



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Educational Service District No. 112

For the period September 1, 2019 through August 31, 2020

Published March 15, 2021

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

March 15, 2021

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

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Educational Service District No. 112 September 1, 2019 through August 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the District.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the District's compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
84.027	Special Education Cluster (IDEA) – Special Education Grants to States
84.173	Special Education Cluster (IDEA) – Special Education Preschool Grants

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Educational Service District No. 112 September 1, 2019 through August 31, 2020

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of each major fund of Educational Service District No. 112, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 9, 2021.

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 14 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy

State Auditor

Olympia, WA

March 9, 2021

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Educational Service District No. 112 September 1, 2019 through August 31, 2020

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Educational Service District No. 112, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2020. 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, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE


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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly legible.

Pat McCarthy
State Auditor
Olympia, WA

March 9, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Educational Service District No. 112 September 1, 2019 through August 31, 2020

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of each major fund of Educational Service District No. 112, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 16.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of Educational Service District No. 112, as of August 31, 2020, 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 14 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. 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.

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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Pat McCarthy
State Auditor
Olympia, WA

March 9, 2021

FINANCIAL SECTION

Educational Service District No. 112 September 1, 2019 through August 31, 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2020
Statement of Revenues, Expenses and Changes in Fund Net Position – 2020
Statement of Cash Flows – 2020
Notes to the Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Changes in Total OPEB Liability and Related Ratios and Notes – 2020
Schedules of Proportionate Share of the Net Pension Liability – PERS 1, SERS 2/3, TRS1, TRS 2/3 – 2020
Schedules of Employer Contributions – PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2020
SW WA Workers' Compensation Cooperative – Claims Development Information – 2020
Notes to the SW WA Workers' Compensation Cooperative – Claims Development Information – 2020
SW WA Risk Management Insurance Cooperative – Claims Development Information – 2020
Notes to the SW WA Risk Management Insurance Cooperative – Claims Development Information – 2020
Reconciliation of Claims Liabilities – SW WA Workers' Compensation Cooperative, SW WA Risk Management Insurance Cooperative – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020
Notes to the Schedule of Expenditures of Federal Awards – 2020
SW WA Unemployment Compensation Cooperative – Claims Development Information – 2020
Notes to the SW WA Unemployment Compensation Cooperative – Claims Development Information – 2020

SW WA Workers' Compensation Cooperative – Public Entity Risk Pool List of
Participating Members – 2020
SW WA Workers' Compensation Cooperative – DES Schedule of Expenses – 2020
SW WA Risk Management Insurance Cooperative – Public Entity Risk Pool List of
Participating Members – 2020
SW WA Risk Management Insurance Cooperative – DES Schedule of Expenses – 2020
SW WA Unemployment Compensation Cooperative – Public Entity Risk Pool List of
Participating Members – 2020
SW WA Unemployment Compensation Cooperative – DES Schedule of Expenses – 2020
Presenting Effect of Long Term Obligations for Funding State-mandated and
Administered Retirement Benefit Plans – 2020

Educational Service District 112
STATEMENT OF NET POSITION - ALL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

	NOTE REF	OPERATING FUND	WORKERS		UNEMPLOYMENT	PROPERTY	CHILDCARE FUND	TOTAL ALL FUNDS
			COMPENSATION RISK	FUND	RISK FUND	CASUALTY RISK FUND		
ASSETS								
CURRENT ASSETS								
Cash and Cash Equivalents	Note 1	\$ 80,575	\$ 701	\$ 770	\$ 595	\$ 11,000	\$ 93,641	
Investments	Note 1	17,880,219	13,455,721	5,792,018	7,653,150	101,378	44,882,486	
Accounts Receivable (net of uncollectible allowance)	Note 1	7,885,537	304,906	87,685		110,996	8,389,124	
Other Receivables - Interfund	Note 12	468,960					468,960	
Inventory	Note 1	1,251,873					1,251,873	
Prepays	Note 1	90,493					90,493	
TOTAL CURRENT ASSETS		27,657,657	13,761,328	5,880,473	7,653,745	223,374	55,176,576	
NONCURRENT ASSETS								
Capital Assets-								
Land and Land Improvements		8,400,156					8,400,156	
Construction in Progress		130,728					130,728	
Building & improvements		24,725,830					24,725,830	
Equipment		3,894,577					3,894,577	
Less: Accumulated Depreciation		(9,395,166)					(9,395,166)	
Net Capital Assets	Note 3	27,756,125	-	-	-	-	27,756,125	
Investment in Joint Venture	Note 11	(31,623)					(31,623)	
TOTAL NONCURRENT ASSETS		27,724,502	-	-	-	-	27,724,502	
TOTAL ASSETS								
		\$ 55,382,159	\$ 13,761,328	\$ 5,880,473	\$ 7,653,745	\$ 223,374	\$ 82,901,078	

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

Educational Service District 112
STATEMENT OF NET POSITION - ALL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

	NOTE REF	OPERATING FUND	WORKERS		UNEMPLOYMENT	PROPERTY	CHILD CARE FUND	TOTAL ALL FUNDS
			COMPENSATION RISK FUND	RISK FUND	CASUALTY RISK FUND			
DEFERRED OUTFLOWS OF RESOURCES								
Deferred OutFlows Related to Pensions	Notes 1,6	\$ 5,297,925	\$ 66,763	\$ 18,276	\$ 38,795	\$ 103,106	\$ 5,524,865	
Deferred OutFlows Related to OPEB	Notes 1,7	4,897,730	44,499	9,609	23,999	108,482	5,084,319	
TOTAL DEFERRED OUTFLOWS OF RESOURCES		\$ 10,195,655	\$ 111,262	\$ 27,885	\$ 62,794	\$ 211,588	\$ 10,609,184	
LIABILITIES								
CURRENT LIABILITIES								
Accounts Payable	Note 1	\$ 3,475,950	\$ 1,053,923	\$ 1,126,629	\$ 2,270	\$ 91,308	\$ 5,750,080	
Notes Payable	Note 4	7,015					7,015	
Accrued Interest Payable	Note 4	424,016					424,016	
Accrued Salaries	Note 1	185,762					185,762	
Payroll Deductions & Taxes Payable	Note 1	46,921					46,921	
Other Payables - Interfund	Note 12		45,094	17,019	52,770	354,077	468,960	
Compensated Absences	Note 1	155,300	5,450	1,650	2,600		165,000	
Total OPEB Liability	Notes 4,7	193,282	1,756	379	947	4,281	200,645	
Bonds Payable	Note 4	1,358,774					1,358,774	
Leases Payable	Notes 4,5	29,689					29,689	
Claim Reserves- IBNR	Notes 4,9		855,733		215,625		1,071,358	
Open Claims	Notes 4,9	130,115	1,637,147	1,071,945	777,507		3,616,714	
Deposits	Note 1	21,195					21,195	
Unearned Revenue	Note 1	120,388				10,988	131,376	
TOTAL CURRENT LIABILITIES		6,148,407	3,599,103	2,217,622	1,051,719	460,654	13,477,504	

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

Educational Service District 112
STATEMENT OF NET POSITION - ALL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

	NOTE REF	OPERATING FUND	WORKERS COMPENSATION RISK FUND	UNEMPLOYMENT RISK FUND	PROPERTY CASUALTY RISK FUND	CHILDCARE FUND	TOTAL ALL FUNDS
NONCURRENT LIABILITIES							
Compensated Absences	Notes 1,4	1,420,519	47,778	15,075	23,800		1,507,172
Notes Payable	Note 4	273,585					273,585
Claim Reserves-							
IBNR	Notes 4, 9		1,135,073		207,244		1,342,317
Open Claims	Notes 4, 9		1,617,494		1,211,485		2,828,979
Unallocated Loss Adjustment Expenses	Notes 4, 9		414,000	50,000	190,000		654,000
Future L&I Assessments	Notes 4, 9		1,184,946				1,184,946
Net Pension Liability	Notes 4,6	15,365,928	196,871	53,894	114,400	304,041	16,035,134
Total OPEB Liability	Notes 4,7	16,377,202	148,798	32,129	80,250	362,747	17,001,126
Bonds Payable	Note 4	21,346,195					21,346,195
Leases Payable	Notes 4,7	200,454					200,454
TOTAL NONCURRENT LIABILITIES		54,983,883	4,744,960	151,098	1,827,179	666,788	62,373,908
TOTAL LIABILITIES							
		\$ 61,132,290	\$ 8,344,063	\$ 2,368,720	\$ 2,878,898	\$ 1,127,441	\$ 75,851,413
DEFERRED INFLOWS OF RESOURCES							
Deferred InFlows Related to Pensions	Notes 1,6	\$ 1,002,810	\$ 11,631	\$ 3,184	\$ 6,759	\$ 17,962	\$ 1,042,346
Deferred InFlows Related to OPEB	Notes 1,7	936,754	8,511	1,838	4,590	20,749	972,442
TOTAL DEFERRED INFLOWS OF RESOURCES		\$ 1,939,564	\$ 20,142	\$ 5,022	\$ 11,349	\$ 38,711	\$ 2,014,788
NET POSITION							
Net Investment in Capital Assets		\$ 4,540,412	\$ -	\$ -	\$ -	\$ -	\$ 4,540,412
Restricted	Note 10	903,838	5,764,690	3,598,155	4,970,443		15,237,126
Unrestricted	Note 10	(2,938,290)	(256,305)	(63,539)	(144,151)	(731,191)	(4,133,476)
TOTAL NET POSITION		\$ 2,505,960	\$ 5,508,385	\$ 3,534,616	\$ 4,826,292	\$ (731,191)	\$ 15,644,062

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

Educational Service District 112
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2020

NOTE REF	OPERATING FUND	WORKERS COMPENSATION RISK FUND	UNEMPLOYMENT RISK FUND	PROPERTY CASUALTY RISK FUND	CHILDCARE FUND	TOTAL ALL FUNDS
OPERATING REVENUES						
	\$ 1,797,958	\$ -	\$ -	\$ -	3,217,373	\$ 5,015,331
Local Sources						
State Sources	32,406,344	-	-	-	1,468,717	33,875,061
State Allotment	831,760	-	-	-	-	831,760
Federal Sources	11,430,596	-	-	-	111,530	11,542,126
Cooperative Programs	10,298,621	-	-	-	-	10,298,621
Other Programs	22,790,757	-	-	-	199,249	22,990,006
Member Assessments/Contributions		8,244,933	1,135,233	3,149,371	-	12,529,537
Other Operating Revenue	-	1,031	-	-	-	1,031
TOTAL OPERATING REVENUE	\$ 79,556,036	\$ 8,245,964	\$ 1,135,233	\$ 3,149,371	\$ 4,996,869	\$ 97,083,473
OPERATING EXPENSES						
General Operations and Administration	4,723,172	833,322	222,312	570,877	-	6,349,683
Instructional Support Programs	48,960,749	-	-	-	5,321,132	54,281,881
Non Instructional Support Programs	19,724,779	-	-	-	-	19,724,779
Incurred Loss/Loss Adjustment Expenses-						
Paid on Current Losses	-	2,824,367	1,495,244	1,124,177	-	5,443,788
Change in Loss Reserves	-	193,641	986,531	1,819,204	-	2,999,376
Excess/Reinsurance Premiums	-	153,015	-	1,443,468	-	1,596,483
Professional Fees	168,198	10,991	-	1,697	8,211	189,097
Labor & Industries Assessments	-	2,687,091	-	-	-	2,687,091
Depreciation/Depletion	1,427,063	-	-	-	-	1,427,063
Other Operating Expenses	-	86,472	182	11,720	7,345	105,719
TOTAL OPERATING EXPENSES	\$ 75,003,961	\$ 6,788,899	\$ 2,704,269	\$ 4,971,143	\$ 5,336,688	\$ 94,804,960
OPERATING INCOME (LOSS)						
	\$ 4,552,075	\$ 1,457,065	\$ (1,569,036)	\$ (1,821,772)	\$ (339,819)	\$ 2,278,513

Educational Service District 112
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2020

NOTE REF	OPERATING FUND	WORKERS COMPENSATION RISK FUND	UNEMPLOYMENT RISK FUND	PROPERTY CASUALTY RISK FUND	CHILDCARE FUND	TOTAL ALL FUNDS
NONOPERATING REVENUES (EXPENSES)						
Note 2	222,727	217,619	100,274	152,746	10,943	704,309
Interest and Investment Income	(894,691)	-	-	-	-	(894,691)
Interest Expense and Related Charges	852,633	-	-	-	-	852,633
Lease Income	61,291	-	-	-	-	61,291
Change in Joint Venture	173,542	-	-	-	-	173,542
Other Nonoperating Revenues	415,502	217,619	100,274	152,746	10,943	897,084
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ 4,967,577	\$ 1,674,684	\$ (1,468,762)	\$ (1,669,026)	\$ (328,876)	\$ 3,175,597
INCREASE (DECREASE) IN NET POSITION						
NET POSITION - BEGINNING BALANCE	\$ (2,461,617)	\$ 3,833,701	\$ 5,003,378	\$ 6,495,318	\$ (402,315)	\$ 12,468,465
NET POSITION - ENDING BALANCE	\$ 2,505,960	\$ 5,508,385	\$ 3,534,616	\$ 4,826,292	\$ (731,191)	\$ 15,644,062
CHECK (should be zero)	0	-	0	0	0	0

Educational Service District 112
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2020

	OPERATING FUND	WORKERS COMPENSATION RISK FUND	UNEMPLOYMENT RISK FUND	PROPERTY CASUALTY RISK FUND	CHILDCARE FUND	TOTAL ALL FUNDS
CASH FLOW FROM OPERATING ACTIVITIES						
Cash Received from Customers	\$ 38,427,703			\$	3,361,761	\$ 41,789,464
Cash Received from State and Federal Sources	39,434,137				1,678,494	41,112,631
Cash Received from Members		8,263,599	1,133,798	3,149,371		12,546,768
Payments to Suppliers for Goods and Services	(23,280,109)				(4,192,793)	(27,472,902)
Payments to Employees for Services	(51,355,688)					(51,355,688)
Cash Paid for Benefits/Claims	38,115	(2,255,874)	(531,426)	(1,271,527)		(4,020,712)
Internal Activity - Reimbursements from Other Funds						
Internal Activity - Payments made to Other Funds	3,446,375					3,446,375
Cash Paid for Reinsurance		(718,151)	(226,887)	(566,270)	(1,935,067)	(3,446,375)
Cash Paid for Labor and Industries Assessments		(153,015)		(1,443,468)		(1,596,483)
Cash Paid for Professional Services		(2,687,091)				(2,687,091)
Cash Paid for Other Operating Expenses	(168,198)	(10,991)		(1,697)	(8,211)	(189,097)
Other Receipts (Payments)	(706,902)	(86,472)	(182)	(11,720)	(7,345)	(812,621)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,100	1,031			199,250	201,381
	\$ 5,836,533	\$ 2,353,036	\$ 375,303	\$ (145,311)	\$ (903,911)	\$ 7,515,650
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	\$ (3,602,768)				\$	(3,602,768)
Proceeds from Capital Debt	2,779,461					2,779,461
Principal and Interest Paid on Capital Debt	(2,134,569)					(2,134,569)
Lease Income	875,209					875,209
Other Receipts (Payments)	173,542					173,542
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (1,909,125)	\$ -	\$ -	\$ -	\$ -	\$ (1,909,125)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and Dividends Received	\$ 222,727	\$ 217,619	\$ 100,274	\$ 152,746	\$ 10,943	\$ 704,309
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ 222,727	\$ 217,619	\$ 100,274	\$ 152,746	\$ 10,943	\$ 704,309
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 4,150,135	\$ 2,570,655	\$ 475,577	\$ 7,435	\$ (892,968)	\$ 6,310,834
CASH AND CASH EQUIVALENTS - BEGINNING	13,810,659	10,885,767	5,317,211	7,646,310	1,005,346	38,665,293
CASH AND CASH EQUIVALENTS - ENDING	\$ 17,960,794	\$ 13,456,422	\$ 5,792,788	\$ 7,653,745	\$ 112,378	\$ 44,976,127
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						

Educational Service District 112
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2020

	OPERATING FUND	WORKERS COMPENSATION RISK FUND	UNEMPLOYMENT RISK FUND	PROPERTY CASUALTY RISK FUND	CHILDCARE FUND	TOTAL ALL FUNDS
OPERATING NET INCOME	\$ 4,552,075	\$ 1,457,065	\$ (1,569,036)	\$ (1,821,772)	\$ (339,819)	\$ 2,278,513
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	1,427,063					1,427,063
Depreciation Expense	4,255	18,666	(1,435)		357,833	379,319
Change in Assets and Liabilities-	(46,076)				(46,076)	(46,076)
Receivables, Net	(1,209,138)				(1,209,138)	(1,209,138)
Prepays	1,578,784	692,179	973,890	(98,032)	(910,877)	2,235,944
Inventories	(532,172)					(532,172)
Accounts and Other Payables	(194,864)				10,988	(183,876)
Accrued Expenses						
Unearned Revenue						
Pension Expense from change in Net Pension Liability-						
Change in Deferred Outflows	(2,231,642)	(29,386)	(6,106)	(9,826)	(52,243)	(2,329,203)
Change in Deferred Inflows	(3,016,191)	(39,684)	(13,524)	(33,013)	(51,867)	(3,154,279)
Change in Net Pension Liability	3,532,528	46,413	4,904	(2,213)	99,295	3,680,927
OPEB Expense from change in Total OPEB Liability-						
Change in Deferred Outflows	(2,221,309)	(19,323)	(3,426)	(8,594)	(34,146)	(2,286,798)
Change in Deferred Inflows	311,300	2,628	393	990	3,377	318,688
Change in Net OPEB Liability	3,843,805	30,837	3,112	7,945	13,548	3,899,247
Other Changes for Insurance Funds-						
Claims Reserve-Current	38,115	83,335	961,985	669,201		1,752,636
Claims Reserve-Prior Year		66,462	(3,954)	912,542		975,050
IBNR-Current		(80,344)		37,200		(43,144)
IBNR-Prior Year		(3,966)		60,261		56,295
Future L&I Assessments		97,154				97,154
Provision for Unallocated Loss Adjustment		31,000	28,500	140,000		199,500
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	5,836,533	2,353,036	375,303	(145,311)	(903,911)	7,515,650

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

Educational Service District No. 112
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2019 THROUGH AUGUST 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Educational Service District No. 112 (the District) have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accounting practices of the District are implemented under the oversight authority of the Office of Superintendent of Public Instruction (OSPI), as published annually in the *Accounting Manual for Educational Service Districts*. The following summary of the more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

Reporting Entity

The District is one of nine educational service districts organized as political subdivisions of the state of Washington, 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.

The District serves 30 school districts in Clark, Cowlitz, Klickitat, Pacific, Skamania and Wahkiakum counties. Oversight responsibility for the District's operations is vested with the Board of Directors who are elected by the school directors of the educational service district, one from each of seven educational service district board-member districts. Management of the District is appointed by and accountable to the Board of Directors. Fiscal responsibility, including budget authority, the power to operate cooperatives, set fees for services, and issue debt consistent with the provisions of state statutes, rests with the Board. 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.

The District is a separate legal entity and is fiscally independent from all other units of government. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. Management has reviewed operations, and based on the standards set by GASB, there were no component units of the District.

Basis of Accounting and Reporting

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

The activities of the District rely significantly on fees and charges for support and are reported as enterprise funds. Enterprise funds distinguish operating revenues and expenses from non-operating items. The District reports the following major enterprise 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 Risk* fund accounts for workers' compensation payroll taxes collected from members, and the payment of associated claims, assessments and expenses. The Southwest Washington Workers' Compensation Cooperative is an enterprise fund established in 1983 for the purpose of providing group insurance and claims control for workers' compensation to member school districts and educational service districts. (See Note 9 for further disclosures.)

The *Unemployment Risk* fund accounts for the collection of premium from members of the fund and the related payment of associated claims and expenses. The Southwest Washington Unemployment Compensation Cooperative is an enterprise fund established in 1979 for the purpose of providing group insurance and claims control for unemployment compensation to the member districts and such other agencies as the members of the Cooperative shall deem appropriate. (See Note 9 for further disclosures.)

The *Property and Casualty Risk Management* fund accounts for premiums collected from members and set aside for the payment of deductibles on member property/casualty insurance claims. The Southwest Washington Risk Management Insurance Cooperative is an enterprise fund established in 1985 for the purpose of providing group self-funding, claims control, and risk management for property / casualty liabilities to member school districts and educational service districts. (See Note 9 for further disclosures.)

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

Budget

Educational service districts in the state of Washington are required to adopt a budget for their Operating Fund, using the same basis of accounting as for financial statement presentation. An appropriation is an authorization for the District to incur expenses in the amounts specified in the District's budget for the fiscal year. An annual appropriated budget is adopted for the Operating Fund on the accrual basis of accounting as set forth in RCW 28A.310.330 and WAC 392-125-030, with approval by OSPI.

The approved budget constitutes the legal authority for expenses. Management is authorized to transfer budgeted amounts between departments, within fund object classes and/or within activity codes; expenses may not exceed the total approved expense budget without formal approval from OSPI.

Expense budgets for other enterprise funds are adopted at the fund level and not subject to formal approval processes.

Assets, Liabilities, and Equity

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

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

Receivables

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

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

Prepaid Items

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

Inventory

Inventory balances consist of expendable supplies held for consumption by operating activities in future fiscal periods. The cost is recorded as an expense at the time inventory items are consumed. The District does not maintain material amounts of inventory. Inventories are valued by the FIFO method (which approximates the market value).

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 accumulation of 12 days. For buy-back purposes, employees may accumulate such leave to a maximum of 192 days, including annual accumulation, as of December 31 of each year.

The balance reported in the Statement of Net Position as of August 31, 2020, represents the aggregate amount of vacation and sick leave payable for all eligible employees of the District. Changes in estimated liabilities for sick and vacation leave balances for employees working in the enterprise funds are charged as current expense to those funds.

Other Accrued Liabilities

These accounts consist primarily of accrued wages and accrued employee benefits.

Deposits

Deposits consist of tenant deposits and advance lease payments.

Long Term Debt – See Note 4

Unearned Revenue

Unearned revenue consists of balances acquired by the District from grant awards in advance of meeting eligibility requirements. Revenue is reported as earned upon meeting those eligibility requirements. Balances reported as unearned revenue are expected to satisfy eligibility requirements within 12–18 months.

Deferred Outflows & Inflows

Generally accepted accounting principles for pensions (see Note 6) require the District to recognize deferred inflows and outflows on the Statement of Net Position related to the proportionate share of the Washington State Department of Retirement System's deferred income or expense items, to be recognized over a number of years, for changes in experience, assumptions, proportion, contributions, and investment earnings. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

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, to be recognized over a number of years, for changes in experience, assumptions, and timing of contributions.

Operating and Nonoperating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principle ongoing operations, 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;
- Interest earnings on restricted program funds if required by funding agreement;
- Current year pension expense (see Note 6); and
- Current year OPEB expense (see Note 7).

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

Operating expenses include the cost of providing services, administrative expenses, and depreciation on capital assets.

Nonoperating revenues and expenses include interest earnings on investments not restricted to program benefit, interest expense on debt, other asset and financing activities not related to the

provision of District services, gain or loss on the sale of assets, and changes from investments in joint ventures.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of 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.

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 PDPC to hold public deposits and has segregated eligible collateral having a value of not less than its maximum liability.

The office of the Clark County Treasurer is the ex-officio treasurer for the District. The District is a participant in the Clark County Treasurer's Investment Pool (CCTIP), an external investment pool managed and operated by the Office of the Clark County Treasurer under authority of RCW 36.29, which authorizes county treasurers to invest funds of participants. In this capacity, the Clark County Treasurer receives daily deposits and transacts investments on behalf of the District and invests all temporary cash surpluses. Interest on these investments is prorated to various funds by the Clark County Treasurer based on segregated balance records.

The CCTIP investment policy is established by the Clark County Finance Committee, consisting of three members from Clark County offices: the Treasurer, County Auditor and County Chair. Policies are reviewed and established to invest public funds in accordance with all federal, state, and local governing statutes, to preserve capital, to ensure the protection of investment principal, to allow for adequate liquidity and to achieve the highest investment return consistent with the primary objectives of safety and liquidity. The Clark County Treasurer publishes an annual report, available on the Treasurer's website at <https://clark.wa.gov/treasurer>.

The CCTIP is an unrated external investment pool. Investments in the CCTIP, are reported at amortized cost, which approximates fair value. The CCTIP is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by generally accepted accounting principles for

external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The CCTIP does not have any legally binding guarantees of share values.

The CCTIP does not impose liquidity fees or redemption gates on participant withdrawals. It is the policy of the CCTIP to permit participants to withdraw their investments on a daily basis; therefore, the District's investment balance in the CCTIP 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.

On August 31, 2020 the District had cash and short-term residual investments of surplus cash as follows:

	Fair Value
Cash on Hand, Bank Deposits	\$ 93,641
Clark County Treasurer Investment Pool	44,882,486
Total Cash, Cash Equivalents & Short-Term Investments	\$ 44,976,127

The District reports its investment in the CCTIP at the fair value amount, which is the same as the value of the CCTIP per share. The Clark County Treasurer bears the risk of maturity in the CCTIP.

Credit Risk

The CCTIP is considered extremely low risk. The CCTIP's portfolio is made up of high quality, highly liquid securities, and its relatively short average maturity reduces the CCTIP's price sensitivity to market interest rate fluctuations. The CCTIP reduces credit risk by purchasing securities rated at the highest quality by credit rating organizations at the time of purchase. The CCTIP does not contain any structured investment vehicles or collateralized debt obligations.

The CCTIP has a strong degree of asset diversification to minimize risk and maintain adequate rates of return. As of August 31, 2020, the distribution of investments of the CCTIP was as follows:

Investment Type	% of Pool based on Fair Value
Washington State Local Government Investment Pool	27.8%
Treasury Coupons	29.5%
Federal Agencies Semi-Annual Coupon	18.7%
Commercial Paper	11.8%
Municipal Bonds	6.3%
Supranationals	3.9%
Bank Deposits & CDs	2.0%

Source: CCTIP, August 2020 Monthly Report

The CCTIP is not insured or guaranteed by any government; therefore, maintenance of principal is not fully insured. The CCTIP does not have a credit rating. As of the August 31, 2020, NAV per share was \$1.012466.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, the District would not be able to recover the value of the investment or collateral securities. Of the District's total investment position of \$44,882,486, no balances are exposed to custodial credit risk. The District does not have a policy for custodial credit risk.

Concentration of Credit Risk

Credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The District does not have a formal policy for concentration of credit risk. The District does not have investments in any one issuer that represents five percent or more of total investments.

Interest Rate Risk

Interest rate risk is the risk the District may face should interest rate variances affect the fair value of investments. The District does not have a formal policy that addresses interest rate risk.

As of August 31, 2020, the CCTIP's average maturity was 15.5 months (464 days). Monthly average maturity for the year ending August 31, 2020 ranged from 9.6 months to 17.6 months, with an annual average of 13.3 months. As a means of limiting its exposure to rising interest rates, securities purchased in the CCTIP must have a final maturity, or weighted average life, no longer than five years. While the CCTIP's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The CCTIP distributes earnings monthly using an amortized cost methodology.

NOTE 3: CAPITAL ASSETS

Capital assets, which include property, facilities, and equipment, are reported in the Operating fund and capitalized at total acquisition cost, provided such cost exceeds \$15,000 and has an expected useful life of more than five years. Prior to September 1, 2015, the capitalization threshold was established by Board policy at \$50,000. Property, facilities, and equipment that are purchased using Federal money are subject to records maintenance if the acquisition cost is over \$5,000. Donated capital assets are recorded at acquisition value at the date of donation.

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	4-10
Equipment	5-20
Buildings and structures	10-40
Land improvements	5-40

Major expenses for capital assets, including capital leases and major repairs that increase the effectiveness or efficiency of the asset are capitalized. Assets under the capitalization threshold, maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

Capital assets activity for the fiscal year ended August 31, 2020 was as follows:

	Beginning Balance 9/1/2019	Additions	Retirements	Ending Balance 8/31/2020
Capital assets not depreciated:				
Land	\$ 6,904,422	\$ 1,408,741	\$ -	\$ 8,313,163
Construction in progress	392,000	399,369	(660,641)	130,728
Total capital assets not depreciated	7,296,422	1,808,110	(660,641)	8,443,891
Depreciable capital assets:				
Buildings & Improvements	22,976,947	1,748,883	-	24,725,830
Furniture, Fixtures, Other Equipment & Software	347,606	50,763	-	398,369
Transportation Equipment	2,878,720	617,488	-	3,496,208
Land Improvements	48,827	38,166	-	86,993
Total depreciable capital assets	26,252,100	2,455,300	-	28,707,400
Less accumulated depreciation for:				
Buildings & Improvements	(6,127,039)	(1,062,987)	-	(7,190,026)
Improvements, Furniture, Fixtures, Other Equipment & Software	(59,250)	(51,451)	-	(110,701)
Transportation Equipment	(1,773,222)	(309,898)	-	(2,083,120)
Land Improvements	(8,592)	(2,727)	-	(11,319)
Total accumulated depreciation	(7,968,103)	(1,427,063)	-	(9,395,166)
Total depreciable assets, net	18,283,997	1,028,237	-	19,312,234
Total assets, net	\$ 25,580,419	\$ 2,836,347	\$ (660,641)	\$ 27,756,125

Acquisitions

On September 24, 2019, the District's Board of Directors passed a resolution providing for the issuance and sale of a limited obligation bond in the principal amount of \$2,450,000 at an interest rate of 2.47% for the purpose of funding the acquisition of capital facilities. OSPI approved the project by letter dated August 26, 2019. Bonds were issued on October 30, 2019 with a maturity date of November 1, 2029.

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

- (1) Approximately 11,400 square feet of real property with an approximately 6600 square-foot building and improvements located at 1217 – 14th Avenue, Longview WA. Total purchase price was \$566,657, with \$550,000 funded by the bond issuance. The District has continued a sublease that was in place, terminating August 31, 2023 for approximately 21% of the building space (See Note 5 for information on the STEPS building sublease).
- (2) Approximately 152,460 square feet of real property (3.5 acres) with an approximately 9,980 square-foot building and improvements located at 1121 NE 136th Avenue, Vancouver WA. The building is used to house specialized and regional transportation activities for the District. Total purchase price was \$1,900,000.

Construction Completion

During the fiscal year ending August 31, 2020, the District completed construction for placement of a portable to house early learning programs, located at 1002 NW 6th Avenue, Battle Ground WA and satisfied all conditions set forth by the Clark County Community Housing & Development for the Community Development Block Grant (CDBG) Loan Program on December 31, 2019. (See Note 4 for further information on the loan.)

For disclosures regarding lease of real property owned by the District, see Note 5.

Construction Commitments

The District has active construction projects and commitments as of August 31, 2020. At fiscal year-end, the District's projects and contractual commitments were as follows:

Project	Spent to Date as of August 31, 2020	Remaining Commitment
District land improvements	\$ 74,808	\$ -
Hough playground	55,920	1,192
Transportation Center roof replacement	-	55,338
TOTAL Construction in Progress	\$ 130,728	\$ 56,530

No future financing is required to fulfill construction commitments.

NOTE 4: LONG-TERM DEBT, LIABILITIES AND LEASES

The District issues limited obligation bonds and other debt instruments through direct borrowings and placements to finance the purchase of real property and capital facility improvements and construction. Long-term debt from limited obligation bonds and notes from direct borrowing and placement at August 31, 2020, are comprised of the following individual issues:

Purpose	Amount Authorized	Annual Installments	Maturity Range	Interest Rate	Amount Outstanding 8/31/20
Land purchase – NE 1 st Street, Vancouver WA (refinanced 2013 issuance)	\$ 1,880,000	\$163,284- \$219,800	10/1/18- 4/1/28	3.75%	\$ 1,549,584
Remodel of Hough Early Learning Center- 1801 Esther Street, Vancouver WA	\$ 1,000,000	\$30,000- \$70,000	3/1/15- 9/1/34	3.87%	\$ 795,000
Business Park purchase & remodel for main business facility, Bond A- 2500 NE 65 th Avenue, Vancouver WA	\$ 9,250,000	\$605,000- \$960,000	9/1/16 – 9/1/27	4.25%	\$ 6,660,000
Business Park purchase & remodel for main business	\$ 9,750,000	\$1,050,000- \$1,405,000	9/1/28- 9/1/35	4.25%	\$ 9,750,000

Purpose	Amount Authorized	Annual Installments	Maturity Range	Interest Rate	Amount Outstanding 8/31/20
facility, Bond B- 2500 NE 65 th Avenue, Vancouver WA					
Land/Building purchase for Cowlitz County Therapeutic Program-1946 8 th Avenue, Longview WA	\$ 1,485,000	\$133,000-\$165,000	12/1/16-6/1/26	2.50%	\$ 934,000
Land/Building purchase for Parkcrest Early Learning Center-712 SE Parkcrest Avenue, Vancouver WA	\$ 725,000	\$54,802-\$80,266	10/1/19-10/1/29	3.60%	\$ 670,198
Land/Building purchase for: STEPS Center-1217 – 14 th Avenue, Longview WA ; and Transportation Center-1121 NE 136 th Avenue, Vancouver WA	\$ 2,450,200	\$214,119-\$270,143	6/1/20-11/1/29	2.47%	\$ 2,346,187

For limited obligation bond issuances, the District irrevocably pledges the full faith, credit and resources of the District for the prompt payment of bond obligations. The District has further provided a deed of trust for the acquired properties as collateral to the lender for limited obligation bond issuances as listed in the table above, with the exception of the limited obligation bond for the remodel of the Hough Early Learning center, for which no deed of trust was issued.

Limited Obligation Bonds and Private Placements

The annual debt service requirements to maturity for privately placed limited obligation bonds, as of August 31, 2020 are as follows:

Fiscal Years Ending August 31,	Principal	Interest
2021, Current Portion	\$ 1,358,774	\$ 871,761
2022	1,401,897	821,172
2023	1,458,479	768,751
2024	1,512,536	714,315
2025	1,562,085	657,713
2026-2030	7,516,198	2,398,713
2031-2035	6,490,000	1,008,128
2036-2040	1,405,000	29,856

Notes Payable – Federal Project Loan Funds

During the year ending August 31, 2020, the District received federal project loan funds through a community development block grant for a portable classroom project at Captain Strong Elementary School, located at 1002 NW 6th Avenue, Battleground WA. The portable classroom is designated for service to children and families in the Early Childhood Education and Assistance Program (ECEAP), which serves families and children at or below 110% of the federal poverty level. The project was completed as

of December 31 and all reporting requirements were met. The authorized amount of the zero-interest note payable is \$280,600. The balance outstanding as of August 31, 2020 is \$280,600.

Annual payments are fixed at \$7,015. The length of the restrictive period for the note payable is twenty years and began upon completion of construction and satisfaction of all reporting requirements. If anticipated activities are carried out by the District, 50% of the note will be forgiven at the end of the restrictive period (year twenty). Otherwise, the entire note will be payable in full on that date. The District has provided a deed of trust for the acquired property as collateral to the lender for the note payable for federal project loan funds. The Federal project loan note payable contains a provision whereby should the District default in the required use of the property during the restrictive period, or in payment of any principle due, the entire balance outstanding shall become immediately due and payable, at the option of the lender.

The annual debt service requirements to maturity for federal project note payable, as of August 31, 2020 are as follows:

Fiscal Years Ending August 31,	Principal	Interest
2021, Current Portion	\$ 7,015	\$ -
2022	7,015	-
2023	7,015	-
2024	7,015	-
2025	7,015	-
2026-2030	35,075	-
2031-2035	35,075	-
2036-2040	175,375	-

Changes in Long-Term Liabilities

During the fiscal year ended August 31, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance 9/1/19	Additions	Reductions	Ending Balance 8/31/20	Due Within One Year
Direct Placement Bonds	\$21,454,868	\$2,450,000	\$ (1,199,899)	\$22,704,969	\$1,358,774
Notes Payable-Federal Project Loans	217,780	62,820	-	280,600	7,015
Capital Leases	-	266,641	(36,498)	230,143	29,689
Compensated Absences (unfunded portion) (Note 1)	1,515,858	156,314	-	1,672,172	165,000
Claims Reserves (Note 9)	3,718,007	2,727,686	-	6,445,693	3,616,714
IBNR (Note 9)	2,400,524	13,151	-	2,413,675	1,071,358
Unallocated Loss Adjustment Expenses (Note 9)	454,500	199,500	-	654,000	-
Future L&I Assessments	1,087,792	97,154	-	1,184,946	-
Net Pension Liability (NPL) (Note 6)-					

	Beginning Balance 9/1/19	Additions	Reductions	Ending Balance 8/31/20	Due Within One Year
NPL TRS 1	3,018,197		(5,991)	3,012,206	-
NPL TRS 2/3	742,294	1,199,041		1,941,335	-
NPL SERS 2/3	2,242,882	2,898,242		5,141,124	-
NPL PERS 1	6,350,834		(410,365)	5,940,469	-
Total OPEB Liability (Note 7)	13,302,524	3,899,247		17,201,771	200,645
Total Long Term Liabilities	\$56,506,060	\$13,969,796	\$(1,652,753)	\$68,823,103	\$6,449,195

NOTE 5: LEASES

Operating Lease(s)

The District is committed under various leases for space and equipment. Leases are considered operating leases for accounting purposes when the District does not acquire interests in the property and when equipment leases are subject to cancellation at any time during the lease for changes in funding availability. Lease expenses for the year ended August 31, 2020 totaled \$379,143. Future minimum lease commitments for multi-year operating leases are presented in the table below.

Fiscal Year Ending August 31,	Amount Committed as of 8/31/20
2021	\$ 301,191
2022	133,217
2023	108,031
2024	45,732
2025	6,535
2026 thereafter	-

Capital Lease(s)

The District has entered into lease agreements for financing specialized transportation equipment, with \$0 down payment. The lease agreements qualify as capital leases for accounting purposes and have therefore been recorded at the present value of their future minimum lease payments as of the inception date. Assets acquired through capital leases are as follows, and are included in the asset listings in Note 3:

Asset	Amount as of August 31, 2020
Specialized Transportation equipment-buses	\$ 266,641
Less: accumulated depreciation	(16,665)
Total asset, net of accumulated depreciation	\$ 249,976

The future minimum lease obligation and the net present value of these minimum lease payments as of August 31, 2020, were as follows:

Fiscal Year Ending August 31,	Amount
2021	\$ 37,214
2022	37,214
2023	37,214
2024	37,214
2025	37,214
2026 thereafter	74,428
Total minimum lease payments	260,498
Less: Interest	(30,355)
Present Value of Minimum Lease Payments	\$ 230,143

Specialized transportation equipment financed under the lease-purchase arrangements is pledged as collateral against outstanding balances owed. The District bears all risk of loss of, and damage to, the leased equipment from any cause. In the event of non-appropriation of sufficient funds to satisfy the outstanding lease obligations, the lease arrangements may be terminated, with notice of thirty days prior to the end of the current fiscal year, and the equipment shall immediately be delivered to the lessor. In the event of default, balances outstanding under the lease payment schedule shall become immediately due and payable or possession of the equipment shall be surrendered.

Changes in lease liabilities are presented in Note 4.

Lease of Capital Assets Owned by the District (Real Property)

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

Business Park

Tenant Leases, Buildings: On September 1, 2015, the District purchased the business park it occupied under previous long-term lease agreements; the purchase was for land and five buildings totaling 214,211 square feet. Prior to July 1, 2020 the District occupied 39% of the business park building square footage with the remainder under lease occupancy agreements that were transferred from the seller. As of July 1, 2020 one tenant terminated their lease, by mutual agreement, and the District began occupying that space for program service delivery. The District currently occupies 49% of total business park building square footage. Existing leases have termination dates ranging from December 31, 2022 to December 31, 2024, excluding unexecuted options to renew.

Food Vendor Lease: The District leases approximately 336 square feet, located within its primary building to a vendor to provide food & beverage service conveniences to employees and conference center attendees. The current lease terminates on May 31, 2021. Beginning March 2020, the food vendor was ordered to close on-site operations related to the pandemic response and lease payments were suspended, by mutual agreement. Closure orders remain in force as of the date of these financials.

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

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

Business Park Capital Assets, as of August 31, 2020	Total Cost	Allocated to District Operations	Allocated to Tenant Leases
Land, at purchase date	\$ 4,078,545	\$ 2,436,662	\$ 1,641,883
Land Improvements	86,993	86,993	-
Accumulated Depreciation, Land Improvements	(11,319)	(11,319)	-
Buildings	13,997,002	8,388,332	5,608,670
Accumulated Depreciation, Buildings	(3,499,250)	(2,097,083)	(1,402,167)
Building Improvements	3,351,932	3,351,932	-
Accumulated Depreciation, Building Improvements	(2,655,849)	(2,655,849)	-
Net, Business Park Capital Assets	15,348,054	9,499,668	5,848,386
Total Accumulated Depreciation, Business Park Assets	(6,166,418)	(4,764,251)	(1,402,167)

STEPS Building

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

STEPS Facility Capital Assets, as of August 31, 2020	Total Cost	Allocated to District Operations	Allocated to Tenant Leases
Land, at purchase date	\$ 115,286	\$ 91,076	\$ 24,210
Building, at purchase date	451,371	356,583	94,788
Accumulated Depreciation, Building	(19,924)	(15,740)	(4,184)
Building Improvements	58,541	58,541	-
Accumulated Depreciation, Building Improvements	(2,450)	(2,450)	-
Net, STEPS Facility Capital Assets	602,824	488,010	114,814
Total Accumulated Depreciation, Business Park Assets	(22,374)	(18,190)	(4,184)

Lease income for the fiscal year ending August 31, 2020 is detailed below:

	Lease Income
Business Park: Tenant leases	\$ 815,379
Business Park: Food Vendor lease	2,860
Business Park: One-year sublet agreements	13,932
STEPS Facility tenant	8,712
Hough Facility sublet (one-year)	11,750
Total Lease Income	\$ 852,633

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

Fiscal Year Ending August 31,	Lease Agreements
2021	\$ 729,049
2022	734,913
2023	674,635
2024	261,236
2025	41,733
2026 thereafter	-

Lease agreements may include payment of triple net fees for building and common area maintenance. Triple net fees are reported as nonoperating revenue and totaled \$173,542 for the year ending August 31, 2020.

NOTE 6: PENSION PLANS

The District is required to provide retirement benefits for substantially all qualifying employees through the Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington. Generally accepted accounting principles require, among other provisions, that the District recognize its proportionate share of the DRS plans' funded status. The District has no independent ability to fund or satisfy pension liabilities outside of Washington State's legislatively-adopted contribution rates. Assessments now, and in the future, are made based on the legislatively-mandated rates and are paid by the District on salaries and wages, as earned, in future years.

The following table represents the aggregate pension amounts for all plans of the District for fiscal year 2020:

Aggregate Pension Amounts—All Plans	
Pension Liabilities	\$ 16,035,134
Pension Assets	-
Deferred outflows of resources	5,524,865
Deferred inflows of resources	1,042,346
Pension expense/expenditures	\$(1,802,555)

DRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Washington State Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or found online at <https://www.drs.wa.gov>.

Membership Participation

Substantially all of the District's full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by DRS: Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS).

Membership & Plan Benefits

Certificated employees are members of TRS. Classified employees are members of PERS (if Plan 1) or SERS. Plan 1 under the TRS and PERS programs are defined benefit pension plans whose members joined the system on or before September 30, 1977. TRS 1 and PERS 1 are closed to new entrants.

TRS Plan Information

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

TRS is comprised of three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

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

TRS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) per year of service for Plan 2 members and

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

The benefit is reduced by a factor that varies according to age, for each year before age 65. TRS Plan 2/3 members who have 30 or more years of service credit, were hired prior to May 1, 2013, and are at least 55 years old, can retire under one of two provisions: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules. TRS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. TRS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

PERS Plan Information

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

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

SERS Plan Information

SERS was established by the legislature in 1998, and the plan became effective in 2000. SERS retirement benefit provisions are established in RCW Chapters 41.34 and 41.35. SERS is a cost-sharing multiple-employer retirement system comprised of two separate plans for membership purposes. SERS Plan 2 is a defined benefit plan and SERS Plan 3 is a defined benefit plan with a defined contribution component. SERS members include classified employees of school districts and educational service districts.

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

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

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

The benefit is reduced by a factor that varies according to age, for each year before age 65. SERS members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 2, 2013: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules. SERS members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. SERS retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

Plan Contributions

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law, the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The employer and employee contribution rates for the PERS plan are effective as of July 1. SERS and TRS contribution rates are effective as of September 1. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2020 are listed below:

Pension Rates – Actual Contribution Rates			
	Employer	Employee	
PERS Plan 1			
September 1, 2019 – June 30, 2020			
PERS Plan 1	12.68%	6.00%	
PERS Plan 1 UAAL	12.68%		

Pension Rates – Actual Contribution Rates			
	Employer	Employee	
Administrative Fee	0.18%		
Total	12.86%	6.00%	
July 1, 2020 – August 31, 2020			
PERS Plan 1	12.68%	6.00%	
PERS Plan 1 UAAL	12.68%		
Administrative Fee	0.18%		
Total	12.86%	6.00%	
TRS Plan 1			
September 1, 2019 – August 31, 2020			
TRS Plan 1	15.33%	6.00%	
TRS Plan 1 UAAL	15.33%		
Administrative Fee	0.18%		
Total	15.51%	6.00%	
TRS Plan 2/3			
September 1, 2019 – August 31, 2020			
TRS Plan 2/3	15.33%	7.77%	*/**
TRS Plan 1 UAAL	15.33%		
Administrative Fee	0.18%		
Total	15.51%	7.77%	
SERS Plan 2/3			
September 1, 2019 – August 31, 2020			
SERS Plan 2/3	13.01%	8.25%	*/**
PERS Plan 1 UAAL	13.01%		
Administrative Fee	0.18%		
Total	13.19%	8.25%	
* TRS & SERS Plan 3 Employee Contribution variable from 5% to 15% based on rate selected by the employee member			
** TRS & SERS Plan 2/3 Employer Contribution for defined benefit portion only			

Proportionate Share of the Net Pension Liability (NPL)

As of June 30, 2020, the District reported a total liability of \$16,035,134 for its proportionate shares of the individual plans' collective net pension liability. The employer's proportionate shares 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, 2020, the District's proportionate share of each plan's net pension liability is reported below:

June 30, 2020	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	\$ 1,219,454	\$ 2,089,872	\$ 656,707	\$ 735,391
Proportionate Share of NPL	5,940,469	5,141,124	3,012,206	1,941,335

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

As of June 30, 2020, the District's proportionate share of the collective net pension liability and the change in the allocation percentage from the prior year is reported below:

Changes in Proportionate Shares Allocation Percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of NPL	0.168259%	0.966442%	0.125051%	0.126391%
Prior year proportionate share of NPL	0.165156%	0.956461%	0.121908%	0.123195%
Net difference percentage	0.003103%	0.009981	0.003143%	0.003196%

Actuarial Assumptions

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, 2019, with the results rolled forward to June 30, 2020, 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 developed using the Society of Actuaries' Pub.H-2010 Mortality rates, which vary by member status as the base table. OSA applies age offsets for each system to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale to project mortality rates for every year after the 2010 base table. The actuarial assumptions used in the June 30, 2019, valuation were based on the results of the *2013–2018 Demographic Experience Study Report and the 2019 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report.

Long-term Expected Rate of Return

OSA selected a 7.40% long-term expected rate of return on pension plan investments using a building-block method. In selecting the assumptions, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the Washington State Investment Board (WSIB) provided. 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 expected future rates of return are developed by the WSIB for each major asset class.

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, 2020, are summarized in the following table:

TRS1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20.00%	2.20%
Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%

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

Discount Rate

The discount rate used to measure the total pension liability was 7.40%. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Based on the assumptions described in the DRS CAFR Certification Letter, 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, a 7.40% on pension plan investments was applied to determine the total pension liability.

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

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

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS1 NPL	\$ 4,422,202,000	\$ 3,530,540,000	\$ 2,752,919,000
Allocation Percentage	0.168259%	0.168259%	0.168259%
Proportionate Share of Collective NPL	\$ 7,440,753	\$ 5,940,451	\$ 4,632,034
SERS2/3 NPL	\$ 1,517,879,000	\$ 531,964,000	\$ (283,583,000)
Allocation Percentage	0.966442%	0.966442%	0.966442%
Proportionate Share of Collective NPL	\$ 14,669,420	\$ 5,141,124	(2,740,665)
TRS1 NPL	\$ 3,051,911,000	\$ 2,408,786,000	\$ 1,847,550,000
Allocation Percentage	0.125051%	0.125051%	0.125051%
Proportionate Share of Collective NPL	\$ 3,816,445	\$ 3,012,211	\$ 2,310,380

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
TRS2/3 NPL	\$ 4,526,645,000	\$ 1,535,981,000	\$ (903,643,000)
Allocation Percentage	0.126391%	0.126391%	0.126391%
Proportionate Share of Collective NPL	\$ 5,721,272	\$ 1,941,342	\$ (1,142,123)

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, 2020, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(33,074)
Changes in assumptions or other inputs	-	-
Changes proportionate shares	-	-
Contributions subsequent to the measurement date	176,677	-
TOTAL	\$ 176,677	\$ (33,074)
SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 3,056,293	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(53,835)
Changes in assumptions or other inputs	56,026	(473,294)
Changes proportionate shares of contributions	162,754	(94,484)
Contributions subsequent to the measurement date	306,213	-
TOTAL	\$ 3,581,286	\$ (621,613)
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	-	(19,371)
Changes in assumptions or other inputs	-	-
Changes in proportionate shares of contributions	-	-
Contributions subsequent to the measurement date	108,384	-
TOTAL	\$ 108,384	\$ (19,371)

TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 1,226,910	\$ (7,001)
Net difference between projected and actual earnings on pension plan investments	-	(18,846)
Changes in assumptions or other inputs	250,396	(212,755)
Changes proportionate shares of contributions	58,186	(129,686)
Contributions subsequent to the measurement date	123,026	-
TOTAL	\$ 1,658,518	\$ (368,288)
COMBINED TOTAL	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 4,283,203	\$ (7,001)
Net difference between projected and actual earnings on pension plan investments	-	(125,126)
Changes in assumptions or other inputs	306,422	(686,049)
Changes in proportionate shares	220,940	(224,170)
Contributions subsequent to the measurement date	714,300	-
TOTAL	\$ 5,524,865	\$ (1,042,346)

\$714,300 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, 2021.

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
2021	\$ (150,091)	\$ 18,891	\$ (85,137)	\$ (65,618)
2022	(4,721)	560,021	(2,491)	132,232
2023	45,797	693,480	25,925	199,949
2024	75,941	835,921	42,332	255,385
2025	-	374,300	-	138,989
Thereafter	-	170,847	-	506,267

Pension Expense

For the year ending August 31, 2020, the District recognized a total pension expense as follows:

Pension Expense (Income)	
PERS 1	\$ (794,899)
SERS 2/3	(616,589)
TRS 1	(219,879)
TRS 2/3	(171,188)
TOTAL	\$ (1,802,555)

Schedules of Required Supplementary Information

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

NOTE 7: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS

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

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

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

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

Aggregate Summary of OPEB Amounts	
OPEB liabilities	\$ 17,201,771
Deferred outflows of resources	5,084,319
Deferred inflows of resources	972,442
OPEB expense	2,120,941

Valuation Date, Measurement Date and Reporting Date

The "valuation date" is July 1, 2020. This is the date as of which the census data is gathered and the actuarial valuation is performed. The "measurement date" is August 31, 2020. This is the date as of which the Total OPEB Liability is determined. Generally accepted accounting principles for OPEB allows a lag of up to one year between the measurement date and the reporting date. No adjustment is required between the measurement date and the reporting date. The "reporting date" is the District's fiscal year end of August 31, 2020.

General Description

Employers participating in the PEBB OPEB plan include Washington State general government agencies, higher education institutions, K-12 school and educational service districts and political subdivisions. PEBB's OPEB plan is available to retirees of K-12 school districts and educational service districts who do not participate in PEBB for insurance for their active employees. RCW 41.05.085 provides that contribution requirements of participating employers and of plan members are established by, and may be amended by, the HCA Board of Directors. Participating employers and active plan members are required to contribute the established benefit rates. All K-12 school districts and educational service districts contribute the same rate, which is set annually, as an amount per pro-rated full-time equivalent (FTE) under RCW 28A.400.410. Employers do not have the ability to contribute additionally to funding against future liabilities or impact funding progress on the actuarially determined liability of the HCA's PEBB OPEB plan. The District did not participate in PEBB for insurance for its active employees. The District's established contribution to PEBB for the retiree OPEB plan for the fiscal years ending August 31, 2019 and 2020 under the required formula was \$466,685 and \$496,104, respectively.

The PEBB OPEB plan provides healthcare insurance benefits (medical and dental) for retirees and their dependents. Retired members may only elect dental coverage if they have elected medical coverage. The PEBB OPEB plan offers eighteen (18) 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. When a retiree or covered dependent becomes eligible for Medicare, the retiree or covered dependent must enroll in Medicare Parts A and B in order to maintain eligibility for retiree coverage.

Employees covered by benefit terms

District employees are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plan 2 or 3 of TRS or SERS (see Note 6):

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

Former members who are entitled to a deferred vested pension benefit are not eligible to receive medical and life insurance benefits after pension benefit commencement. Survivors of covered members who die are eligible for medical benefits. At June 30, 2020, the following employees were covered by benefit terms:

Retirees and dependents currently receiving benefit payments	79
Active employees who may qualify for benefits upon retirement	630

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

Election assumptions

65% of employees are assumed to elect medical and dental benefits upon retirement. 45% of employees are assumed to enroll eligible dependents as of the retirement date. 100% of employees are assumed to enroll in Medicare, once eligible, after initial participation.

Total OPEB Liability

The District's Total OPEB Liability of \$17,201,771 was measured for the year ending August 31, 2020, and was determined by an actuarial valuation as of the valuation date of July 1, 2020, calculated based on the discount rates discussed below, projected to the measurement dates. There have been no significant changes between the valuation date and the fiscal year end. If there were significant changes, an additional analysis or valuation might be required.

Changes in Actuarial Methods and Assumptions

The actuarial methods and assumptions used in the valuation as of July 1, 2020 are the same as those used in the prior valuation except as follows:

- Effective July 1, 2020 the FASB 715 discount rate was changed from 3.96% to 2.2%. The discount rate was changed to reflect interest rates currently available on high-quality fixed income investments.
- The medical trend was updated to reflect the H.R. 1865 Further Consolidation Appropriations Act 2020, which became law on December 20, 2019. This law repealed the excise tax for high cost or "Cadillac" health plans completely.
- Effective July 1, 2020, the mortality assumption, service retirement rates, termination rates, and salary merit scales were changed. The actuarial valuation used assumptions from the most recent experience study for Washington State PERS, SERS, and TRS pension plans (see Note 6).
- Effective July 1, 2020, the expected claims and contributions were updated to better reflect expectations of future claims and contributions experience.
- Effective July 1, 2020, the election assumption was changed from 50% to 65% to match the most recent actuarial valuation for Washington State PERS, SERS, and TRS (see Note 6).

Actuarial Assumptions and Other Inputs

The Total OPEB Liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement dates, unless otherwise specified.

Inflation

The inflation rate of 2.75% was developed by the Office of the State Actuary for PEBB¹ and was applied to the measurement date ending August 31, 2020.

Salary increases

Salary assumptions are necessary for the actuarial cost method of OPEB. Salary assumptions reflect the assumptions used in the actuarial valuations for Washington State School Employees' Retirement System (SERS) and Teacher Retirement System (TRS)². Projected payroll increases have been assumed to be 3.5% which equals 0.75% real wage growth above inflation. Projected annual merit and longevity increases for SERS range from 8.0% for 0 years of service to 0.10%

for 20 years of service. Projected annual merit and longevity increases for TRS range from 5.50% for 0 years of service to 0.10% for 25 years of service.

Discount Rate

The discount rate used to measure the Total OPEB Liability, as required by generally accepted accounting principles for the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method, was based on the yield or index rate for 20-year Tax-Exempt General Obligation Municipal bonds with an average rating of AA/Aa or higher (*Bond Buyer General Obligation 20-bond municipal index* for bonds that mature in 20 years). Discount rate assumptions were 2.20% for the measurement date of August 31, 2020.

Demographic Assumptions

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

- Service retirement assumptions for plans 2 and 3 were used, which vary based on hire date and years of service.
- The assumed rates of disability under SERS and TRS plans 2 and 3 are less than 0.2% for ages 49 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 (Scale MP-2017 Long-Term Rates), on a generational basis, with sex-distinct employee rates before commencement and retiree and contingent survivor rates (as appropriate) after benefit commencement. For SERS, generational tables were used; for TRS teachers' tables were used.

Healthcare Cost Trends

Healthcare cost trends used in the actuarial valuation were developed for use in the July 1, 2020 OPEB valuation for the PEBB program¹, to be performed by the Office of the State Actuary. These assumptions are summarized below and refer to the amount by which medical costs are anticipated to exceed costs for the years ending June 30:

Year Ending June 30,	Pre-65 Retiree Premiums & Claims	Post-65 Retiree Claims	Post-65 Retiree Premiums
2021	6.6%	5.7%	8.7%
2022-2096+	5.3% to 4.3%	8.9% to 4.3%	13.4% to 4.3%

Dental costs trends are assumed to increase 2.0% to 4.0% for the years 2021-2026 and beyond.

Premium Levels

Assumed annual medical retiree contributions as of July 1, 2020, used in the actuarial valuation are displayed below. These represent a weighted average of July 1, 2020 to June 30, 2021 PEBB retiree contributions by medical plan, based on overall PEBB current retiree medical plan election as of the July 1, 2020 valuation date. 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	\$8,240.28	\$3,214.48

The July 1, 2020 assumed annual dental retiree contributions for employee or spouse is \$566.22, representing a weighted average of 2020 PEBB retiree contributions by dental plan, based on overall PEBB current retiree dental plan elections.

Actuarial Cost Method

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

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

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

Claims Cost Assumptions

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

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

The explicit subsidies are monthly amounts paid per post-65 retirees and spouses. As of the valuation date, the explicit subsidy for post-65 retirees and spouses is the lesser of \$183 or 50% of the monthly premiums. In 2020, retirees and spouses currently pay the premium minus \$183 when the premium is over \$336 per month and pay half the premium when the premium is lower than \$336.

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

Changes in the Total OPEB Liability

The increase (decrease) in the Total OPEB Liability is detailed in the table below for the fiscal year ending August 31, 2020:

	Amount
Total OPEB Liability, beginning balance	\$ 13,302,524
Changes for the year:	
Service cost	1,241,597
Interest on Total OPEB Liability	429,162
Effect of plan changes	-
Effect of economic/demographic gains or losses	(438,856)
Effect of assumptions changes or inputs	2,857,148
Expected benefit payments	(189,804)
Total OPEB Liability, ending balance	\$ 17,201,771

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

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

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

Sensitivity of the Total OPEB Liability to changes in the discount rate

The following presents the District's Total OPEB Liability, calculated using the discount rate of 2.20%, as well as what the District's Total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.20%) or 1 percentage point higher (3.20%) than the current rate:

As of August 31, 2020	1% Decrease 1.20%	Discount Rate 2.20%	1% Increase 3.20%
Total OPEB Liability	\$ 21,151,329	\$ 17,201,771	\$ 14,147,447

Sensitivity of the Total OPEB Liability to changes in the healthcare cost trend rates

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

As of August 31, 2020	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 13,556,575	\$ 17,201,771	\$ 22,227,315

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

For the year ended August 31, 2020, the District recognized OPEB expense as follows:

	Amount
Service cost	\$ 1,241,597
Interest on Total OPEB Liability	429,162
Effect of plan changes	-
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of economic/demographic gains/losses	50,094
Recognition of assumption changes or inputs	400,088
OPEB Expense	\$ 2,120,941

The District reported deferred outflows and inflows of resources as of the August 31, 2020 Measurement Date as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 759,419	\$ (397,454)
Changes of assumptions or inputs	4,324,900	(574,988)
Contributions made subsequent to the Measurement Date	NA	NA
Total	\$ 5,084,319	\$ (972,442)

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

Measurement Period Ending August 31,	
2021	\$ 450,182
2022	450,182
2023	450,182
2024	450,182
2025	450,182
Thereafter	\$ 1,860,967

NOTE 8: RISK MANAGEMENT

Worker's Compensation

The District is a member of the Southwest Washington Worker's Compensation Cooperative (dba Southwest Washington Worker's Compensation Trust), as authorized by Title 51.14 RCW. The District joined the Cooperative effective January 1, 1983. Information regarding operation of the Cooperative is found in Note 9.

The Cooperative provides industrial injury accident insurance coverage for its membership, including excess insurance coverage and provides related services such as administrative services, safety programs and claims administration. All coverage is on an occurrence basis. The Cooperative is fully funded by its member participants.

Members make an annual contribution to fund the Cooperative. Member contributions are calculated based on the members' hours worked. The Cooperative 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 Cooperative's per-occurrence retention limit is \$450,000 and the annual aggregate retention is \$6,547,144. There is a joint liability among participating members.

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

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

Unemployment

The District is a member of the Southwest Washington Unemployment Compensation Cooperative, as authorized by Title 50.44 RCW. The District joined the Cooperative effective January 1, 1978. Information regarding operation of the Cooperative is found in Note 9.

The Cooperative provides unemployment compensation coverage for members of the Cooperative arising from previous employees, employer representation (as needed) and claims administration services.

Members make an annual contribution to fund the Cooperative, which is fully funded by its member participants. Member districts pay a percentage of their employees' wages. These contributions plus investment earnings pays for unemployment claims and for the administration of the Cooperative. There is provision that members may be additionally assessed if the Cooperative needs additional funding.

Claimants submit claims to the State of Washington Employment Security Department who determines eligibility. The Cooperative reimburses the Department for the unemployment claims paid against the member's account. There is a joint liability among participating members.

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

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

Property and Liability Risk Management Cooperative

The District is a member of the Southwest Washington Risk Management Insurance Cooperative (the Cooperative), as authorized by Chapter 48.62 RCW. The District joined the Cooperative effective September 1, 1985. Information regarding operation of the Cooperative is found in Note 9.

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

Members make an annual contribution to fund the Cooperative. Members are responsible for the first \$1,000 of all property claims and the Cooperative is responsible for the next \$1 billion. There is no member deductible for liability claims. Excess insurance covers insured losses over \$250,000 up to the limits of each policy. The Cooperative is a member of Washington Schools Risk Management Pool (WSRMP) to obtain this excess insurance. The Cooperative purchases additional excess crime coverage, as well as required Public Official Bonds. The Commercial Crime coverage is subject to a per-occurrence deductible of \$5,000. Members are responsible for \$1,000 of that deductible amount for each claim. The Cooperative is fully funded by its member participants.

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

The Cooperative is governed by a board of directors, which is comprised of one designated representative from each participating member. A five member Executive Board, elected by the Cooperative Board, governs the Cooperative. The District is responsible for conducting the business

affairs of the Cooperative. Financial statements and disclosures for the Cooperative can be obtained from the following address: 2500 NE 65th Avenue, Vancouver WA 98661.

The Cooperative provided the WSRMP notice of its intention to withdraw from the pool for excess property and liability insurance for the Cooperative and was required to exercise its option to withdraw by January 25, 2020. The Cooperative rescinded the notice to withdraw from WSRMP on December 18, 2019.

NOTE 9: SHARED RISK POOL DISCLOSURES

Workers' Compensation Risk Cooperative

The District operates a self-funding, claims control and risk management fund for worker's compensation liabilities to member school districts and educational service districts. The Southwest Washington Workers' Compensation Cooperative (the Cooperative), registered in Washington as the Southwest Washington Worker's Compensation Insurance Trust, is organized pursuant to Title 51.14 RCW for the purpose of managing workers' compensation payroll taxes, employee claims, and safety programs. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Cooperative was formed on January 1, 1983 to pool self-insured losses and jointly purchase insurance and administrative services. Thirty (30) members have joined the Cooperative, including 29 participating school districts. The District is also a member of the Cooperative (see Note 8).

Member Assessments, Unearned Member Assessments and Credits

Member assessments are collected in advance and recognized as revenue in the period for which insurance protection is provided. The assessment is calculated based on member employee hours worked.

The interlocal governmental agreement provides for supplemental assessments to members based on actual claim experience. During fiscal year 2020, the Cooperative did not make a supplemental assessment.

The interlocal governmental agreement provides that surplus members' fund balance be used to credit future annual assessments. For the year ended 2020, member assessments are presented net of such credits of \$8,244,933. The board of directors of the Cooperative has designated \$0 of the members' net position for this purpose for the fiscal year ending 2020.

Unpaid Claims

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

Reserve for Unallocated Loss Adjustment Expenses

The reserve for unallocated loss adjustment expenses represents the estimated cost to be incurred with respect to the settlement of claims in process and claims incurred but not reported. Management estimates this liability at the end of each year based upon cost

estimated provided by an actuarial firm. The change in the liability each year is reflected in current earnings.

Unpaid Claim Liabilities

The Cooperative establishes claims liabilities based on actuarially derived estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and claims that have been incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The Cooperative establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. At August 31, 2020, the amount of liabilities totaled \$6,844,393. This liability is the District's best estimate based on available information.

The following represents changes in those single contract liabilities for the Cooperative during the past two years ending August 31:

	2019	2020
Unpaid claims and claim adjustment expenses, beginning of year	\$ 6,653,994	\$ 6,650,752
Incurring claims and claim adjustment expenses:		
Provision for insured events of current year	3,800,000	3,400,000
Increases in provision for insured events of prior years	1,892,258	2,267,945
Total Incurred	5,692,258	5,667,945
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	(1,310,111)	(907,120)
Claims and claim adjustment expenses attributable to insured events of prior years	(4,385,389)	(4,567,184)
Total Payments	(5,695,500)	(5,474,304)

	2019	2020
Total unpaid claims and claim adjustment expenses, end of year	\$ 6,650,752	\$ 6,844,393

Risk Financing Limits

The Cooperative retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by excess insurance contracts. For the fiscal year ending August 31, 2020, the Cooperative's per occurrence self-insured retention limit is \$450,000. There is a \$0 member deductible.

Reinsurance

The Cooperative maintains an excess insurance contract with an insurance carrier to provide coverage over the Cooperative's self-insured retention limits. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Cooperative as direct insurer of the risks reinsured. The Cooperative does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

For the fiscal year ending August 31, 2020, Safety National Casualty Corporation provided an excess insurance policy with a self-insured retention of \$450,000 and an aggregated stop loss of \$6,547,144.

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

Unemployment Risk Cooperative

The District operates a self-funding, claims control and risk management fund for unemployment claim liabilities to member school districts and educational service districts. The Unemployment Compensation Cooperative (the Cooperative) is organized pursuant to Title 50.44 RCW for the purpose of managing unemployment compensation payroll taxes and employee claims and providing employer representation, as needed. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Cooperative was formed on January 1, 1979 to pool self-insured losses and jointly purchase administrative services. Twenty-nine (29) members have joined the Cooperative, including 28 participating school districts. The District is also a member of the Cooperative (see Note 8).

Member Assessments, Unearned Member Assessments and Credits

Member assessments are collected in advance and recognized as revenue in the period for which pooled risk protection is provided. The assessment is calculated based on wages, excluding sick leave.

The interlocal governmental agreement provides for supplemental assessments to members based on actual claim experience. During fiscal year 2020, the Cooperative did not make a supplemental assessment.

The interlocal governmental agreement provides that surplus members' fund balance be used to credit future annual assessments. For the year ended 2020, member assessments are presented net of such credits of \$1,135,233.

Unpaid Claims

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

Reserve for Unallocated Loss Adjustment Expenses

The reserve for unallocated loss adjustment expenses represents the estimated cost to be incurred with respect to the settlement of claims in process and claims incurred but not reported. Management estimates this liability at the end of each year based upon claims reports received from the Washington Employment Security Department. The change in the liability each year is reflected in current earnings.

Unpaid Claim Liabilities

The Cooperative establishes claims liabilities based on actuarially derived estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and claims that have been incurred but not reported. The process used in computing claims liabilities does not necessarily result in an exact amount as it is based on assumption factors. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The Cooperative establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. At August 31, 2020, the amount of liabilities totaled \$1,121,945. This liability is the District's best estimate based on available information.

The following represents changes in those single contract liabilities for the Cooperative during the past two years ending August 31:

	2019	2020
Unpaid claims and claim adjustment expenses, beginning of year	\$ 382,662	\$ 135,413
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	547,799	2,519,373
Increases in provision for insured events of prior years	(345,177)	(37,597)
Total Incurred	202,622	2,481,776
Payments:		

	2019	2020
Claims and claim adjustment expenses attributable to insured events of current year	(436,980)	(1,447,428)
Claims and claim adjustment expenses attributable to insured events of prior years	(12,891)	(47,816)
Total Payments	(449,871)	(1,495,244)
Total unpaid claims and claim adjustment expenses, end of year	\$ 135,413	\$ 1,121,945

Risk Financing Limits

The Cooperative does not carry self-insured retention because it does not purchase excess insurance. Through a designation of net position as August 31, 2020, the board of directors of the Cooperative committed net assets of \$1,121,945 specifically for the purpose of funding future claim costs.

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

Property and Liability Risk Management Cooperative

The District operates a self-funding, claims control and risk management cooperative fund for property and casualty liabilities to member school districts and educational service districts. The Southwest Washington Risk Management Insurance Cooperative (the Cooperative) 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 Cooperative was formed on September 1, 1985 to pool members' self-insured losses and jointly purchase insurance and administrative services. Thirty-three (33) members have joined the Cooperative. The District is a member of the Cooperative (see Note 8).

Member Assessments, Unearned Member Assessments and Credits

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

The interlocal governmental agreement provides for supplemental assessments to members based on actual claim experience. During the fiscal year ending August 31, 2020, the Cooperative did not make a supplemental assessment.

The interlocal governmental agreement provides that surplus members' fund balance be used to credit future annual assessments. For the year ended 2020, member assessments are presented net of such credits of \$3,149,371. The board of directors of the Cooperative has designated \$0 of members' net position for this purpose for the fiscal year ending 2020.

Unpaid Claims

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

Reserve for Unallocated Loss Adjustment Expenses

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

Unpaid Claims Liabilities

The Cooperative establishes claims liabilities based on actuarially derived estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage, subrogation, and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

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

	2019	2020
Unpaid claims and claim adjustment expenses, beginning of year	\$ 690,346	\$ 782,657
Incurring claims and claim adjustment expenses:		
Provision for insured events of current year	522,852	1,366,278
Increases in provision for insured events of prior years	171,278	1,645,230
Total Incurred	694,130	3,011,508

	2019	2020
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	(236,122)	(373,146)
Claims and claim adjustment expenses attributable to insured events of prior years	(365,697)	(819,158)
Total Payments	(601,819)	(1,192,304)
Total unpaid claims and claim adjustment expenses, end of year	\$ 782,657	\$ 2,601,861

As of the year ended August 31, 2020, \$2,601,861 of unpaid claims and claim adjustment expenses are presented at their net present value of \$2,601,861. These claims are not discounted. There are no unpaid claims expenses reported in the 2020 fiscal year-end balances because the Cooperative has purchased annuities in claimants' names to settle those claims.

Risk Financing Limits

The Cooperative retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by excess insurance contracts. For the fiscal year ending August 31, 2020, the Cooperative's per occurrence self-insured retention limit is \$250,000 for liability claims and \$250,000 for property claims. Equipment Breakdown claims have a \$25,000 deductible to the Cooperative.

Per occurrence coverage limits provided by the Cooperative at August 31, 2020, including the excess insurance limits combined with the Cooperative's self-insured retention are as follows:

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

Reinsurance

The Cooperative uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Cooperative as direct insurer of the risks

reinsured. The Cooperative does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

The Cooperative maintains excess insurance contracts with several insurance carriers, which provide various limits of coverage over the Cooperative's self-insured retention limits. The per occurrence coverage limits provided by these excess insurance contracts are as follows for the fiscal year ending August 31, 2020:

Lines of Coverage	Company	Per-Occurrence Limits
Property	WSRMP	\$ 1,000,000,000
Liability	WSRMP	\$ 40,000,000

The coverage limits provided by the Cooperative including the excess insurance limits combined with the Cooperative's self-insured retention limits, are as follows for the fiscal year ending August 31, 2020:

Lines of Coverage	Company	Per-Occurrence Limits
Property	WSRMP	\$ 1,000,000,000
Liability	WSRMP	\$ 40,000,000

The amount deducted from claims liabilities as of August 31, 2020, for reinsurance was \$0. Premiums ceded to reinsurers during the fiscal year ending August 31, 2020 were \$1,443,468.

Solvency

Washington Administrative Code (WAC) 200-100 requires Pools to maintain certain levels of primary and secondary assets to meet solvency standards. As defined in WAC 200-100-03001 total primary assets, cash and cash equivalents less non-claim liabilities, must be at least equal to the unpaid claims estimate at the expected level as determined by the actuary. Additionally, total primary and secondary assets must be at least equal to the unpaid claims estimate at the 80% confidence level as determined by the actuary. Secondary assets are defined as insurance receivables, real estate or other assets (less any non-claim liabilities) the value of which can be independently verified by the Washington State Risk Manager. The Cooperative met solvency tests for the fiscal year ending August 31, 2020. Solvency tests may be independently verified with the Washington State Risk Manager.

Solvency Tests for Risk Management	Primary Asset Test	Secondary Asset Test
Cash & cash equivalents	\$ 595	\$ 595
Investments	7,653,150	7,653,150
Receivables	n.a.	-
Prepaid expenses	n.a.	-
Deferred outflows	62,794	62,794
Subtotal	7,716,539	7,716,539
Less: Non-claims liabilities	(277,037)	(277,037)
Less: Unearned member contributions	-	n.a.

Less: Deferred inflows	(11,349)	(11,349)
Total primary assets	\$ 7,428,153	
Total secondary assets		\$ 7,428,153
Compared to:		
Claim liabilities at expected level per actuary (sum of all claims liabilities)	\$ 2,601,861	
Claim liabilities at 80% confidence level per actuary		\$ 3,309,861
Solvency test results	MET	MET

Exemption from Federal and State Taxes

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

NOTE 10: NET POSITION

Restricted Net Position

The District's Statement of Net Position reports \$15,237,126 of net position as restricted for programs as follows as of August 31, 2020:

Program	Restricted By	Amount
Support Programs-		
Restricted for Transportation Equipment	Enabling legislation	\$ 193,456
Restricted for Instructional Programs	By contractual agreements and/or funder directive	410,963
Restricted for Non-Instructional Programs	By contractual agreement and/or funder directive	204,419
Subtotal, Restricted for Support Programs		808,838
Self Insurance	Enabling legislation	95,000
Insurance Risk Funds-		
Worker's Compensation Risk Fund	By Cooperative Agreement	5,764,690
Unemployment Risk Fund	By Cooperative Agreement	3,598,155
Property & Casualty Risk Fund	By Cooperative Agreement	4,970,443
Subtotal, Risk Funds		14,333,288
Total, Restricted Net Position		15,237,126

In the fiscal year ending August 31, 2012, the District began to self-insure for dental benefits. As regulated by RCW 48.62, the District has been required to establish a reserve to cover up to three months' worth of dental expenses for the agency. During the fiscal year ending August 31, 2020, monthly costs averaged \$20,000 per month with higher claims filed during the closing claim lag periods at the close of each insurance year. As of August 31, 2020, the reserve maintains a restricted reserve

balance of \$95,000 which is within the average range of experience for claim lags over the prior three years.

Unrestricted Net Position

The District's Statement of Net Position reports \$(4,133,476) of unrestricted net position as follows as of August 31, 2020:

Unrestricted Net Position	Amount
Unrestricted for net position related to pensions	\$ (11,552,615)
Unrestricted for net position related to OPEB	(13,089,893)
General unrestricted, for support programs	20,509,032
Total Unrestricted Net Position	\$ (4,133,476)

NOTE 11: INVESTMENT IN JOINT VENTURE

Washington State Information Processing Cooperative

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

The District's share of the total Investment in the joint venture is \$(31,623) and is reported on the Statement of Net Position as a noncurrent asset. The District contributed \$0 to the joint venture during fiscal years 2020 and 2019. There were no distributions in fiscal years 2020 and 2019. During fiscal years ending August 31, 2020 and 2019, the District paid \$1,691,000 and \$1,158,000, respectively, to WSIPC in fees for cooperative services rendered.

The total investment in joint venture above, includes WSIPC's share of the net pension liability for participation in Washington's Department of Retirement System pension plans. The District's share of net investment in the joint venture is impacted by the components of the pension liabilities by \$(342,259). WSIPC employees participate in the Washington state retirement system; WSIPC is required to recognize their proportionate share of the individual plans' net pension liability and related component measures under generally accepted accounting principles. WSIPC's financial statements include the proportionate share of the net pension liability associated with Public Employees' Retirement System (PERS) plans. General disclosures regarding the Washington state retirement system and pension accounting may be found in the DRS CAFR (obtained at: Washington State Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or online at <https://www.drs.wa.gov>). Specific disclosures for the PERS plan may be found in the notes to WSIPC's financial statements.

The total investment in joint venture reported above, includes WSIPC's share of the Total OPEB (other post-employment benefits) liability for post-retirement benefits provided through the Washington Health Care Authority. The District's share of net investment in the joint venture is impacted by the components of the OPEB liabilities by \$(452,509). WSIPC has implemented generally accepted accounting principles OPEB. WSIPC's Total OPEB Liability and the related component measures were

determined through an actuarial valuation consistent with the actuarial valuation method used by the nine member ESDs. General disclosures regarding the OPEB plan administered by the Washington Health Care Authority for employer participants may be found at <http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>. Specific disclosures for WSIPC's plan participation may be found in the notes to WSIPC's financial statements.

The change in net position for the District's share in the joint venture from fiscal year 2019 to 2020 is \$61,291 and has been reported on the Statement of Revenues, Expenses and Changes in Fund Net Position as non-operating revenue. The Net Investment in Joint Venture balance in the Statement of Net Position has been recognized as an unrestricted net position due to the loss position of the joint venture investment. Upon dissolution of the joint venture, the nine, member ESDs shall share equally in assets and liabilities of the venture.

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

NOTE 12: INTERFUND BALANCES AND TRANSFERS

The Operating Fund of the District is the primary fund for processing certain financial transactions and providing management services to other funds of the District. Balances paid for by the Operating Fund as a practical matter for managing daily financial transactions on behalf of other funds, or incurred by the Operating Fund for management services, are reimbursed through *due to/due from* settlement entries each month.

Interfund balances are generally settled within thirty days; outstanding balances as of August 31, 2020 are expected to be settled within one year of the date of the financial statements.

All outstanding balances between the Operating Fund and the risk funds are reported as, and considered to be temporary *due to/due from* balances for transactions between funds.

Balances due to the Operating Fund from the Childcare Fund are considered to be a short-term loan to give the Childcare Fund an opportunity to implement a sustainable business model and recover its cash position as a result of the Covid-19 pandemic economic impact. It is recognized that if the Childcare Fund is not able to recover a cash position sufficient to pay the due to/due from balance, the Operating Fund may make a funding transfer for the balance due. As of the date of these financial statements, the balance due is still expected to be collected from the Childcare Fund.

Interfund balances due from other funds to the Operating Fund as of the fiscal year ending August 31, 2020 were as follows:

		Due From					
		Operating Fund	Workers Compensation Risk Fund	Unemployment Risk Fund	Property Casualty Risk Fund	Childcare Fund	Total
Due To	Operating Fund		\$ 45,094	\$ 17,019	\$ 52,770	\$ 354,077	\$ 468,960
	Workers Compensation Risk Fund	-		-	-	-	-
	Unemployment Risk Fund	-	-		-	-	-
	Property Casualty Risk Fund	-	-	-		-	-
	Childcare Fund	-	-	-	-		-
	Total	\$ -	\$ 45,094	\$ 17,019	\$ 52,770	\$ 597,529	\$ 468,960

Transfers between the funds during the year ending August 31, 2020 reflect routine transfers resulting from procedures for daily management of transaction processing, generally centralized in the Operating Fund, as well as management services provided by the Operating Fund to the other District enterprise funds.

		Transfer From					
		Operating Fund	Workers Compensation Risk Fund	Unemployment Risk Fund	Property Casualty Risk Fund	Childcare Fund	Total
Transfer To	Operating Fund		\$ 754,406	\$ 239,884	\$ 600,259	\$ 1,994,423	\$ 3,588,972
	Workers Compensation Risk Fund	7,887		-	-	-	7,887
	Unemployment Risk Fund	3,817	-		-	-	3,817
	Property Casualty Risk Fund	66,030	182	182		-	66,394
	Childcare Fund	260,257	-	-	-		260,257
	Total	\$ 337,991	\$ 754,588	\$ 240,066	\$ 600,259	\$ 1,994,423	\$ 3,927,327

All transfers during the year ending August 31, 2020 represented routine reimbursement of transactions incurred on behalf of another fund.

Transfer Purpose	Operating Fund	Workers Compensation Risk Fund	Unemployment Risk Fund	Property Casualty Risk Fund	Childcare Fund
Reimbursement for Management Services	\$ 2,166,772	\$ -	\$ -	\$ -	\$ -
Reimbursement for expenses processed on behalf of another fund	1,422,200	7,887	3,817	66,394	260,257
Fund position transfers	-	-	-	-	-

Total	\$ 3,588,972	\$ 7,887	\$ 3,817	\$ 66,394	\$ 260,257
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NOTE 13: CONTINGENCIES AND LITIGATIONS

The District has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the District will be required to make payment. In the opinion of management, the District's insurance policies and reserves are adequate to pay all known or pending claims.

The District participates in a number of federal- and state-assisted programs. These grants are subject to audit by the grantors or their delegated representatives. Such audits could result in reimbursement to grantor agencies for expenses disallowed under the terms of the grants. Management believes that such disallowances, if any, would be immaterial.

NOTE 14: OTHER DISCLOSURES

COVID-19 Pandemic

In February 2020, Governor Inslee declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, canceling public events, limiting gathering sizes, and requiring people to stay home unless they were leaving for an essential function. On April 6, 2020, the Governor closed all public and private K–12 school buildings throughout the remainder of the 2019–20 school year as well as for the start of the 2020-21 school year. The District, continued to operate programs using remote technologies and limited in person service delivery when such services were deemed essential and were delivered in compliance with state response mandates.

Many of the precautionary measures put in place during the 2019-20 school year remain in effect, and are affecting the District for the 2020-21 school year. The most significant impacts are noted below:

- A majority of the District's services were moved to remote setting models, which the District and regionally-served school districts have adapted to. Management anticipates that with the return to in-person instruction, services will quickly return to pre-pandemic service delivery models.
- Early learning programs focused on childcare services experienced a contraction as a direct result of the pandemic response. Services were refocused to support essential workers in Clark County per guidance from the state. Some care sites were closed permanently with a consolidation of care sites offering childcare services to front-line workers. The District continues to offer childcare services with a plan in place for sustainable program service offerings.
- Specialized transportation services have also been significantly impacted. The District has used multiple strategies, including furlough and accessing Washington States's shared work program. Program planning and response has taken into consideration the need to return to full-service capacity once schools are able to open to on-site education.

- Unemployment claims for the Unemployment Compensation Cooperative have increased significantly. Reserves for the year ended August 31, 2020 were adequate to cover claims outstanding. Rates for fiscal year 2021 have been increased from 0.002% to 0.012% of payroll to adjust for the increased claims experience. See Note 9 for further information regarding the Cooperative.
- Institutional education programs in Clark and Cowlitz Counties have seen a significant reduction in students. The District has moved staffing to other student programs in remote learning service models for the 2020-21 school year.

The length of time these measures will be in place, and the full extent of the financial impact on the District, is unknown at this time. The Board of Directors and District management are confident in the District's ability to continue to deliver support programming to fulfill its mission and directives pursuant to its mandate under Title 28A RCW (see Note 1). During fiscal 2020 and for fiscal 2021 to date, the District has been able to continue its support of school districts with services in critical programs as well as providing new services to bridge gaps in remote learning and pandemic response in education and early learning, and by coordinating a personal protective equipment purchasing cooperative for school districts, state-wide. The District has had the vast majority of interlocal service agreements renewed from fiscal 2020 to fiscal 2021.

Southwest Washington Risk Management Insurance Cooperative (the Cooperative)

The Cooperative experienced an overall increase in the cost of claims settled in fiscal 2020, primarily in general liability losses. Liability claims generally have a lag between the filing of the claim and final agreement and settlement of losses may vary between years. The current experience is reflected in increase in actuarially determined unpaid claim estimates, which are over three times higher than the previous two years' experience, contributing to the Cooperative's reduction in net position for the fiscal year ending August 31, 2020. The Cooperative engages an actuary to compute funding adequacy for future claim settlements and is confident in the adequacy of current reserves to meet future claims requirements.

Construction Project Award

Subsequent to fiscal year end 2020, the District received notice of approval for an award from the State of Washington to fund construction for building modifications to house a behavioral health center to serve students whose mental health challenges are a primary barrier to school participation. Construction will involve modification to an existing building in the District's main business park that was released by a tenant during fiscal 2020 (see Note 3 for further discussion). The project is estimated at \$1,960,000 with an expected start date during the Spring/Summer of 2021.

Change of Medical and Dental Benefits Provider

As of January 1, 2021, the District began offering medical and dental insurance benefits for its employees through the Washington Health Care Authority's Public Employees Benefit Board (PEBB) program. Contracts with companies for employee medical benefit insurance coverage were terminated as of December 31, 2020 along with the self-insured dental benefit program. Reserves have been retained by the District to satisfy potential claims outstanding through the claim period.

Educational Service District No. 112
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
AS OF AUGUST 31, *
Last 10 Fiscal Years **

	2018		2019		2020	
TOTAL OPEB LIABILITY						
Service cost	\$	923,519	\$	843,752	\$	1,241,597
Interest on total OPEB liability		339,947		391,909		429,162
Changes in benefit terms		-		-		
Effect of economic/demographic gains or (losses)		-		942,411		(438,856)
Effect of assumption changes or inputs		(811,286)		2,155,918		2,857,148
Expected benefit payments		(154,710)		(167,206)		(189,804)
Net change in total OPEB liability		297,470		4,166,784		3,899,247
Total OPEB liability, beginning balance		8,838,270		9,135,740		13,302,524
Total OPEB liability, ending balance	\$	9,135,740	\$	13,302,524	\$	17,201,771
Covered employee payroll	\$	29,066,710	\$	32,851,623	\$	35,338,025
Total OPEB liability as a % of covered employee payroll		31.43%		40.49%		48.68%

Notes to Schedules:

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

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

Note 7 to the financial statements includes information regarding factors that may affect trends in the amounts reported in these schedules.

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

AS OF JUNE 30, *
Last 10 Fiscal Years **

PERS 1	2015	2016	2017	2018	2019	2020
District's proportion of the net pension liability (percentage)	0.137831%	0.143675%	0.149520%	0.158295%	0.165156%	0.168259%
District's proportionate share of the net pension liability (amount)	\$ 7,209,842	\$ 7,716,035	\$ 7,094,839	\$ 7,069,486	\$ 6,350,834	\$ 5,940,469
District's covered-employee payroll ***	\$ 15,794,344	\$ 17,469,821	\$ 18,855,854	\$ 21,206,993	\$ 23,150,819	\$ 25,322,681
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	45.65%	44.17%	37.63%	33.34%	27.43%	23.46%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%
SERS 2/3	2015	2016	2017	2018	2019	2020
District's proportion of the net pension liability (percentage)	0.914099%	0.947901%	0.922953%	0.972677%	0.956461%	0.966442%
District's proportionate share of the net pension liability (amount)	\$ 3,712,623	\$ 6,225,500	\$ 4,554,543	\$ 2,908,908	\$ 2,242,882	\$ 5,141,124
District's covered-employee payroll	\$ 15,735,528	\$ 17,466,143	\$ 18,855,854	\$ 21,206,993	\$ 23,150,819	\$ 25,322,681
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	23.59%	35.64%	24.15%	13.72%	9.69%	20.30%
Plan fiduciary net position as a percentage of the total pension liability	90.92%	86.52%	90.79%	94.77%	96.31%	92.45%
TRS 1	2015	2016	2017	2018	2019	2020
District's proportion of the net pension liability (percentage)	0.138752%	0.130032%	0.127971%	0.115316%	0.121908%	0.125051%
District's proportionate share of the net pension liability (amount)	\$ 4,395,869	\$ 4,439,600	\$ 3,868,896	\$ 3,367,899	\$ 3,018,197	\$ 3,012,206
District's covered-employee payroll ****	\$ 6,853,854	\$ 6,670,513	\$ 7,188,525	\$ 6,838,973	\$ 8,223,915	\$ 9,092,378
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	64.14%	66.56%	53.82%	49.25%	36.70%	33.13%
Plan fiduciary net position as a percentage of the total pension liability	65.70%	62.07%	65.58%	66.52%	70.37%	70.55%
TRS 2/3	2015	2016	2017	2018	2019	2020
District's proportion of the net pension liability (percentage)	0.146486%	0.133857%	0.131104%	0.117193%	0.123195%	0.126391%
District's proportionate share of the net pension liability (amount)	\$ 1,236,052	\$ 1,838,252	\$ 1,210,014	\$ 527,502	\$ 742,294	\$ 1,941,335
District's covered-employee payroll	\$ 6,853,854	\$ 6,670,513	\$ 7,188,525	\$ 6,835,629	\$ 8,223,915	\$ 9,092,378
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	18.03%	27.56%	16.83%	7.72%	9.03%	21.35%
Plan fiduciary net position as a percentage of the total pension liability	92.48%	88.72%	93.14%	96.88%	96.36%	91.72%

Notes to Schedules:

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

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

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

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

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

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

PERS 1	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 640,661	\$ 846,405	\$ 917,475	\$ 1,077,878	\$ 1,203,668	\$ 1,212,773
Contributions in relation to the contractually required contributions	\$ 640,661	\$ 846,405	\$ 917,475	\$ 1,077,878	\$ 1,203,668	\$ 1,212,773
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll ***	\$ 15,969,479	\$ 17,756,527	\$ 19,234,654	\$ 21,444,499	\$ 23,466,030	\$ 25,460,115
Contribution as a percentage of covered-employee payroll	4.01%	4.77%	4.77%	5.03%	5.13%	4.76%
SERS 2/3	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 898,415	\$ 1,176,549	\$ 1,275,234	\$ 1,770,782	\$ 1,940,597	\$ 2,100,495
Contributions in relation to the contractually required contributions	\$ 898,415	\$ 1,176,549	\$ 1,275,234	\$ 1,770,782	\$ 1,940,597	\$ 2,100,495
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 15,914,253	\$ 17,756,527	\$ 19,234,654	\$ 21,444,499	\$ 23,466,030	\$ 25,460,115
Contribution as a percentage of covered-employee payroll	5.65%	6.63%	6.63%	8.26%	8.27%	8.25%
TERS 1	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 311,276	\$ 415,493	\$ 450,372	\$ 489,400	\$ 629,422	\$ 658,494
Contributions in relation to the contractually required contributions	\$ 311,276	\$ 415,493	\$ 450,372	\$ 489,400	\$ 629,422	\$ 658,494
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll ****	\$ 6,895,412	\$ 6,683,711	\$ 7,229,225	\$ 6,819,506	\$ 8,515,510	\$ 9,161,385
Contribution as a percentage of covered-employee payroll	4.51%	6.22%	6.23%	7.18%	7.39%	7.19%
TERS 2/3	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 392,745	\$ 448,822	\$ 485,799	\$ 532,454	\$ 666,764	\$ 1,517,569
Contributions in relation to the contractually required contributions	\$ 392,745	\$ 448,822	\$ 485,799	\$ 532,454	\$ 666,764	\$ 1,517,569
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 6,895,412	\$ 6,683,711	\$ 7,229,225	\$ 6,816,162	\$ 8,515,510	\$ 9,161,385
Contribution as a percentage of covered-employee payroll	5.70%	6.72%	6.72%	7.81%	7.83%	16.56%

Notes to Schedules:

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

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

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

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

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

Educational Service District No. 112

REQUIRED SUPPLEMENTAL INFORMATION

SW WA WORKERS' COMPENSATION COOPERATIVE

CLAIMS DEVELOPMENT INFORMATION

AS OF THE YEAR ENDING AUGUST 31,*

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1. Required contribution & investment revenue:										
Earned	5,204,861	5,344,051	5,093,041	5,381,049	5,783,666	6,255,224	6,745,291	7,323,711	8,107,233	8,462,552
Ceded	120,478	116,336	113,521	130,143	144,738	147,245	159,256	161,327	169,465	164,006
Net Earned	5,084,383	5,227,715	4,979,520	5,250,906	5,638,928	6,107,979	6,586,035	7,162,384	7,937,768	8,298,546
2. Unallocated expenses (ESD Admin)	870,972	846,578	914,935	829,238	816,878	878,925	930,245	890,274	761,688	837,908
3. Estimated claims & expenses end of policy Year:										
Incurred	2,229,893	2,017,754	2,328,488	2,944,880	2,468,081	3,357,773	3,331,013	3,198,144	3,849,747	3,514,576
Ceded	54,893	67,754	53,488	44,880	43,081	107,773	131,013	98,144	49,747	114,576
Net incurred	2,175,000	1,950,000	2,275,000	2,900,000	2,425,000	3,250,000	3,200,000	3,100,000	3,800,000	3,400,000
4. Net paid (cumulative) as of:										
End of policy year	800,166	633,705	768,778	936,029	757,591	1,325,098	1,069,691	1,093,426	1,310,111	907,120
One year later	1,559,369	1,243,751	1,466,810	1,842,625	1,630,224	2,316,612	2,040,860	1,739,934	2,082,296	
Two years later	1,876,863	1,405,642	1,773,789	2,416,492	1,966,418	2,905,912	2,529,033	2,161,230		
Three years later	2,071,794	1,438,620	1,640,063	2,667,044	2,157,889	3,213,868	2,901,382			
Four years later	2,126,577	1,466,662	1,669,828	2,830,159	2,319,533	3,379,924				
Five years later	2,168,543	1,498,612	1,992,005	2,918,255	2,334,392					
Six years later	2,214,020	1,500,907	2,075,124	2,940,233						
Seven years later	2,294,365	1,501,977	2,118,265							
Eight years later	2,336,103	1,501,977								
Nine years later										
5. Reestimated net ceded claims and expense:	6,180	6,370	312,232	8,712	12,617	15,190	17,966	23,988	31,001	114,576
6. Reestimated net incurred claims & expenses:										
End of policy year	2,175,000	1,950,000	2,275,000	2,900,000	2,425,000	3,250,000	3,200,000	3,100,000	3,800,000	3,400,000
One year later	2,225,000	1,800,000	2,450,000	2,950,000	2,375,000	3,500,000	3,450,000	2,700,000	3,150,000	
Two years later	2,300,000	1,675,000	2,300,000	2,950,000	2,600,000	3,800,000	3,250,000	2,875,000		
Three years later	2,360,000	1,600,000	2,425,000	2,975,000	2,510,000	3,715,000	3,315,000			
Four years later	2,360,000	1,600,000	2,200,000	3,100,000	2,480,000	3,640,000				
Five years later	2,295,000	1,570,000	2,085,000	3,015,000	2,400,000					
Six years later	2,300,000	1,540,000	2,130,000	2,995,000						
Seven years later	2,375,000	1,525,000	2,170,000							
Eight years later	2,351,000	1,515,000								
Nine years later	2,350,000									
7. Increase (decrease) in estimated net incurred claims & expenses from end of policy year	175,000	(435,000)	(105,000)	95,000	(25,000)	390,000	115,000	(225,000)	(650,000)	-
8. Increase (decrease) in estimated net incurred claims & expenses from end of policy year as a percentage of Net Incurred	8.0%	-22.3%	-4.6%	3.3%	-1.0%	12.0%	3.6%	-7.3%	-17.1%	n/a

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

Educational Service District No. 112
REQUIRED SUPPLEMENTARY INFORMATION

TEN YEAR CLAIMS DEVELOPMENT INFORMATION
SW WA WORKERS' COMPENSATION COOPERATIVE (THE COOPERATIVE)
SEPTEMBER 1, 2019 THROUGH AUGUST 31, 2020

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

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

Educational Service District No. 112

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1. Required contribution & investment revenue:										
Earned	3,322,027	3,260,959	2,976,838	2,949,353	2,845,370	2,813,543	2,804,478	2,891,057	3,159,612	3,302,117
Ceded	1,861,825	1,628,803	1,281,592	1,378,879	1,011,515	1,074,516	1,004,318	1,413,199	1,420,996	1,443,468
Net Earned	1,460,202	1,632,156	1,695,246	1,570,474	1,833,855	1,739,027	1,800,160	1,477,858	1,738,616	1,858,649
2. Unallocated expenses	358,608	365,257	343,608	464,949	445,016	588,343	560,382	551,627	555,063	568,437
3. Estimated claims & expenses end of policy Year:										
Incurred	1,701,304	1,660,057	1,011,221	1,049,257	861,535	679,850	976,873	604,138	704,680	1,856,256
Ceded	802,721	589,604	412,823	283,604	182,393	181,563	165,980	123,633	181,827	489,978
Net incurred	898,583	1,070,453	598,398	765,653	679,142	498,287	810,893	480,505	522,853	1,366,278
4. Net paid (cumulative) as of:										
End of policy year	312,911	390,972	181,780	290,204	381,620	230,280	426,057	309,350	236,122	373,146
One year later	622,000	709,917	274,480	539,519	466,872	382,203	847,463	454,686	449,954	
Two years later	648,377	1,051,953	516,638	604,991	593,521	379,963	890,623	564,352		
Three years later	608,635	1,224,014	516,159	675,566	619,616	379,003	1,082,888			
Four years later	716,020	1,228,073	546,874	783,516	649,092	377,513				
Five years later	716,020	1,234,609	546,624	846,957	649,092					
Six years later	716,020	1,240,874	546,747	846,957						
Seven years later	716,020	1,281,158	559,952							
Eight years later	716,020	1,458,647								
Nine years later	716,020									
5. Reestimated net ceded claims and expense:	227,284	1,096,445	45,342	90,558	44,624	42,985	168,379	155,546	632,983	489,978
6. Reestimated net incurred claims & expenses:										
End of policy year	898,583	1,070,453	598,398	765,653	679,142	498,287	810,893	480,505	522,853	1,366,278
One year later	763,596	1,291,492	653,224	647,336	729,833	483,301	944,298	608,235	1,086,392	
Two years later	722,150	1,302,684	595,101	894,072	682,490	436,295	960,152	770,144		
Three years later	672,325	1,309,162	578,101	874,072	680,490	392,295	1,337,292			
Four years later	725,357	1,306,182	555,881	858,930	656,834	388,373				
Five years later	723,357	1,316,653	554,881	853,930	681,834					
Six years later	725,357	1,315,653	552,881	854,930						
Seven years later	722,357	1,368,653	675,861							
Eight years later	719,357	1,462,653								
Nine years later	718,357									
7. Increase (decrease) in estimated net incurred claims & expenses from end of policy year	(180,226)	392,200	77,463	89,277	2,692	(109,914)	526,399	289,639	563,539	-

8. Increase (decrease) in estimated net incurred claims & expenses from end of policy year as a percentage of Net Incurred	-20.1%	36.6%	12.9%	11.7%	0.4%	-22.1%	64.9%	60.3%	107.8%	n/a
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* Schedules are based on the District's financial reporting date, fiscal year ending August 31 in each period reported.

Educational Service District No. 112
REQUIRED SUPPLEMENTARY INFORMATION

TEN YEAR CLAIMS DEVELOPMENT INFORMATION
SW WA RISK MANAGEMENT INSURANCE COOPERATIVE (THE COOPERATIVE)
SEPTEMBER 1, 2019 THROUGH AUGUST 31, 2020

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

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

Educational Service District No. 112
REQUIRED SUPPLEMENTARY INFORMATION

RECONCILIATION OF CLAIMS LIABILITIES
SW WA WORKERS' COMPENSATION COOPERATIVE (THE COOPERATIVE)
SEPTEMBER 1, 2019 THROUGH AUGUST 31, 2020

The schedule of Claims Liabilities presented in Note 9 to the financial statements, for the Cooperative, disclosed the required information for the single contract type.

RECONCILIATION OF CLAIMS LIABILITIES
SW WA RISK MANAGEMENT INSURANCE COOPERATIVE (THE COOPERATIVE)
SEPTEMBER 1, 2019 THROUGH AUGUST 31, 2020

The schedule of Claims Liabilities presented in Note 9 to the financial statements, for the Cooperative, disclosed the required information for the single contract type.

Educational Service District No. 112
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Child and Adult Care Food Program	10.558	159256	225,159	-	-	2,5
CDBG - Entitlement Grants Cluster							
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Clark County, WA)	Community Development Block Grants/Entitlement Grants	14.218	2018-CDBG- 1812/Mod2	280,600	-	-	3,7
Total CDBG - Entitlement Grants Cluster:				280,600	-	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via WA Dept of Children, Youth & Family Services)	Juvenile Justice and Delinquency Prevention	16.540	I-300-0118-2, I- 300-0118-3	75,172	-	-	2,3
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via WA OSPI)	STOP School Violence	16.839	0820014, 0820023	35,561	-	-	2
WIOA Cluster							
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via WA Employment Security Department through Workforce SW Washington)	WIOA Youth Activities	17.259	WSW 18-20, WSW 19- 03/6107-7009, WSW 19- 05/6107-7009	231,992	-	-	2
Total WIOA Cluster:				231,992	-	-	

The accompanying notes are an integral part of this schedule.

Educational Service District No. 112
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020

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		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA Dept of Children, Youth & Family Services)	COVID 19 - Coronavirus Relief Fund	21.019	21-1096, DCYFEMERGC V19CC	114,593	-	114,593	-	2,5
	COVID 19 - Coronavirus Relief Fund	21.019	CDBGMINIGRA NT	20,000	-	20,000	-	2
Total CFDA 21.019:				134,593	-	134,593	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	0260088, 0222580, 0222686	449,612	-	449,612	-	2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	0223109	63,266	-	63,266	-	2
Special Education Cluster (IDEA)								
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	0320284, 0320294, 0381014, 0381074, 0306868, 0338218	3,488,228	-	3,488,228	-	2
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	0380334, 0380344, 0382004, 0366356	141,380	-	141,380	-	2
Total Special Education Cluster (IDEA):				3,629,608	-	3,629,608	-	

The accompanying notes are an integral part of this schedule.

Educational Service District No. 112
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020

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		
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA Department of Children, Youth & Families)	Special Education- Grants for Infants and Families	84.181	18-1216/20- 1199-01, 20- 1116-01	429,306	-	429,306	-	2,3
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Twenty-First Century Community Learning Centers	84.287	0991226	297,778	-	297,778	-	2
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Elementary and Secondary School Emergency Relief Fund	84.425D	0130004	16,528	-	16,528	-	2
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA OSPI)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	0590023	34,590	-	34,590	2,000	2,3,4
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Department of Social & Health Services)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	K3916, K3916- 04	85,107	-	85,107	-	2,3
Total CFDA 93.243:				119,697	-	119,697	2,000	

The accompanying notes are an integral part of this schedule.

Educational Service District No. 112
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020

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		
CDC NATIONAL CENTER FOR CHRONIC DISEASE PREVENTION AND HEALTH PROMOTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Drug-Free Communities Support Program Grants	93.276	15SP23003A, 16SP21866A	-	151,859	151,859	-	2,3
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Department of Health)	PPHF 2018: Office of Smoking and Health- National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)	93.305	SCH2439-02	25,386	-	25,386	-	2,3
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Department of Health)	National and State Tobacco Control Program	93.387	SCH24399-04	4,491	-	4,491	-	2
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Department of Children, Youth & Families)	Every Student Succeeds Act/Preschool Development Grants	93.434	20-1264	93,669	-	93,669	-	2,5
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Educational Service District No 105)	Every Student Succeeds Act/Preschool Development Grants	93.434	90TP001801/ 3471800136	2,209	-	2,209	-	2

The accompanying notes are an integral part of this schedule.

Educational Service District No. 112
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Early Learning, Childcare Aware of Washington)	Every Student Succeeds Act/Preschool Development Grants	93.434	0-110-201121- 0927-26-6100	5,919	-	5,919	-	2
CCDF Cluster		Total CFDA 93.434:		101,797	-	101,797	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Early Learning, Childcare Aware of Washington)	Child Care and Development Block Grant	93.575	0-110-201120- 6100	1,420,539	-	1,420,539	-	2,3
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Department of Children, Youth & Families)	Child Care and Development Block Grant	93.575	20-1141, 20- 1141-01	158,891	-	158,891	-	2
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Department of Children, Youth & Families)	COVID 19 - Child Care and Development Block Grant	93.575	DCYFSPRING CV19	45,000	-	45,000	-	2
Head Start Cluster		Total CCDF Cluster:		1,624,430	-	1,624,430	-	

The accompanying notes are an integral part of this schedule.

Educational Service District No. 112
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020

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	10CH0225-05, 10CH011303- 01, 10CHP000087- 03, 10CHP00087- 03-01	-	2,320,140	2,320,140	277,464	2,3,4		
			10CH011303- 01-02, 10CHP00087- 03-02	-	27,159	27,159	-	2		
			Total Head Start Cluster:					2,347,299	277,464	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA OSPI)	Opioid STR	93.788	0999070, 0999061	255,044	-	255,044	-	2		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Department of Health)	Opioid STR	93.788	GVL24396, GVL24751-2	268,500	-	268,500	-	2,6		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Health Care Authority)	Opioid STR	93.788	K3916-04, 1765 -12462-02	181,549	-	181,549	-	2,3		
Total CFDA 93.788:				705,093	-	705,093	-			

The accompanying notes are an integral part of this schedule.

Educational Service District No. 112
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020

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		
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	0998213, 0998222	430,856	-	430,856	-	2
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Department of Social & Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K3916-04	232,618	-	232,618	-	2,3
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Beacon Health Options)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	BEACON1718 Amend 2, BEACON1920	74,325	-	74,325	-	2
Total CFDA 93.959:				737,799	-	737,799	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Department of Children, Youth & Families)	Preventive Health and Health Services Block Grant	93.991	MI-77410272 / SCH20851-14	2,120	-	2,120	-	2,3
Total Federal Awards Expended:				9,189,988	2,499,158	11,689,146	279,464	

The accompanying notes are an integral part of this schedule.

Educational Service District No. 112
NOTES TO THE STATEMENT OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - FEDERAL INDIRECT COST RATE

The District did not qualify to elect use of the diminis rate of 10%. The District used the Federal restricted rate approved by its cognizant agency of 7.38% for grants awarded prior to July 1, 2018; 7.18% for grants awarded July 1, 2019 and 7.15% for grants awarded July 1, 2020. Total indirect costs: \$ 730,661

NOTE 3 - PROGRAM COSTS / MATCHING CONTRIBUTIONS

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

NOTE 4 - AMOUNTS AWARDED TO SUBRECIPIENTS

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

NOTE 5 - PERFORMANCE BASED CONTRACTS

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

NOTE 6 - FIXED AWARD CONTRACTS

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

NOTE 7 - FEDERAL LOAN PROGRAMS

Loans through Federal Entitlement Grants

The District was approved by Clark County, Washington to receive a CDBG zero-interest loan award for "Portable Acquisition and Installation". The restrictive period for the loan is twenty years and began upon completion of construction and fulfillment of final project reporting requirements. Construction was completed as of December 31, 2019 and final reporting requirements were met at that date. The balance of the loan outstanding as of August 31, 2020 is \$280,600. The first scheduled payment on the loan is due December 31, 2020 and every December 31st thereafter through December 31, 2039. The table below summarizes loan activity for the year ending August 31, 2020.

CFDA No.	Program Name	Beginning Balance of Loans as of September 1, 2019		New Loans Processed		Ending Balance of Loans as of August 31, 2020	
		\$		\$		\$	
14.218	CDBG Block Grants/Entitlement Grants	217,780		62,820		280,600	

Educational Service District No. 112
OTHER INFORMATION

SW WA UNEEMPLOYMENT COMPENSATION COOPERATIVE
CLAIMS DEVELOPMENT INFORMATION
AS OF THE YEAR ENDING AUGUST 31, *

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1. Required Contribution & Investment Revenue:										
Earned	2,140,056	2,110,945	1,664,882	1,504,011	781,179	838,586	901,505	983,725	1,098,029	1,135,233
Investment Income	13,346	12,365	14,187	19,110	19,156	24,165	35,414	59,750	118,421	100,274
Ceded	-	-	-	-	-	-	-	-	-	-
Net Earned	2,153,402	2,123,310	1,679,069	1,523,121	800,334	862,751	936,919	1,043,476	1,216,450	1,235,507
2. Unallocated Expenses (ESD Admin)	181,165	193,309	187,197	180,533	193,391	216,669	223,494	237,559	237,716	236,960
3. Estimated Claims & Expenses End of Policy Year:										
Incurred	1,066,790	961,583	532,497	463,435	290,847	257,217	319,529	431,182	411,245	2,464,574
Ceded	-	-	-	-	-	-	-	-	-	-
Net Incurred	1,066,790	961,583	532,497	463,435	290,847	257,217	319,529	431,182	411,245	2,464,574
4. Net Paid (Cumulative) as of:										
End of policy year	685,044	757,284	403,320	368,929	210,430	188,761	255,303	332,632	300,425	1,392,629
One year later	956,730	912,572	485,595	432,028	219,813	231,440	422,473	446,529	493,157	
Two years later	960,644	921,446	485,926	429,732	220,914	232,392	424,116	444,873		
Three years later	963,829	921,171	485,580	429,556	219,551	233,392	424,096			
Four years later	964,107	921,171	485,580	429,556	219,551	232,060				
Five years later	964,107	921,171	485,580	429,556	218,884					
Six years later	964,107	921,171	485,580	429,556						
Seven years later	964,107	921,171	485,573							
Eight years later	964,107	921,156								
Nine years later	964,107									
5. Reestimated Net Ceded Claims and Expenses	-	-	-	-	-	-	-	-	-	-
6. Reestimated Net Incurred Claims and Expenses:										
End of policy year**	1,066,790	961,583	532,497	463,435	290,847	257,217	319,529	431,182	411,245	2,464,574
One year later	969,074	919,339	489,770	435,597	222,610	233,138	424,950	449,565	493,157	
Two years later	961,190	921,969	486,493	485,580	220,913	232,392	424,174	444,873		
Three years later	1,073,721	921,172	485,580	429,556	219,551	232,392	424,096			
Four years later	1,074,046	921,172	485,580	429,556	219,551	232,060				
Five years later	964,107	921,171	485,580	429,556	218,884					
Six years later	964,107	921,171	485,580	429,556						
Seven years later	964,107	921,171	485,573							
Eight years later	964,107	921,156								
Nine years later	964,107									
7. Increase (Decrease) in Estimated Net Incurred Claims & Expenses from End of Policy Year	(102,683)	(40,427)	(46,924)	(33,879)	(71,963)	(25,157)	104,567	13,691	81,912	n/a

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

Educational Service District No. 112
OTHER INFORMATION

TEN YEAR CLAIMS DEVELOPMENT INFORMATION
SW WA UNEMPLOYMENT COMPENSATION COOPERATIVE (THE COOPERATIVE)
SEPTEMBER 1, 2019 THROUGH AUGUST 31, 2020

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

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

Educational Service District No. 112
OTHER INFORMATION

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

AS OF AUGUST 31, 2020

Battle Ground School District No. 119
Camas School District No. 117
Castle Rock School District No. 401
Centerville School District No. 215
Educational Service District No. 112
Evergreen School District No. 114
Glenwood School District No. 401
Green Mountain School District No. 103
Hockinson School District No. 008
Kalama School District No. 402
Kelso School District No. 458
Klickitat School District No. 402
LaCenter School District No. 101
Longview School District No. 122
Lyle School District No. 406
Mill A School District No. 031
Mount Pleasant School District No. 029-93
Naselle-Grays River School District No. 155
Ocean Beach School District No. 101
Ridgefield School District No. 122
Roosevelt School District No. 403
Skamania School District No. 002
Stevenson-Carson School District No. 303
Toutle Lake School District No. 130
Trout Lake School District No. R-400
Wahkiakum School District No. 200
Washougal School District No. 112-6
White Salmon Valley School District No. 405-17
Wishram School District No. 094
Woodland School District No. 404

Educational Service District No. 112
OTHER INFORMATION

SW WA WORKERS' COMPENSATION COOPERATIVE
DES SCHEDULE OF EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

Excess Insurance	\$	153,015
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Contracted Services:

Third Party Administrator Fees	
Actuarial	88,808
Audit Expenses	
Brokerage Fees	10,991
Legal Fees	
Other Consultant Fees	5,608

General Administrative Expenses:

Personnel Services	653,423
Communication & Network	22,086
Supplies and Materials	14,176
Dues and Conferences	1,764
Retreat/Board Meetings	113
Training	3,388
Travel	4,410
Occupancy	40,378
Printing/Copier	3,754
Miscellaneous	

Other:

Claims Paid	2,824,367
Change in Claim Reserves	193,641
Labor & Industry Assessment	2,687,091
Right to Know	
Safe Schools Online Training	27,805
Pension Expense from Change in Net Pension Liability	(22,656)
OPEB Expense from Change in Total OPEB Liability	14,142
Return to Work-District Reimbursement	22,676
Miscellaneous	39,919

Total Operating Expenses	\$	<u>6,788,899</u>
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Educational Service District No. 112
OTHER INFORMATION

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

AS OF AUGUST 31, 2020

Bickleton School District No. 203
Camas School District No. 117
Castle Rock School District No. 401
Centerville School District No. 215
East Valley (Yakima) School District No. 090
Educational Service District No. 105
Educational Service District No. 112
Glenwood School District No. 401
Green Mountain School District No. 103
Kalama School District No. 402
Kelso School District No. 458
Klickitat School District No. 402
KWRL Transportation
La Center School District No. 101
Lyle School District No. 406
Mabton School District No. 120
Mill A School District No. 031
Mount Pleasant School District No. 029-93
Naselle-Grays River School District No. 155
Ocean Beach School District No. 101
Roosevelt School District No. 403
Skamania School District No. 002
Stevenson-Carson School District No. 303
Toutle Lake School District No. 130
Trout Lake School District No. R-400
Wahkiakum School District No. 200
Washougal School District No. 112-6
White Salmon Valley School District No. 405-17
Wishram School District No. 094
Woodland School District No. 404
(WSIPC) Washington School Information Processing Cooperative
Southwest Washington Unemployment Compensation Cooperative
Southwest Washington Workers' Compensation Cooperative, dba
Southwest Washington Workers' Compensation Trust

Educational Service District No. 112
OTHER INFORMATION

SW WA RISK MANAGEMENT INSURANCE COOPERATIVE
DES SCHEDULE OF EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

Excess Insurance	\$ 1,443,468
Contracted Services:	
Third Party Administrator Fees	
Actuarial	48,124
Audit Expenses	
Brokerage Fees	
Legal Fees	36,747
Other Consultant Fees	32,357
General Administrative Expenses:	
Personnel Services	375,589
Communication & Network	16,460
Supplies and Materials	5,701
Dues and Conferences	4,285
Retreat/Board Meetings	
Training	16,390
Travel	4,348
Occupancy	26,182
Printing/Copier	2,036
Miscellaneous	218
Other:	
Claims Paid	1,124,177
Change in Claim Reserves	1,819,204
State Risk Manager Fee	11,720
Refund to Member Districts	
Experienced Administrator Consultation	47,151
Pre-Loss Attorney Consultation	1,697
Pension Expense from Change in Net Pension Liability	(45,052)
OPEB Expense from Change in Total OPEB Liability	341
Miscellaneous	
Total Operating Expenses	<u>\$ 4,971,143</u>

Educational Service District No. 112
OTHER INFORMATION

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

AS OF AUGUST 31, 2020

Camas School District No. 117
Castle Rock School District No. 401
Centerville School District No. 215
Educational Service District No. 112
Evergreen School District No. 114
Glenwood School District No. 401
Green Mountain School District No. 103
Hockinson School District No. 098
Kalama School District No. 402
Kelso School District No. 458
Klickitat School District No. 402
LaCenter School District No. 101
Longview School District No. 122
Lyle School District No. 406
Mill A School District No. 031
Mount Pleasant School District No. 029-93
Naselle-Grays River School District No. 155
Ocean Beach School District No. 101
Ridgefield School District No. 122
Roosevelt School District No. 403
Skamania School District No. 002
Stevenson-Carson School District No. 303
Toutle Lake School District No. 130
Trout Lake School District No. R-400
Wahkiakum School District No. 200
Washougal School District No. 112-6
White Salmon Valley School District No. 405-17
Wishram School District No. 094
Woodland School District No. 404

Educational Service District No. 112
OTHER INFORMATION

SW WA UNEMPLOYMENT COMPENSATION COOPERATIVE
DES SCHEDULE OF EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

Excess Insurance	\$	-
Contracted Services:		
Third Party Administrator Fees		
Actuarial		30,008
Audit Expenses		
Brokerage Fees		
Legal Fees		792
Other Consultant Fees		5,608
General Administrative Expenses:		
Personnel Services		176,804
Communication & Network		5,577
Supplies and Materials		3,003
Dues and Conferences		676
Retreat/Board Meetings		
Training		
Travel		1,329
Occupancy		12,298
Printing/Copier		865
Miscellaneous		
Other:		
Claims Paid		1,495,244
Change in Claim Reserves		986,531
Pension Expense from Change in Net Pension Liability		(14,727)
OPEB Expense from Change in Total OPEB Liability		79
Miscellaneous		182
		<hr/>
Total Operating Expenses	\$	<u><u>2,704,269</u></u>

Educational Service District No. 112
OTHER INFORMATION
PRESENTING EFFECT OF LONG TERM OBLIGATIONS FOR FUNDING STATE-MANDATED AND ADMINISTERED RETIREMENT BENEFIT PLANS
AUGUST 31, 2020

	WORKERS OPERATING FUND	COMPENSATION RISK FUND	UNEMPLOYMENT RISK FUND	PROPERTY CASUALTY RISK FUND	CHILDCARE FUND	TOTAL ALL FUNDS
SCHEDULE OF EFFECT OF LONG TERM OBLIGATIONS FOR FUNDING STATE-MANDATED AND ADMINISTERED RETIREMENT BENEFIT PLANS ON COMPONENTS OF UNRESTRICTED NET POSITION						
UNRESTRICTED NET POSITION						
Unrestricted for Operations	20,773,654	-	-	-	(232,999)	20,540,655
Unrestricted for Joint Venture	763,145	-	-	-	-	763,145
Subtotal, Unrestricted Net Position excluding State-mandated retirement obligations	21,536,799	-	-	-	(232,999)	21,303,800
Share of Net Pension Liability (see Notes below)						
Unrestricted for Operations	(11,070,813)	(141,739)	(38,802)	(82,363)	(218,898)	(11,552,615)
Unrestricted for Joint Venture	(342,259)	-	-	-	-	(342,259)
Total OPEB Obligation (see Notes below)						
Unrestricted for Operations	(12,609,508)	(114,566)	(24,737)	(61,788)	(279,294)	(13,089,893)
Unrestricted for Joint Venture	(452,509)	-	-	-	-	(452,509)
NET UNRESTRICTED POSITION, per statement balances, 8/31/2020	(2,938,290)	(256,305)	(63,539)	(144,151)	(731,191)	(4,133,476)

SCHEDULE OF EFFECT ON UNRESTRICTED NET POSITION, SHARE OF NET PENSION LIABILITY (NPL) FOR OPERATIONS						
Cumulative Effect of NPL, 8/31/2020	(12,786,117)	(164,395)	(53,529)	(127,415)	(223,714)	(13,355,170)
Current Year Share-Change in WA State DRS NPL						
Total, Unrestricted Net Position for Operations for NPL, 8/31/2020	1,715,304	22,656	14,727	45,052	4,816	1,802,555
	(11,070,813)	(141,739)	(38,802)	(82,363)	(218,898)	(11,552,615)

SCHEDULE OF EFFECT ON UNRESTRICTED NET POSITION, TOTAL OPEB OBLIGATION						
Beginning Balance, 8/31/19	(10,675,712)	(100,424)	(24,658)	(61,447)	(296,514)	(11,158,755)
Current Year Change in Total OPEB Obligation	(1,933,796)	(14,142)	(79)	(341)	17,220	(1,931,138)
Total, Unrestricted Net Position for Operations for Total OPEB Liability, 8/31/20	(12,609,508)	(114,566)	(24,737)	(61,788)	(279,294)	(13,089,893)

Educational Service District No. 112
OTHER INFORMATION
PRESENTING EFFECT OF LONG TERM OBLIGATIONS FOR FUNDING STATE-MANDATED AND ADMINISTERED RETIREMENT BENEFIT PLANS
AUGUST 31, 2020

	OPERATING FUND	WORKERS COMPENSATION RISK FUND	UNEMPLOYMENT RISK FUND	PROPERTY CASUALTY RISK FUND	CHILDCARE FUND	TOTAL ALL FUNDS
SCHEDULE OF EFFECT OF STATE-MANDATED & ADMINISTERED RETIREMENT BENEFIT PLANS ON CHANGES IN NET POSITION						
Increase (Decrease) in Net Position before share of current year activity for state-mandated & administered retirement benefit plans	\$ 5,186,069	\$ 1,666,170	\$ (1,483,410)	\$ (1,713,737)	\$ (350,912)	\$ 3,304,180
PENSIONS: Current Year Share of change in WA State DRS Net Pension Liability-						
District Operations	1,715,304	22,656	14,727	45,052	4,816	1,802,555
Joint Venture						-
OPEB: Current Year Share of change in state mandated participation in PEBB OPEB plans for						
Total OPEB Obligations-						
District Operations	(1,933,796)	(14,142)	(79)	(341)	17,220	(1,931,138)
Joint Venture						-
Increase (Decrease) in Net Position, per audited balances, current operations	\$ 4,967,577	\$ 1,674,684	\$ (1,468,762)	\$ (1,669,026)	\$ (328,876)	\$ 3,175,597

Notes to Schedule:

This information is provided to illustrate the impact of implementation of generally accepted accounting principles for pensions and other post-employment benefits (OPEB), recording the District's proportionate share of the pension plan administered under the Department of Retirement Systems (DRS) and Washington State's OPEB plan administered under the Health Care Authority, respectively. See Note 6 for detail information on the pension plan and Note 7 for detail information on OPEB. The District has no independent ability to fund or satisfy either pension or OPEB liabilities outside of Washington State's legislatively adopted contribution rates. Assessments now and in the future are made based on legislatively-mandated rates and are paid by the District based on salaries and wages, as earned, for pension benefits and reported FTE for OPEB.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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