operating budget, districts are mandated to pay the state HCA $71.08 per month per full-time equivalent employee in the 2018-19 fiscal year to support the program. This assessment to the district is subject to change annually. Participation in the PEBB is limited to the district's retirees.

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. The "reporting date" is the district's fiscal year end date of August 31, 2019.

Significant Changes

The explicit subsidy will be increased to $183 per month effective January 1, 2020. This is reflected as an economic/demographic loss during the September 1, 2018 - August 31, 2019 period, and the impact of the change is reflected in the total OPEB liability as of August 31, 2019.

Plan Description

General Description

Employers participating in the PEBB plan include the Washington state general government agencies, higher education institutions, K-12 school and educational service districts and political subdivisions. Additionally, the PEBB's OPEB plan is available to retirees of K-12 school districts and educational service districts who do not participate in PEBB for insurance for their active employees. RCW 41.05.085 provides that contribution requirements of participating employers and of plan members are established by and may be amended by the HCA Board of Directors. Participating employers and active plan members are required to contribute the established benefit rates. All K-12 school districts and ESDs contribute the same rate which is set annually as an amount per pro-rated FTE under RCW 28A.400.410. Employers do not have the ability to contribute additionally to funding against future liabilities or impact funding progress on the actuarially determined liability of the HCA OPEB plan. The district does not participate in PEBB for insurance for its active employees. The district's established contribution to PEBB for retiree OPEB for the fiscal year ending August 31, 2019 under the required formula was $317,448.

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 the 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. The plan is funded on a pay-as-you-go basis and no assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75 (GASB 75).

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

Total OPEB Liability

The district's total OPEB Liability of $7,654,590 and $10,789,234 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.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the August 31, 2018 Actuarial Valuation, the Entry Age Actuarial Cost Method was used for determining the benefit obligations. Under the principles of this method, 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). For purposes of projecting benefits prior to the valuation date as required by the actuarial cost method, an assumed health cost trend equal to the first-year cost trend rate was used.

The portion of this actuarial present value allocated to a valuation year is called the service cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future service costs is the total OPEB liability under GASB 75.

Inflation – Price inflation of 2.75% was used and is based on the assumption developed by the Office of the State Actuary for the Public Employee Benefits Board (PEBB) and 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)[1]. Projected payroll increases have been assumed to be 3.5% which equals 0.75% real wage growth above inflation. Projected annual merit and longevity increases for SERS range from 6.60% for 0 years of service to 0.10% for 20 years of service. Projected annual merit and longevity increases for TRS range from 5.10% for 0 years of service to 0.10% for 25 years of service.

Discount Rate – The discount rate was based on the 20-year Tax Exempt Municipal Bond Yield (Bond Buyer General Obligation 20-bond municipal index for bonds that mature in 20 years). Discount rate assumptions were 3.96% 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 the Washington State SERS and TRS, 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[2], 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% - 4.5%	7.6% - 4.7%	12.5% - 4.7%

Dental cost trends are assumed to increase 1.1% to 4.0% for the years 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 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).**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 are the lessor of $150 or 50% of the monthly premiums. As of January 1, 2020, the subsidy will be increased to $183 per month. In 2019, retirees and spouses 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 that retirees on average and therefore can be expected to have lower average health costs. (For post-65 retirees and spouses, the retiree does not pay the full premium due to the explicit subsidy discussed above.) Under GASB 75, the total cost of benefit payments is to be based on claims costs or age adjusted premiums approximating claims costs. The projection of retiree premiums is based on current amounts for the retirees' share of the premium, projected with the medical trend assumption, varied by age and sex. Implicit subsidies for dental coverage are 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, 2019:

Changes in Total OPEB Liability	Year Ending August 31, 2019
Balance as of August 31, 2018	$7,654,590
Changes for the year:	
Service Cost	519,174
Interest on total OPEB Liability	320,283
Effect of plan changes	0

Effect of economic/demographic gains or losses	770,745
Effect of assumptions changes or inputs	1,697,736
Expected benefit payments	(173,294)
Balance as of August 31, 2019	$10,789,234

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 the changes in the Total OPEB Liability that is not immediately recognized in OPEB expense and includes the differences between expected and actual experience, changes in assumptions, and differences between expected and actual earnings on plan investments.

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

Sensitivity Analyses

The following presents the total OPEB liability of the employer, calculated using the discount rate of 2.97%, as well as what the employer'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 1.97%	**Discount Rate 2.97%**	**1% Increase 3.97%**
Total August 31, 2019 OPEB liability	$13,192,310	$10,789,234	$8,936,877

The following presents the total OPEB liability of the employer, calculated using the current healthcare cost trend rates as well as what the employer's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher that the current trend rates.

	1% Decrease	**Current Trend Rate**	**1% Increase**
Total August 31, 2019 OPEB liability	$8,613,967	$10,789,234	$13,750,976

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

The table below details the District's annual OPEB Expense for Fiscal Year ending August 31, 2019:

Fiscal Year Ending	August 31, 2018	August 31, 2019
Service Cost	$570,941	$519,174
Interest on total OPEB Liability	284,722	320,283
Recognition of Deferred Inflows/Outflows of resources:		
Recognition of economic/demographic gains and losses	0	78,647
Recognition of assumption changes or inputs	(67,121)	106,117
OPEB Expense	$788,542	$1,024,221

As of August 31, 2019, PSESD reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Inflows/Outflows	Deferred Inflows of resources	Deferred Outflows of resources
Differences between expected and actual experience		$692,098
Changes of Assumptions or inputs	(523,544)	1,524,498
Contributions made subsequent to the measurement date	N/A	N/A
Total	($523,544)	$2,216,596

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

Year ending August 31:	
2020	$184,764
2021	184,764
2022	184,764
2023	184,764
2024	184,764
Thereafter	769,232

Note 8: SHARED RISK POOL DISCLOSURES

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

Workers' Compensation Insurance Trust

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

The Trust provides industrial injury accident insurance coverage for its membership. The Trust is fully funded by its member participants. Member contributions are calculated based on the members' hours worked. The Trust retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts. The Trust acquires insurance from unrelated underwriters. The Trust's per-occurrence retention limit is $500,000 and the aggregate excess insurance is $64,917,460 aggregate total for the two years ending August 31, 2019. Since the Trust is a cooperative program, there is a joint liability among participating members. There were no significant reductions in insurance coverage and no claims exceeded insurance coverage for the past three years.

For fiscal year 2019, there are thirty-four members in the Trust including thirty-three participating school districts. A Board comprised of one designated representative from each participating member and a seven-member Executive Board governs the Trust. The Executive Board is elected by the Board. The district is responsible for conducting the business affairs of the Trust. At August 31, 2019, the amount of claims related liabilities totaled $ 31,191,651. This liability is the Districts best estimate based on available information. Changes in the reported liability since August 31, 2018, 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	$12,376,484	$3,344,896	$15,721,380
Open Claims Reserves	14,649,660	(4,672,101)	9,977,559
Future L & I Assessments	3,989,059	(396,347)	3,592,712
Est. Unallocated Loss Adj.	1,900,000		1,900,000

Exemption from Federal and State Taxes

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

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

Unemployment Compensation Insurance 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 pay for unemployment claims and for the administration of the fund. There is provision that members can be additionally assessed if the Pool needs additional funding.

For fiscal year 2019, there are 21 members in the Pool in addition to PSESD. The Pool is governed by a Cooperative Board, which is comprised of one designated representative from each participating member and a five-member Executive Board. Four members of the Executive Board are elected by the Cooperative Board and the fifth member is appointed by the District. At August 31, 2019, the amount of claims related liabilities totaled $ 848,441. This liability is the Districts best estimate based on available information. Changes in the reported liability since August 31, 2018, resulted in the following:

	Beginning Balance 9/1/2018	Current Year Claims and Changes in Estimates	Ending Balance 8/31/2019
Claims Reserves	$603,674	$ 128,672	$732,346
Est. Unallocated Loss Adj.	85,140	30,955	116,095

Note 9: RISK MANAGEMENT

The District is a member of the Washington Schools Risk Management Pool. This Pool provides property and casualty insurance coverage for its membership as authorized by Chapter 48.62 RCW. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed on August 30, 1986 to pool their self-insured losses and jointly purchase insurance and administrative services. The District joined the Pool effective August 30, 1986.

The Pool purchases excess insurance coverage and provides related services, such as administration, risk management and claims administration. All coverage is on an occurrence basis. The Pool provides the following forms of group purchased insurance coverage for its members: Property, including owned buildings, automobiles and equipment, Equipment Breakdown, Commercial Crime, Network Security, General Liability, Errors and Omissions Liability and Employment Practices Liability. PSESD is responsible for the first $1,000 of all property claims. There is no member deductible for liability claims. The Pool self-insures the first $1,000,000 and purchases excess insurance to cover losses over $1,000,000 up to the limits of each policy. There were no significant reductions in insurance coverage and no claims exceeded insurance coverage for the past three years.

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

Members contract to remain in the Pool for a minimum of three years and must give notice three years before terminating participation. The Cooperative Risk Management Pool Account Agreement is renewed automatically each year after the initial three-year period. Even after termination, a member is still responsible for their share of contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Cooperative Risk Management Pool Account 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. The 17-member Executive Board is elected at the annual meeting and is responsible for overseeing the business affairs of the Pool. Financial statements and disclosures for the Pool can be obtained from the following address:

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

Note 10: NET POSITION, RESTRICTED

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

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

Support Program	Amount
Adult Education	$132,619
Alternative Learning Experience	961,716
Data Processing	190,603
Early Childhood	4,745,412
Educational Technology	(16,515)
Highly Capable	2,276
Instructional Resources	167,584
Math and Science	1,088,253
Other Instructional Support Programs	1,548,307
Other Non Instructional Support	666,785
Safe and Drug-Free Schools	138,119
Special Education	459,150
Staff Development	366,375
Transportation	115,472
Transportation Equipment	226,936
Total Restricted for Support Programs	$10,793,092

Restricted for Debt Service: The district has a restriction of $777,113 worth of net assets to pay for future debt service.

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

Note 11: COMPENSATED ABSENCES LIABILITY FUND

Compensated Absences Liability Fund

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

For fiscal year 2019, there are five members in the Fund including four participating school districts. The Fund allows members to accumulate dedicated funds for payment of leave related to sick leave and vacation leave buy out at retirement and certain other instances. Payroll contributions are made to the Fund at the time leave is earned to reserve assets for expenditures. Coverage is on an “occurrence” basis. Expenditures of leave taken during employment continue to be recorded when paid.

The district contributes to the Compensated Absences Liability Pool for liabilities relating to sick leave and vacation leave cash outs. As of August 31, 2019, the district’s total compensated absences balance in the pool was $528,273.

Changes for the fiscal year are summarized below.

		Balance at 8/31/2019
Beginning Liability		$2,006,654
Beginning Pool Balance	555,133	
Payments to Pool	340,231	
Interest	28,343	
Withdrawals from Pool	(395,435)	
Ending Pool Balance	528,273	
Increase (Decrease) to Estimates of Long-term Liability		11,085
Ending Liability		$2,017,739

Note 12: INVESTMENT IN JOINT VENTURE

Washington School Information Processing Cooperative

The district is a member of the Washington Information Processing Cooperative (WSIPC). The WSIPC Board of Directors consists of a member of each the nine Educational Service Districts (ESDs) in the state. ESD 123 is the Fiscal Agent of the Joint Venture and answers directly to the WSIPC Board of Directors on financial matters.

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
Noncurrent Assets	1,811,056

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

The district's share of the total investment in the joint venture is ($92,914) and is reported on the Statement of Net Position as a noncurrent asset. The District made no capital contributions to the joint venture during 2018 and 2019, respectively. There were no distributions in 2018 and 2019. The change in net position from fiscal year 2018 to 2019 is $8,777 has been reported on the Statement of Revenues, Expenses and Changes in Fund Net Position.

NOTE 13: SUBSEQUENT EVENTS

PSESD has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended August 31, 2019 through March of 2020.

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of the COVID-19 pandemic. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, ordering work from home plan and limiting gathering sizes.

Executive Leadership Team is gathering and analyzing information from programs, grantees, federal and state agencies, and school districts to inform the fiscal impact. The length of time these measures will be in place, and the full extent of the financial impact on PSESD is unknown at this time.

NOTE 14: PRIOR PERIOD ADJUSTMENTS

Beginning this fiscal year (18/19), federally purchased equipment with an acquisition cost of at least $50,000 are presented on the financial statements. A prior period adjustment of $1,228,258 was recorded.

NOTE 15 UNPAID CLAIMS LIABILITIES

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

	8/31/2019	8/31/2018
Unpaid claims and claim adjustment expenses at beginning of year	$ **27,026**	$ **24,454**
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	**15,100**	**15,075**
Increase (decrease) in provision for insured events of prior years	(2,950)	1,289
Total incurred claims and claim adjustment expenses	12,150	16,364
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	**5,171**	**5,548**
Claims and claim adjustment expenses attributable to insured events of prior years	**8,307**	**8,244**
Total payments	**13,478**	**13,792**
Total unpaid claims and claim adjustment expenses at end of year (undiscounted)	$25,698	$27,026
Unallocated loss adjustment expense/claim reserve at end of year	**1,900**	**1,900**
Total claims reserves at end of year	$27,598	$28,926

REQUIRED SUPPLEMENTAL INFORMATION (RSI)

PSESD Workers Compensation Pool
Notes to the Comparative Schedule of Claims Development Information
For the Ten Year Period Ended August 31, 2019

(In Thousands of Dollars)

The Comparative Schedule of Claims Development Information presented as required supplemental information illustrates how the PSESD's Workers Compensation Trust's earned revenue (net of reinsurance) and investment income compared to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Trust as of the end of each of the last ten years. The rows of the table are defined as follows:

(1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

(2) This line shows each fiscal year's other operating costs of the Trust including overhead and claims expense not allocable to individual claims.

(3) This line shows the incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

(4) This section of rows shows the cumulative amounts paid as of the end of successive years for each policy year.

(5) This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.

(6) This section of rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.

(7) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

PSESD Workers Compensation Pool
Comparative Schedule of Claims Development Information
For the Ten Year Period Ended August 31, 2019
(In thousands)

	8/31/2010	8/31/2011	8/31/2012	8/31/2013	8/31/2014	8/31/2015	8/31/2016	8/31/2017	8/31/2018	8/31/2019
Required contribution and										
investment revenues	25,250	25,257	24,321	23,943	24,539	25,648	27,163	28,292	29,138	31,405
Ceded	613	623	653	617	630	634	670	750	701	725
Net earned	24,637	24,633	23,668	23,326	23,909	25,014	26,493	27,542	28,437	30,680
Unallocated expenses	9,604	10,180	8,073	10,343	8,775	9,345	10,608	11,808	12,468	11,918
Estimated incurred claims and expense,										
end of policy year	13,306	13,302	13,971	12,480	14,107	14,309	14,509	14,027	15,352	15,398
Ceded	338	327	221	180	107	109	309	321	277	298
Net incurrred	12,968	12,975	13,750	12,300	14,000	14,200	14,200	13,706	15,075	15,100
Net paid (cumulative) as of:										
end of policy year	4,228	4,416	4,831	3,942	4,033	4,401	4,617	4,984	5,548	5,171
one year later	8,089	8,154	9,171	7,561	8,465	8,447	8,615	8,880	9,354	
two years later	10,129	10,193	11,112	9,357	10,185	10,006	10,059	10,522		
three years later	11,427	11,191	12,123	10,525	11,298	10,821	10,919			
four years later	12,099	11,800	12,687	11,244	11,945	11,380				
five years later	12,636	12,032	13,230	11,756	12,284					
six years later	13,073	12,164	13,626	12,174						
seven years later	13,322	12,280	13,908							
eight years later	13,444	12,387								
nine years later	13,503									
Reestimated ceded claims and expenses:	904	1,559	309	325	68	89	108	137	193	298
Reestimated incurred claims and expense:										
end of policy year	12,968	12,975	13,750	12,300	14,000	14,200	14,200	13,706	15,075	15,100
one year later	12,525	12,550	13,900	12,500	14,100	13,675	13,700	14,500	14,600	
two years later	12,750	13,200	14,100	12,450	13,525	12,800	13,600	13,700		
three years later	13,550	13,400	14,300	12,725	13,500	13,050	13,000			
four years later	13,700	13,280	14,250	12,525	13,460	12,775				
five years later	13,850	13,050	14,350	12,850	13,250					
six years later	13,925	12,875	14,650	12,850						
seven years later	13,920	12,835	14,450							
eight years later	13,975	12,685								
nine years later	13,735									
Increase (decrease) in estimated incurred										
claims and expense from end of policy year	767	(290)	700	550	(750)	(1,425)	(1,200)	(6)	(475)	-

PSESD Workers Compensation Trust
Reconciliation Of Claims Liabilities by Type of Contract
For The Fiscal Years Ended August 31, 2019, and 2018

	Employee Health and Accident	
	2019	**2018**
Unpaid claims and claim adjustment expenses at beginning of year	27,026,146	24,453,991
Incurred claims and claim adjustment expenses:		
Provision for insured events of Current year	15,100,000	15,075,000
Increases in provision for insured Events of prior years	(2,949,500)	1,289,172
Changes in Unallocated loss adjustment expense		
Total incurred claims and claim adjustment expenses	12,150,500	16,364,172
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	5,170,596	5,547,503
Claims and claim adjustment expenses attributable to insured events of prior years	8,307,105	8,244,514
Total payments	13,477,701	13,792,017
Total unpaid claims and claim adjustment expenses at end of year	$25,698,945	$27,026,146

Puget Sound Educational Service District No 121
Schedule of Proportionate Share on Net Pension Liability
As of June 30
(Amounts in thousands)
Schedule to be built prospectively until they contain ten years of data

PERS 1

	2015	2016	2017	2018	2019
District's Proportion of the net pension liability (percentage)	0.198741%	0.194731%	0.193531%	0.172725%	0.207542%
District's proportionate share of the net pension liability (amount)	10,396	10,458	9,183	7,714	7,981
District's covered-employee payroll	22,470	23,408	24,342	23,098	29,052
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	**46.27%**	**44.68%**	**37.73%**	**33.40%**	**27.47%**
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%

SERS 2/3

	2015	2016	2017	2018	2019
District's Proportion of the net pension liability (percentage)	1.286446%	1.251862%	1.189133%	1.051272%	1.197875%
District's proportionate share of the net pension liability (amount)	5,225	8,222	5,868	3,144	2,809
District's covered-employee payroll	22,143	23,144	24,293	23,052	28,995
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	**23.60%**	**35.52%**	**24.16%**	**13.64%**	**9.69%**
Plan fiduciary net position as a percentage of the total pension liability	90.92%	86.52%	90.79%	94.77%	96.31%

TRS 1

	2015	2016	2017	2018	2019
District's Proportion of the net pension liability (percentage)	0.019633%	0.019278%	0.015846%	0.010575%	0.008246%
District's proportionate share of the net pension liability (amount)	622	658	479	309	204
District's covered-employee payroll	970	982	890	625	558
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	**64.15%**	**67.02%**	**53.82%**	**49.45%**	**36.62%**
Plan fiduciary net position as a percentage of the total pension liability	65.70%	62.07%	65.58%	66.52%	70.37%

Puget Sound Educational Service District No 121
Schedule of Proportionate Share on Net Pension Liability
As of June 30
(Amounts in thousands)
Schedule to be built prospectively until they contain ten years of data

TRS 2/3					
	2015	2016	2017	2018	2019
District's Proportion of the net pension liability (percentage)	0.020721%	0.019769%	0.016234%	0.010759%	0.008352%
District's proportionate share of the net pension liability (amount)	175	271	150	48	50
District's covered-employee payroll	970	982	890	625	558
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	**18.03%**	**27.65%**	**16.83%**	**7.75%**	**9.03%**
Plan fiduciary net position as a percentage of the total pension liability	92.48%	88.72%	93.14%	96.88%	96.36%

Puget Sound Educational Service District No 121
Schedule of Employer Contributions
As of August 31
(Amounts in thousands)
Schedule to be built prospectively until they contain ten years of data

PERS 1

	2015	2016	2017	2018	2019
Contractually required contribution	925	1,137	1,173	1,278	1,408
Contributions in relation to the contractually required contributions	(925)	(1,137)	(1,173)	(1,278)	(1,408)
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	22,722	23,561	24,519	25,343	27,371
Contribution as a percentage of covered-employee payroll	4.07%	4.83%	4.78%	5.04%	5.14%

SERS 2/3

	2015	2016	2017	2018	2019
Contractually required contribution	1,264	1,548	1,622	2,091	2,259
Contributions in relation to the contractually required contributions	(1,264)	(1,548)	(1,622)	(2,091)	(2,259)
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	22,393	23,346	24,471	25,292	27,318
Contribution as a percentage of covered-employee payroll	5.65%	6.63%	6.63%	8.27%	8.27%

TRS 1

	2015	2016	2017	2018	2019
Contractually required contribution	43	61	53	48	39
Contributions in relation to the contractually required contributions	(43)	(61)	(53)	(48)	(39)
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	945	982	848	672	525
Contribution as a percentage of covered-employee payroll	4.52%	6.21%	6.23%	7.19%	7.40%

Puget Sound Educational Service District No 121
Schedule of Employer Contributions
As of August 31
(Amounts in thousands)
Schedule to be built prospectively until they contain ten years of data

TRS 2/3					
	2015	2016	2017	2018	2019
Contractually required contribution	54	66	57	53	41
Contributions in relation to the contractually required contributions	(54)	(66)	(57)	(53)	(41)
Contribution deficiency (excess)	-	-	-	-	-
District’s covered-employee payroll	945	982	848	672	525
Contribution as a percentage of covered-employee payroll	5.69%	6.71%	6.72%	7.83%	7.83%

Puget Sound Educational Service District No 121
Schedule of Changes in Total OPEB Liability and Related Ratio
As of August 31
(Amounts in thousands)
Schedule to be built prospectively until they contain ten years of data

	2018	2019
Total OPEB Liability		
Total OPEB liability, beginning	$ 7,623	$ 7,655
Changes for year:		
Service cost	571	519
Interest on total OPEB liability	285	320
Changes in benefit terms	-	
Effect of economic/demographic gains or (losses)	-	771
Effect of assumption changes or inputs	(658)	1,698
Expected benefit payments	(167)	(173)
Net change in total OPEB Liability	31	3,134
Total OPEB liability, ending	**$ 7,655**	**$ 10,789**
Covered employee payroll	27,786	24,613
Total OPEB liability as a % of covered employee payroll	27.55%	43.83%

Notes to Schedule:
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits. This is a pay-as you go plan.
Changes of benefit terms: There are not changes of benefit terms.
Changes of assumptions: Changes of assumptions and other inputs reflect the effect of changes in the discount rate each period.

Puget Sound Educational Service District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Child and Adult Care Food Program	10.558	3400-0180-3449	543,743	-	543,743	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Child and Adult Care Food Program	10.558	3400-3170-3449	56,422	-	56,422	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Child and Adult Care Food Program	10.558	3435-0170-3449	2,043	-	2,043	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Child and Adult Care Food Program	10.558	3435-0180-3449	15,680	-	15,680	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Child and Adult Care Food Program	10.558	3435-3180-3449	3,271	-	3,271	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Child and Adult Care Food Program	10.558	3440-0170-3449	25,495	-	25,495	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Child and Adult Care Food Program	10.558	3440-0180-3449	240,140	-	240,140	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Child and Adult Care Food Program	10.558	3440-3180-3449	39,550	-	39,550	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Child and Adult Care Food Program	10.558	3471-0180-3449	15,404	-	15,404	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Child and Adult Care Food Program	10.558	3471-3170-3449	1,474	-	1,474	-	

The accompanying notes are an integral part of this schedule.

Puget Sound Educational Service District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Child and Adult Care Food Program	10.558	3474-0170-3449	1,964	-	1,964	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Child and Adult Care Food Program	10.558	3474-0180-3449	17,576	-	17,576	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Child and Adult Care Food Program	10.558	3474-3180-3449	2,452	-	2,452	-	
			Total CFDA 10.558:	**965,214**	**-**	**965,214**	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	5908-0180-0000	-	111,815	111,815	30,477	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	5908-0190-0000	-	260,579	260,579	109,418	
			Total CFDA 16.560:	**-**	**372,394**	**372,394**	139,895	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via OSPI)	STOP School Violence	16.839	5995-0180-0000	28,148	-	28,148	-	
NATIONAL ENDOWMENT FOR THE ARTS, NATIONAL ENDOWMENT FOR THE ARTS (via WAC)	Promotion of the Arts Partnership Agreements	45.025	2602-0180-0000	4,999	-	4,999	-	

The accompanying notes are an integral part of this schedule.

Puget Sound Educational Service District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	1630-0180-0000	408,086	-	408,086	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	5915-0170-0000	1,779	-	1,779	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	5915-0180-0000	243,146	-	243,146	-	
			Total CFDA 84.010:	**653,010**	**-**	**653,010**	-	
Special Education Cluster (IDEA)								
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	Special Education Grants to States	84.027	1240-0170-0000	22,289	-	22,289	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	Special Education Grants to States	84.027	1240-0180-0000	500,738	-	500,738	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	Special Education Grants to States	84.027	1241-0180-0000	625	-	625	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	Special Education Grants to States	84.027	1242-0180-0000	25,807	-	25,807	-	

The accompanying notes are an integral part of this schedule.

Puget Sound Educational Service District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via NCESD 171)	Special Education Grants to States	84.027	1251-0170-0000	8,257	-	8,257	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via NCESD 171)	Special Education Grants to States	84.027	1251-0180-0000	287,940	-	287,940	-	
			Total CFDA 84.027:	**845,656**	**-**	**845,656**	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	Special Education Preschool Grants	84.173	1244-0180-0000	58,448	-	58,448	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via NCESD 171)	Special Education Preschool Grants	84.173	1255-0170-0000	1,014	-	1,014	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via NCESD 171)	Special Education Preschool Grants	84.173	1255-0180-0000	37,850	-	37,850	-	
			Total CFDA 84.173:	**97,313**	**-**	**97,313**	-	
			Total Special Education Cluster (IDEA):	**942,969**	**-**	**942,969**	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via Franklin Pierce SD)	Indian Education Grants to Local Educational Agencies	84.060	3694-0180-0000	141,891	-	141,891	-	

The accompanying notes are an integral part of this schedule.

Puget Sound Educational Service District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via Franklin Pierce SD)	Indian Education Grants to Local Educational Agencies	84.060	3694-0190-0000	5,718	-	5,718	-	
			Total CFDA 84.060:	**147,609**	**-**	**147,609**	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via ESD 112)	Special Education-Grants for Infants and Families	84.181	1232-0180-0000	5,734	-	5,734	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via DCYF)	Special Education-Grants for Infants and Families	84.181	1253-0180-0000	18,418	-	18,418	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via DCYF)	Special Education-Grants for Infants and Families	84.181	1253-0190-0000	1,672	-	1,672	-	
			Total CFDA 84.181:	**25,824**	**-**	**25,824**	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Twenty-First Century Community Learning Centers	84.287	5969-0170-0000	7,699	-	7,699	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Twenty-First Century Community Learning Centers	84.287	5969-0180-0000	384,136	-	384,136	-	

The accompanying notes are an integral part of this schedule.

Puget Sound Educational Service District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Twenty-First Century Community Learning Centers	84.287	5951-0170-0000	12,583	-	12,583	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Twenty-First Century Community Learning Centers	84.287	5951-0180-0000	385,796	-	385,796	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Twenty-First Century Community Learning Centers	84.287	5964-0170-0000	11,414	-	11,414	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Twenty-First Century Community Learning Centers	84.287	5964-0180-0000	301,856	-	301,856	-	
			Total CFDA 84.287:	**1,103,484**	**-**	**1,103,484**	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via NCESD 171)	Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	1252-0170-0000	9,006	-	9,006	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via NCESD 171)	Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	1252-0180-0000	157,801	-	157,801	-	
			Total CFDA 84.326:	**166,807**	**-**	**166,807**	-	

The accompanying notes are an integral part of this schedule.

Puget Sound Educational Service District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
OII - OFFICE OF INNOVATION AND IMPROVEMENT, EDUCATION, DEPARTMENT OF	Arts in Education	84.351	2611-0170-0000	-	33,854	33,854	-	
EDUCATION, DEPARTMENT OF (via OSPI)	Mathematics and Science Partnerships	84.366	2450-0170-0000	4,984	-	4,984	5,713	4
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via ESD 112)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1642-0180-0000	4,000	-	4,000	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via OSPI)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	2058-0180-0000	3,003	-	3,003	-	
			Total CFDA 93.243:	**7,003**	**-**	**7,003**	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	3435-0170-0000	-	427,305	427,305	236,864	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	3435-0180-0000	-	1,555,072	1,555,072	938,582	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	3440-0170-0000	-	3,659,656	3,659,656	1,252,396	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	3440-0180-0000	-	11,682,636	11,682,636	6,004,410	

The accompanying notes are an integral part of this schedule.

Puget Sound Educational Service District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	3471-0170-0000	-	91,104	91,104	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	3471-0180-0000	-	3,065,137	3,065,137	1,361,585	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	3474-0170-0000	-	659,839	659,839	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	3474-0180-0000	-	2,837,742	2,837,742	-	
			Total CFDA 93.600:	**-**	**23,978,492**	**23,978,492**	9,793,836	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via OSPI)	Opioid STR	93.788	2066-0180-0000	6,300	-	6,300	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via KING Co.)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	2057-0180-0000	44,113	-	44,113	-	

The accompanying notes are an integral part of this schedule.

Puget Sound Educational Service District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via KING Co.)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	2057-0190-0000	65,816	-	65,816	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via KING Co.)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	2057-0200-0000	25,813	-	25,813	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via OSPI)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	2082-0180-0000	609,870	-	609,870	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via OSPI)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	2082-0190-0000	4,603	-	4,603	-	
			Total CFDA 93.959:	**750,216**	**-**	**750,216**	-	
			Total Federal Awards Expended:	**4,806,567**	**24,384,739**	**29,191,306**	**9,939,445**	

The accompanying notes are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2018

Note 1 - Basis of Accounting

This Schedule is prepared on the same basis of accounting as the Puget Sound Educational Service district's financial statements. The district uses the accrual basis of accounting used by the district.

Note 2 – Program Costs

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

Note 3 – Indirect Cost Rate

The District used the federal (restricted/unrestricted) rate of 7.38%/13.00%.

The District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 – Unlisted CFDA Number

District received a budget extension through 10/31/18. Difference in subaward and expenditures is indirect credit.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov