



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Olympic Educational Service District No. 114

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

Published April 22, 2021

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

April 22, 2021

Board of Directors
Olympic Educational Service District No. 114
Bremerton, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Olympic Educational Service District No. 114'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

Olympic Educational Service District No. 114 September 1, 2019 through August 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Olympic Educational Service District No. 114 are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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 program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
93.600	Head Start Cluster – Head Start
93.600	Head Start Cluster – COVID 19 – Head Start

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

The District did not qualify 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*

Olympic Educational Service District No. 114 September 1, 2019 through August 31, 2020

Board of Directors
Olympic Educational Service District No. 114
Bremerton, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of Olympic Educational Service District No. 114, 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 April 15, 2021.

The District has omitted the management's discussion and analysis information that governmental accounting principles generally accepted in the United States of America have 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 12 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

April 15, 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

Olympic Educational Service District No. 114 September 1, 2019 through August 31, 2020

Board of Directors
Olympic Educational Service District No. 114
Bremerton, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Olympic Educational Service District No. 114, 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 that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

April 15, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Olympic Educational Service District No. 114 September 1, 2019 through August 31, 2020

Board of Directors
Olympic Educational Service District No. 114
Bremerton, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Olympic Educational Service District No. 114, 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 respective financial position of each major fund and the aggregate remaining fund information of Olympic Educational Service District No. 114, 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 12 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 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.

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

April 15, 2021

FINANCIAL SECTION

Olympic Educational Service District No. 114 September 1, 2019 through August 31, 2020

BASIC FINANCIAL STATEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

Ten-Year Claims Development Information – 2020
Schedule of the District's Proportionate Share of the Net Pension Liability – PERS 1,
SERS 2/3, TRS 1, TRS 2/3 – 2020
Schedule of District Contributions – PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2020
Schedule of Changes in Total OPEB Liability and Related Ratios – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020
Notes to the Schedule of Expenditures of Federal Awards – 2020

Educational Service District #114						
STATEMENT OF NET POSITION - ALL FUNDS						
31-Aug-20						
		NOTE REF	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	Note 1	\$	562,425	\$	50,001	\$ 1 \$ 612,427
Investments	Notes 1,2,10	\$	6,748,134	\$	11,093,599	\$ 4,384,508 \$ 22,226,241
Accounts Receivable (net of uncollectible allowance)	Note 1	\$	1,258,888	\$	203,539	\$ 16,269 \$ 1,478,696
Prepays	Note 1	\$	47,476			\$ 47,476
TOTAL CURRENT ASSETS			\$ 8,616,923	\$ 11,347,139	\$ 4,400,778	\$ 24,364,840
NONCURRENT ASSETS						
Capital Assets						
Land and Land Improvements	Note 3	\$	357,962			\$ 357,962
Building	Note 3	\$	5,556,753			\$ 5,556,753
Equipment	Note 3	\$	505,229			\$ 505,229
Less: Accumulated Depreciation	Note 3	\$	(2,489,260)			\$ (2,489,260)
Net Capital Assets	Note 3	\$	3,930,684	\$ -	\$ -	\$ 3,930,684
Investment in Joint Venture	Note 11	\$	(31,623)			\$ (31,623)
TOTAL NONCURRENT ASSETS			\$ 3,899,061	\$ -	\$ -	\$ 3,899,061
TOTAL ASSETS			\$ 12,515,984	\$ 11,347,139	\$ 4,400,778	\$ 28,263,901
DEFERRED OUTFLOWS OF RESOURCES						
Deferred OutFlows Related to Pensions	Note 5	\$	1,870,151			\$ 1,870,151
Deferred OutFlows Related to OPEB	Note 6	\$	1,836,426			\$ 1,836,426
TOTAL DEFERRED OUTFLOWS OF RESOURCES			\$ 3,706,577	\$ -	\$ -	\$ 3,706,577
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	Note 1	\$	340,183	\$	55,049	\$ 404,838 \$ 800,070
Accrued Salaries	Note 1	\$	28,343			\$ 28,343
Payroll Deductions & Taxes Payable	Note 1	\$	10,883			\$ 10,883
Compensated Absences	Note 1	\$	192,490			\$ 192,490
Bonds Payable	Note 4	\$	251,000			\$ 251,000
Claim Reserves						

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

Educational Service District #114						
STATEMENT OF NET POSITION - ALL FUNDS						
31-Aug-20						
		NOTE REF	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
IBNR	Note	8		\$ 804,874		\$ 804,874
Open Claims	Note	8		\$ 342,517	\$ 101,043	\$ 443,560
Unallocated Loss Adjustment Expenses	Note	8		\$ 263,000		\$ 263,000
Future L&I Assessments	Note	8		\$ 435,799		\$ 435,799
Unearned Revenue	Note	1	\$ 219,836			\$ 219,836
TOTAL CURRENT LIABILITIES			\$ 1,042,735	\$ 1,901,239	\$ 505,881	\$ 3,449,855
NONCURRENT LIABILITIES						
Compensated Absences_	Note	1	\$ 394,503			\$ 394,503
Claim Reserves_						
IBNR_	Note	8		\$ 1,614,437		\$ 1,614,437
Open Claims_	Note	8		\$ 564,065	\$ 438	\$ 564,503
Net Pension Liability_	Note	5	\$ 5,022,998			\$ 5,022,998
OPEB Liability_	Note	6	\$ 6,564,753			\$ 6,564,753
Bonds Payable_	Note	4	\$ 1,096,000			\$ 1,096,000
TOTAL NONCURRENT LIABILITIES			\$ 13,078,254	\$ 2,178,502	\$ 438	\$ 15,257,194
TOTAL LIABILITIES			\$ 14,120,989	\$ 4,079,741	\$ 506,319	\$ 18,707,049
DEFERRED INFLOWS OF RESOURCES						
Deferred InFlows Related to Pensions	Note	5	\$ 317,119			\$ 317,119
Deferred InFlows Related to OPEB	Note	6	\$ 229,316			\$ 229,316
TOTAL DEFERRED INFLOWS OF RESOURCES			\$ 546,435	\$ -	\$ -	\$ 546,435
NET POSITION						
Net Investment in Capital Assets	Notes	3,4	\$ 2,583,684	\$ -	\$ -	\$ 2,583,684
Restricted	Note	9	\$ 155,197		\$ 3,894,459	\$ 4,049,656
Unrestricted	Note	9	\$ (1,183,744)	\$ 7,267,398	\$ -	\$ 6,083,654
TOTAL NET POSITION			\$ 1,555,137	\$ 7,267,398	\$ 3,894,459	\$ 12,716,994

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

Educational Service District #114				
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION				
FOR THE YEAR ENDED AUGUST 31, 2020				
	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
OPERATING REVENUES				
Local Sources	\$ 1,436,420			\$ 1,436,420
State Sources	\$ 3,797,589			\$ 3,797,589
Allotment	\$ 831,759			\$ 831,759
Federal Sources	\$ 7,332,901			\$ 7,332,901
Cooperative Programs	\$ 8,003,830			\$ 8,003,830
Other Programs	\$ 1,310,270			\$ 1,310,270
Member Assessments/Contributions		\$ 3,747,312	\$ 219,859	\$ 3,967,171
TOTAL OPERATING REVENUE	\$ 22,712,769	\$ 3,747,312	\$ 219,859	\$ 26,679,940
OPERATING EXPENSES				
General Operations and Administration	\$ 2,026,885	\$ 688,488	\$ 71,760	\$ 2,787,133
Instructional Support Programs	\$ 14,866,909			\$ 14,866,909
Non Instructional Support Programs	\$ 4,518,728			\$ 4,518,728
Incurred Loss/Loss Adjustment Expenses				
Paid on Current Losses		\$ 1,726,361	\$ 593,374	\$ 2,319,735
Change in Loss Reserves		\$ (209,689)	\$ 58,434	\$ (151,255)
Unallocated Loss Adjustment Expenses				
Change in Unallocated Loss Reserves		\$ (116,967)		\$ (116,967)
Excess/Reinsurance Premiums		\$ 241,264		\$ 241,264
Professional Fees		\$ 18,525	\$ 13,750	\$ 32,275
Labor & Industries Assessments		\$ 1,356,296		\$ 1,356,296
Depreciation/Depletion	\$ 110,190			\$ 110,190
Pension Expense	\$ (437,819)			\$ (437,819)
OPEB Expense	\$ 694,142			\$ 694,142
TOTAL OPERATING EXPENSES	\$ 21,779,035	\$ 3,704,278	\$ 737,318	\$ 26,220,631
OPERATING INCOME (LOSS)	\$ 933,734	\$ 43,034	\$ (517,459)	\$ 459,309
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	\$ 99,204	\$ 167,620	\$ 65,075	\$ 331,899
Interest Expense and Related Charges	\$ (41,055)			\$ (41,055)
Change in Joint Venture	\$ 61,292			\$ 61,292
Change in Compensated Absences				\$ -
Other Nonoperating Expenses	\$ (931)			\$ (931)
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ 118,510	\$ 167,620	\$ 65,075	\$ 351,205
INCOME (LOSS) BEFORE OTHER ITEMS	\$ 1,052,244	\$ 210,654	\$ (452,384)	\$ 810,514
INCREASE (DECREASE) IN NET POSITION	\$ 1,052,244	\$ 210,654	\$ (452,384)	\$ 810,514
NET POSITION - BEGINNING BALANCE	\$ 502,893	\$ 7,056,744	\$ 4,346,843	\$ 11,906,480
NET POSITION - ENDING BALANCE	\$ 1,555,137	\$ 7,267,398	\$ 3,894,459	\$ 12,716,994

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

Educational Service District #114				
STATEMENT OF CASH FLOWS				
FOR THE YEAR ENDED AUGUST 31, 2020				
	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
CASH FLOW FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 2,315,504			\$ 2,315,504
Cash Received from State and Federal Sources	\$ 12,458,651			\$ 12,458,651
Cash Received from Members	\$ 8,028,146	\$ 3,767,075	\$ 219,286	\$ 12,014,507
Payments to Suppliers for Goods and Services	\$ (5,776,703)	\$ (723,031)	\$ (61,308)	\$ (6,561,042)
Payments to Employees for Services	\$ (15,709,600)			\$ (15,709,600)
Cash Paid for Benefits/Claims		\$ (1,729,043)	\$ (213,499)	\$ (1,942,542)
Cash Paid for Reinsurance		\$ (241,264)		\$ (241,264)
Cash Paid for Labor and Industries Assessments		\$ (1,356,297)		\$ (1,356,297)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,315,998	\$ (282,560)	\$ (55,521)	\$ 977,917
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal and Interest Paid on Capital Debt	\$ (290,055)			\$ (290,055)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (290,055)	\$ -	\$ -	\$ (290,055)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends Received	\$ 99,204	\$ 167,620	\$ 65,075	\$ 331,899
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ 99,204	\$ 167,620	\$ 65,075	\$ 331,899
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 1,125,147	\$ (114,940)	\$ 9,554	\$ 1,019,761
CASH AND CASH EQUIVALENTS - BEGINNING	\$ 6,185,412	\$ 11,258,540	\$ 4,374,955	\$ 21,818,907
CASH AND CASH EQUIVALENTS - ENDING	\$ 7,310,560	\$ 11,143,600	\$ 4,384,509	\$ 22,838,668
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
OPERATING NET INCOME	\$ 933,734	\$ 43,034	\$ (517,459)	\$ 459,309
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	\$ 110,190			\$ 110,190
Receivables, Net	\$ 180,751	\$ 19,762	\$ (573)	\$ 199,940
Prepays	\$ (14,267)			\$ (14,267)
Accounts and Other Payables	\$ (114,575)	\$ (18,700)	\$ 404,077	\$ 270,802
Unearned Revenue	\$ (27,350)			\$ (27,350)
Change in Compensated Absences	\$ 60,431			\$ 60,431
Pension Expense from change in Net Pension Liability				
Change in Deferred Outflows	\$ (1,013,236)			\$ (1,013,236)
Change in Deferred Inflows	\$ (877,099)			\$ (877,099)
Change in Net Pension Liability	\$ 1,452,514			\$ 1,452,514
OPEB Expense from change in Net OPEB Liability				
Change in Deferred Outflows	\$ (783,002)			\$ (783,002)
Change in Deferred Inflows	\$ (21,099)			\$ (21,099)
Change in Net OPEB Liability	\$ 1,429,006			\$ 1,429,006
Other Changes for Insurance Funds				
Claims Reserve-Current		\$ (152,992)	\$ 59,463	\$ (93,529)
Claims Reserve-Prior Year		\$ 1,878	\$ (1,029)	\$ 849
IBNR-Current		\$ (25,842)		\$ (25,842)
IBNR-Prior Year		\$ (32,733)		\$ (32,733)
Future L&I Assessments		\$ (117,967)		\$ (117,967)
Provision for Unallocated Loss Adjustment		\$ 1,000		\$ 1,000
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,315,998	\$ (282,560)	\$ (55,521)	\$ 977,917

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

Educational Service District #114

STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS

31-Aug-20

	COMPENSATED ABSENCES
ASSETS	
Cash and Cash Equivalents	\$ 496,941.00
Investments	\$ 7,600.00
Accounts Receivable	\$ 504,541.00
TOTAL ASSETS	
LIABILITIES	
Due to Local Governments	\$ 504,541.00
TOTAL LIABILITIES	\$ 504,541.00

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Educational Service District No. 114 have been prepared in conformity with generally accepted accounting principles (GAAP) 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 Educational Service District No. 114 ("the District") are implemented under the oversight authority of the Office of Superintendent of Public Instruction, 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

Educational Service District No. 114 is one of nine educational service districts organized as political subdivisions of the state of Washington organized pursuant to Title 28A Revised Code of Washington (RCW) for the purpose of (1) providing cooperative and informational services to local school districts; (2) assisting the state superintendent of public instruction and the state board of education in the performance of their respective statutory or constitutional duties; and (3) providing services to school districts to assure equal educational opportunities.

The District serves 15 school districts in Clallam, Jefferson, Kitsap and part of Mason 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 Governmental Accounting Standards Board (GASB), there were no component units of the District.

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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 Unemployment Insurance fund accounts for the collection of premiums from members of the fund and the related payment of associated claims and expenses.

The Workers' Compensation Insurance fund accounts for workers' compensation payroll taxes collected from members, and the payment of associated claims, assessments and expenses.

Agency or custodial funds are used to account for assets held by the District in an agency capacity. In addition to enterprise funds, the District reports the following agency fund types:

Fiduciary Funds:

The Compensated Absences Pool agency fund accounts for assets held by the District to provide a funding mechanism for members to pay for the cash-out of liabilities for compensated absences when employees of member districts leave service or retire. See Note 10 for more information.

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 the Office of the Superintendent of Public Instruction (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

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activity codes; expenses may not exceed the total approved expense budget without formal approval from OSPI.

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

Assets, Liabilities, and Net Position

Cash and Cash Equivalents, Deposits and Investments – See Note 2

For the purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of twelve months or less when purchased to be cash and cash equivalents. Investments held by the Kitsap County Treasurer 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 at fiscal year-end. For remaining proprietary and agency funds, the amounts represent balances due from clients within thirty days of invoice dates.

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

Prepaid Items

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

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

The balance reported in the Statement of Net Position as of August 31, 2020, represents the aggregate amount of vacation and sick leave payable for all eligible employees of the District.

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Changes to estimated liabilities for sick and vacation leave balances for employees working in proprietary funds are charged as current expense to those funds.

Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

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 eligibility requirements. Balances reported as unearned revenue are expected to satisfy eligibility requirements within 12–18 months.

Deferred Outflows and Deferred Inflows

Accounting principles for pensions generally accepted accounting principles (see Note 5) requires the District to recognize deferred inflows and outflows on the Statement of Net Position related to the proportionate share of the Washington State Department of Retirement System's deferred income or expense items, to be recognized over a number of years, for changes in experience, assumptions, proportion, contributions, and investment earnings. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Generally accepted accounting principles for other post-retirement employee benefits (OPEB) (see Note 6) require the District to recognize deferred inflows and outflows on the Statement of Net Position related to the single-employer plan administered under the Washington Health Care Authority, to be recognized over a number of years, for changes in experience, assumptions, and timing of contributions.

Operating and Non-Operating 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 5); and
- Current year OPEB expense (see Note 6).

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

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

Non-operating revenues and expenses include interest earnings on investments not restricted to program benefit, interest expense on debt, other asset and financing activities including grants used to finance operations and expenses 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: CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

The office of the Kitsap County Treasurer is the ex-officio treasurer for the District. The District is a participant in the Kitsap County Investment Pool, an external investment pool managed and operated by the Office of the Kitsap Treasurer under authority of RCW 36.29 which authorizes county treasurers to invest funds of participants. In this capacity, the Kitsap 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 Kitsap County Treasurer based on segregated balance records.

The Kitsap County Investment Pool's investment policy is established by the Kitsap County Finance Committee in accordance with RCW 36.48.070. The Kitsap County Investment Pool

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Police is available at

https://www.kitsapgov.com/treas/Documents/Kitsap_County_Investment_Policy.pdf

The Kitsap County Treasurer publishes an annual report, available on the Treasurer's website at <https://sp.kitsapgov.com/sites/treas/investments/default.aspx>.

The Kitsap County Investment Pool is an unrated external investment pool. Investments in the Pool, are reported at amortized cost, which approximates fair value. The Pool is invested in 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 Pool does not have any legally binding guarantees of share values.

The Pool does not impose liquidity fees or redemption gates on participant withdrawals. It is the policy of the Pool to permit participants to withdraw their investments on a daily basis; therefore, the District's investment balance in the Pool is equal to fair value. Fair value is measured using quoted prices in active markets for identical assets that the pool can access at the measurement date (Level 1 Inputs). Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.

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

	Fair Value
Cash on Hand, Bank Deposits	\$ 612,427
Kitsap County Investment Pool	
Operating Fund	\$ 6,645,802
Worker's Compensation Fund	\$ 11,093,599
Unemployment Fund	\$ 4,384,508
Total Cash, Cash Equivalents & Short-Term Investments	\$ 22,736,336

The District's portion of Fair Value Investments in the Compensated Absences Pool is \$102,731.

The District reports its investment in the Pool at the fair value amount, which is the same as the value of the Pool per share.

The Kitsap County Treasurer bears the risk of maturity in the Kitsap County Investment Pool.

Credit Risk

The Kitsap County Investment Pool is considered extremely low risk. The Pool's portfolio is made up of high quality, highly liquid securities, and its relatively short average maturity reduces the

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Pool's price sensitivity to market interest rate fluctuations. The Pool reduces credit risk by purchasing securities rated at the highest quality by credit rating organizations at the time of purchase. The Pool does not contain any structured investment vehicles or collateralized debt obligations.

The Pool 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 Pool was as follows:

Investment Type	% of Pool based on Fair Value
Washington State Local Government Investment Pool	37.02 %
Federal Agencies Semi-Annual Coupon	22.65 %
Treasury Coupons	5.80 %
Federal Agency Callables	13.04 %
Federal Agency FRN	17.68 %
Federal Agency Variable Rate Notes	1.45 %
Municipal Bonds	.04 %
Money Market Accounts	2.32 %

*Source: Kitsap County Investment Pool - Portfolio Management - Portfolio Summary
August 31, 2020*

The Pool is not insured or guaranteed by any government; therefore, maintenance of principal is not fully insured. The *Kitsap County* Investment Pool does not have a credit rating. As of August 31, 2020, NAV per share was \$689,941,713.77.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, the District would not be able to recover the value of the investment or collateral securities. Of the District's total cash and investment position of \$612,427; \$22,123,909 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.

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As of August 31, 2020, the Kitsap County Investment Pool's average maturity was 12 months. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

NOTE 3: CAPITAL ASSETS

Capital assets, which include property, facilities, and equipment, are reported in the Operating fund and capitalized at total acquisition cost, provided such cost exceeds \$50,000 and the asset has an expected useful life of more than 5 years. 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	3–10
Equipment	5–20
Buildings and structures	10–50
Land improvements	5–50

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	Retireme nts	Ending Balance 8/31/2020
Capital assets not depreciated:				
Land	\$ 357,962	\$	\$	\$ 357,962
Total capital assets not depreciated	\$ 357,962			\$ 357,962
Depreciable capital assets:				
Buildings	\$ 5,556,753			\$ 5,556,753
Equipment	\$ 505,229			\$ 505,229

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	Beginning Balance 9/1/2019	Additions	Retireme nts	Ending Balance 8/31/2020
Total depreciable capital assets	\$ 6,061,982			\$ 6,061,982
Less accumulated depreciation for:				
Buildings	\$ 1,913,924	\$ 106,180		\$ 2,020,104
Equipment	\$ 465,146	\$ 4,010		\$ 469,156
Total accumulated depreciation	\$ 2,379,070	\$ 110,190		\$ 2,489,260
Total depreciable assets, net	\$ 3,682,912	\$(110,190)	\$	\$ 3,572,722
Total assets, net	\$ 4,040,874	\$(110,190)	\$	\$ 3,930,684

NOTE 4: LONG-TERM LIABILITIES

The District issues general obligation bonds and other debt instruments through direct borrowing and placements to finance the purchase of building addition. Long-term debt from general obligation bonds and notes from direct borrowing and placement at August 31, 2020, are comprised of the following individual issues:

Issue Name/Purpose	Amount Authorized	Annual Installments	Maturity Range	Interest Rate	Amount Outstanding, August 31, 2020
General Obligation Bonds	\$ 2,343,000	From 12,171 to 295,007	12/01/24	2.79	\$ 1,347,000
Total	\$ 2,343,000				\$ 1,347,000

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

Years Ending August 31,	Principal	Interest
2021, Current Portion	\$ 251,000	\$ 34,080
2022	\$ 263,000	\$ 26,910
2023	\$ 270,000	\$ 19,474
2024	\$ 276,000	\$ 11,858
2025	\$ 287,000	\$ 4,004
Total	\$ 1,347,000	\$ 96,326

Changes in Long-Term Liabilities

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

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	Beginning Balance 9/1/2019	Additions	Reductions	Ending Balance 8/31/20	Due Within One Year
General Obligation Bonds	1,596,000		249,000	1,347,000	251,000
Compensated Absences (Note 1)	274,734	209,927		484,661	192,490
NPL TRS 1	804,394	221,012		1,025,406	
NPL TRS 2/3	182,067	437,753		619,819	
NPL SERS 2/3	674,365	887,281		1,561,646	
NPL PERS 1	1,909,658		93,531	1,816,127	
Total OPEB Liability (Note 7)	5,135,746	1,429,007		6,564,753	
Total Long-Term Liabilities	10,576,964	3,184,986	342,531	13,419,419	443,490

NOTE 5: PENSION PLANS

General Information

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 for fiscal year 2020:

Aggregate Pension Amounts—All Plans	
Pension Liabilities	\$ 5,022,998
Pension Assets	\$0
Deferred outflows of resources	\$1,870,151
Deferred inflows of resources	\$317,119
Pension expense/expenditures	\$1,028,149

DRS, a department within the primary government of the state of Washington, 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

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to: Washington State Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or 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 multi-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

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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

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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, multiemployer 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

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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 were 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 fiscal year 2020 are listed below:

Pension Rates – Actual Contribution Rates			
	Employer	Employee	
PERS Plan 1			
September 1, 2019 – June 30, 2020			
PERS Plan 1	7.92%	6.0%	
PERS Plan 1 UAAL	4.76%		
Administrative Fee	0.18%		
Total	12.86%	6.0%	
July 1, 2020 – August 31, 2020			
PERS Plan 1	7.92%	6.0%	
PERS Plan 1 UAAL	4.87%		
Administrative Fee	0.18%		
Total	12.97%	6.0%	
TRS Plan 1			
September 1, 2019 – August 31, 2020			
TRS Plan 1	8.15%	6.0%	
TRS Plan 1 UAAL	7.18%		
Administrative Fee	0.18%		
Total	15.51%	6.0%	
TRS Plan 2/3			
September 1, 20SY – August 31, 2020			
TRS Plan 2/3	8.15%	7.77%	*/**
TRS Plan 1 UAAL	7.18%		

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Pension Rates – Actual Contribution Rates			
	Employer	Employee	
Administrative Fee	0.18%		
Total	15.51%	7.77%	
SERS Plan 2/3			
September 1, 20SY – August 31, 2020			
SERS Plan 2/3	8.25%	8.25%	*/**
PERS Plan 1 UAAL	4.76%		
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			

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

At June 30, 2020, the school district reported a total liability of \$5,022,998 for its proportionate shares of the individual plans' collective net pension liability. Proportion of 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	372,813	634,811	223,554	234,792
Proportionate Share of the Net Pension Liability	1,816,127	1,561,646	1,025,406	619,819

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

At June 30, 2020, the school district's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below.

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Allocation percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.051440%	0.293562%	0.042569%	0.040353%
Prior year proportionate share of the Net Pension Liability	0.049661%	0.287578%	0.032490%	0.030217%
Net difference percentage	0.001779%	0.005984%	0.010079%	0.010136%

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

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- 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:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.40 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. 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 percent on pension plan investments was applied to determine the total pension liability.

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

The Pension Plans reported collective Deferred Outflows of Resources and collective Deferred Inflows of resources related to the individual plans. At August 31, 2020, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

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Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions		
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	\$	(\$10,112)
Changes in assumptions or other inputs	\$	\$
Changes in proportionate shares	\$	\$
Contributions subsequent to the measurement date	\$92,751	\$
TOTAL	\$92,751	(\$10,112)
Sers 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$928,367	\$
Net difference between projected and actual earnings on pension plan investments	\$	(\$16,353)
Changes in assumptions or other inputs	\$17,018	(\$143,766)
Changes in proportionate shares	\$16,644	(\$19,535)
Contributions subsequent to the measurement date	\$160,755	\$
TOTAL	\$1,122,784	(\$179,654)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions		
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	\$	(\$6,594)

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Changes in assumptions or other inputs	\$	\$
Changes in proportionate shares	\$	\$
Contributions subsequent to the measurement date	\$59,385	\$
TOTAL	\$59,385	(\$6,594)

TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$391,721	(\$2,235)
Net difference between projected and actual earnings on pension plan investments	\$	(\$6,017)
Changes in assumptions or other inputs	\$79,945	(\$67,927)
Changes in proportionate shares	\$60,156	(\$44,576)
Contributions subsequent to the measurement date	\$63,409	\$
TOTAL	\$595,231	(\$120,755)

COMBINED TOTAL	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$1,320,088	(\$2,235)
Net difference between projected and actual earnings on pension plan investments	\$	(\$39,076)
Changes in assumptions or other inputs	\$96,963	(\$211,693)
Changes in proportionate shares	\$76,800	(\$64,111)
Contributions subsequent to the measurement date	\$376,300	\$
TOTAL	\$1,870,151	(\$317,115)

\$376,300 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, 2020.

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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	(45,886)	(2,050)	(28,982)	(14,217)
2022	(1,443)	162,322	(848)	45,809
2023	14,001	200,139	8,825	67,430
2024	23,217	253,496	14,411	85,129
2025	<u>0</u>	115,826		47,966
Thereafter		52,642		178,950

Pension Expense

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

	Pension Expense
PERS 1	\$130,416
SERS 2/3	\$381,111
TRS 1	\$358,576
TRS 2/3	\$158,046
TOTAL	\$1,028,149

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

The following table presents the District proportionate share of the collective net pension liability (NPL) calculated using the discount rate of 7.40 percent, 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 percent) or one percentage-point higher (8.40 percent) than the current rate. Amounts are calculated using the school district's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1 NPL	\$4,422,202,000	\$3,530,540,000	\$2,752,919,000
Allocation Percentage	0.051440%	0.051440%	0.051440%

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
Proportionate Share of Collective NPL	2,274,802	1,816,127	1,416,115
	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
SERS 2/3 NPL	\$1,517,879,000	\$531,964,000	(\$283,583,000)
Allocation Percentage	0.293562%	0.293562%	0.293562%
Proportionate Share of Collective NPL	\$4,455,921	\$1,561,646	(\$832,493)
TRS 1 NPL	\$3,051,911,000	\$2,408,786,000	\$1,847,550,000
Allocation Percentage	0.042569%	0.042569%	0.042569%
Proportionate Share of Collective NPL	\$1,299,181	\$1,025,406	\$786,491
TRS 2/3 NPL	\$4,526,645,000	\$1,535,981,000	(\$903,643,000)
Allocation Percentage	0.040353%	0.040353%	0.040353%
Proportionate Share of Collective NPL	\$1,826,651	\$619,819	(\$364,650)

NOTE 6: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS

457 Plan – Deferred Compensation Plan

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

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

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under the elective deferral (employee contribution method). The District complies with IRS regulations that require school districts to have written plans to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by OMNI, (a third party administrator).

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

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

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

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

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

Aggregate Summary of OPEB Amounts	
OPEB liabilities	\$6,564,753
Deferred outflows of resources	\$1,836,426
Deferred inflows of resources	(\$229,316)
OPEB expense	\$694,142

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

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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. Additionally, PEBB's OPEB plan is available to retirees of K-12 school districts and educational service districts who do not participate in PEBB for insurance for their active employees. RCW 41.05.085 provides that contribution requirements of participating employers and of plan members are established by, and may be amended by, the HCA Board of Directors. Participating employers and active plan members are required to contribute the established benefit rates. All K-12 school districts and educational service districts contribute the same rate, which is set annually, as an amount per pro-rated FTE under RCW 28A.400.410. Employers do not have the ability to contribute additionally to funding against future liabilities or impact funding progress on the actuarially determined liability of the HCA's PEBB OPEB plan. The District's established contribution to PEBB for the retiree OPEB plan for the fiscal years ending August 31, 2020 and 2019 under the required formula was \$183.00 and \$168.00, respectively.

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

Employees covered by benefit terms

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

- 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:

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Retirees and dependents currently receiving benefit payments	21
Active employees who may qualify for benefits upon retirement	192

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

Election assumptions

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

Total OPEB Liability

The District's Total OPEB Liability of \$6,564,753 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 date. There have been no significant changes between the valuation date and the fiscal year end. If there were significant changes, an additional analysis or valuation might be required.

Actuarial Assumptions and Other Inputs

The Total OPEB Liability in the July 1, 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 dates ending August 31, 2019 and 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 8.00% 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.

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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 2.97% and 2.20% for the measurement dates of August 31, 2019 and 2020, respectively.

Demographic Assumptions

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

- Service retirement assumptions for plans 2 and 3 were used, which vary based on hire date and years of service.
- The assumed rates of disability under SERS and TRS plans 2 and 3 are less than 0.2% for ages 50 and below and continue to be low after that; demographic assumptions assume a 0% disability rate for all ages.
- Mortality assumptions for SERS were used (RP-2000 base mortality table, adjusted by -1 year for both males and females, with generational mortality adjustments using projection scale BB).

Healthcare Cost Trends

Healthcare cost trends used in the actuarial valuation were developed for use in the July 1, 2020 OPEB valuation for the PEBB program¹, performed by the Office of the State Actuary. These assumptions are summarized below and refer to the amount by which medical costs are anticipated to exceed costs for the year ending 2021:

Year Ending June 30,	Pre-65 Retiree Premiums & Claims	Post-65 Retiree Claims	Post-65 Retiree Premiums
2021	6.6%	5.7%	8.7%
2022-2095+	4.6% to 4.3%	8.9% to 4.3%	13.4% to 4.3%

Dental costs trends are assumed to increase 2% to 4% for the year 2021-2026 and beyond.

Premium Levels

Assumed annual medical retiree contributions as of July 1, 2020 and July 1, 2019, used in the actuarial valuations are displayed below. These represent a weighted average of 7/1/2020-6/30/2021 PEBB retiree contributions by medical plan, based on overall PEBB current retiree

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medical plan election. Contribution assumptions exclude fees charged as a direct pass-through to participating retirees.

	Employee or Spouse	
	Non-Medicare	Medicare
Weighted average based on current PEBB retirees	\$8,240.28	\$3,214.48

The July 1, 2020 and July 1, 2019 assumed annual dental retiree contributions for employee or spouse is \$566.22 and \$547.17, respectively, representing a weighted average of 2020 and 2019 PEBB retiree contributions by dental plan, based on overall PEBB current retiree dental plan elections.

Actuarial cost method

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

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

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

Claims Cost Assumptions

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

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

The explicit subsidies are monthly amounts paid per post-65 retiree and spouse. As of the valuation date, the explicit subsidy for post-65 retirees and spouses was the lesser of \$183 or 50% of the monthly premiums. The retirees and spouses will pay the premium minus \$183 when the premium is over \$366 per month and pay half the premium when the premium is lower than \$366.

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

Changes in the Total OPEB Liability

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

For the year ending	August 31, 2020
Total OPEB Liability, beginning balance	\$5,135,746
Changes for the year:	
Service cost	346,701
Interest on Total OPEB Liability	161,808
Effect of plan changes	0
Effect of economic/demographic gains or losses	(13,124)
Effect of assumptions changes or inputs	1,002,858
Expected benefit payments	(69,236)
Total OPEB Liability, ending balance	\$6,564,753

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

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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 one percentage point lower (1.2%) or one percentage point higher (3.2%) than the current rate:

As of August 31, 2020	1% Decrease 1%	Discount Rate 2.2%	1% Increase 3.2%
Total OPEB Liability	\$8,040,442	\$6,564,753	\$5,417,694

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 one percentage point lower or one percentage point higher than the current trend rates.

As of August 31, 20CY	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$5,221,607	\$6,564,753	\$8,390,775

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

For the year ended August 31, 2020 and 2019, the District recognized OPEB expense as follows:

For the year ending	August 31, 2020
Service cost	\$346,701
Interest on Total OPEB Liability	161,808
Effect of plan changes	
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of economic/demographic gains/losses	36,826
Recognition of assumption changes or inputs	148,807
OPEB Expense	\$694,142

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

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$286,558	(\$11,850)
Changes of assumptions or inputs	1,546,868	(\$217,466)
Contributions made subsequent to the Measurement Date	NA	NA
Total	\$1,836,426	(\$229,316)

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

Measurement Period Ending August 31, 2020	
2021	\$185,633
2022	\$185,633
2023	\$185,633
2024	\$185,633
2025	\$185,633
Thereafter	\$678,945

NOTE 7: RISK MANAGEMENT

Property and Casualty

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

Members make an annual contribution to fund the WSRMP. Members are responsible for the first \$1,000 of all property claims and the WSRMP is responsible for the next \$1,000,000. There is no member deductible for liability claims. Excess insurance covers insured losses over \$1,000,000 up to the limits of each policy. The District is a member of WSRMP to obtain this excess insurance. The WSRMP purchases additional excess crime coverage as well as required Public

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Official Bonds. The Commercial Crime coverage is subject to a per-occurrence deductible of \$1,000. Members are responsible for \$1,000 of that deductible amount for each claim. WSRMP is fully funded by its member participants.

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

WSRMP is governed by a board of directors, which is comprised of one designated representative from each participating member. An executive committee is elected at the annual meeting and is responsible for conducting the business affairs of the WSRMP. Financial statements and disclosures for WSRMP can be obtained from the following address: P.O. Box 8870, Tukwila, WA 98138.

Worker's Compensation

The District is a member of the Worker's Compensation Pool, as authorized by Title 51.14 RCW. The District joined the Worker's Compensation Pool effective April 1, 1984. Information regarding operation of the pool is found in Note 10.

The District's Workers Compensation Pool 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 Worker's Compensation Pool is fully funded by its member participants.

Members make an annual contribution to fund the Worker's Compensation Pool. Member contributions are calculated based on the members' hours worked. The Worker's Compensation Pool 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 Worker's Compensation Pool per-occurrence retention limit is \$450,000 and the annual aggregate retention is \$2,524,628. Since the Worker's Compensation Pool is a cooperative program, there is a joint liability among participating members.

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

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The Worker's Compensation Pool is governed by a board of directors, which is comprised of one designated representative from each participating member. A six-member executive committee is responsible for conducting the business affairs of the Worker's Compensation Pool. Financial statements and disclosures for the Worker's Compensation Pool can be obtained from the following address: 105 National Avenue N. Bremerton, WA 98312.

Unemployment

The District is a member of the Unemployment Compensation Pool, as authorized by Title 50.44 RCW. The District joined the Unemployment Compensation Pool effective January 1, 1973. Information regarding operation of the Unemployment Compensation Pool is found in Note 10.

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

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

Claimants submit claims to the State of Washington Employment Security Department who determines eligibility. The Unemployment Compensation Pool reimburses the Department for the unemployment claims paid against the member's account. Since the Unemployment Compensation Pool is a cooperative program, there is a joint liability among participating members.

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

The Unemployment Compensation Pool is governed by a board of directors, which is comprised of one designated representative from each participating member. A three-member executive committee is responsible for conducting the business affairs of the Unemployment Compensation Pool. Financial statements and disclosures for the Unemployment Compensation Pool can be obtained from the following address: 105 National Avenue N. Bremerton, WA 98312.

NOTE 8: RISK POOL DISCLOSURES

Workers' Compensation Insurance Pool

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 Workers' Compensation Pool, registered in Washington as the 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 Workers' Compensation Pool was formed on April 1, 1984 to pool self-insured losses and jointly purchase insurance and administrative services. Fifteen members have joined the Workers' Compensation Pool. The District is also a member of the Workers' Compensation Pool (see Note 9).

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. Workers' Compensation self-insurers in Washington are charged quarterly by L&I based on the amount of self-insured loss payments made during the quarter. The Workers' Compensation Pool's estimated outstanding self-insurer assessments as of August 31, 2020 are approximately \$436,000. This represents future administrative and second injury assessments related to the Workers' Compensation Pool's August 31, 2020 unpaid claim estimate. The \$436,000 estimate made in the prior actuarial study (\$580,000). The estimated Workers' Compensation Pool's future second injury fund assessment rate is based on a three-year average of the prior rates charged by L&I.

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 Workers' Compensation Pool establishes claims liabilities based on actuarially derived estimates of the ultimate cost of claims, including future claim adjustment expenses, that have

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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 Workers' Compensation Pool establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. At August 31, 2020, the amount of liabilities totaled \$4,079,741. This liability is the District's best estimate based on available information. Changes in the aggregate liabilities may be found in the Required Supplementary Schedules to these financial statements.

The following represents changes in those aggregate liabilities for the Workers' Compensation Pool during the past two years:

	For the Year Ending August 31, 2020 (In Thousands)	For the Year Ending August 31, 2019 (In Thousands)
Unpaid claims and claim adjustment expenses at beginning of year	\$ 3,536	\$ 2,856
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	1,850	\$ 2,220
Increases in provision for insured events of prior years	\$ 1,971	\$ 2,787
Total incurred claims and claim adjustment expenses	\$ 3,821	\$ 5,007
Payments:		

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	For the Year Ending August 31, 2020 (In Thousands)	For the Year Ending August 31, 2019 (In Thousands)
Claims and claim adjustment expenses attributable to insured events of current year	\$ 527	\$ 894
Claims and claim adjustment expenses attributable to insured events of prior years	\$ 3,504	\$ 3,433
Total Payments	\$ 4,031	\$ 4,327
Total unpaid claims and claim adjustment expenses at end of year	\$ 3,326	\$ 3,536

Risk Financing Limits

The Workers' Compensation Pool 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 Workers' Compensation Pool per occurrence self-insured retention limit is \$ 450,000.

Reinsurance

The Workers' Compensation Pool maintains an excess insurance contract with an insurance carrier to provide coverage over the Workers' Compensation Pool'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 Workers' Compensation Pool as direct insurer of the risks reinsured. The Workers' Compensation Pool 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 provided an excess insurance policy with a self-insured retention of \$450,000 and an aggregated stop loss of \$3,634,628.

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 Workers' Compensation Pool from insurance premium taxes, and business and occupation taxes imposed pursuant to Chapter 82.04 RCW.

Unemployment Compensation Risk Pool

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 Pool 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 Unemployment Compensation Pool was formed on January 1, 1978 to pool self-insured losses and jointly purchase administrative services. Fourteen members have joined the Unemployment Compensation Pool. The District is also a member of the Unemployment Compensation Pool (see Note 9).

Member Assessments, Unearned Member Assessments and Credits

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

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 Unemployment Compensation Pool 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.

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The Unemployment Compensation Pool establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. At August 31, 2020, the amount of liabilities totaled \$104,481. This liability is the District's best estimate based on available information.

	For the Year Ending August 31, 2020 (In Thousands)	For the Year Ending August 31, 2019 (In Thousands)
Unpaid claims and claim adjustment expenses at beginning of year	\$ 43	\$ 49
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	\$ 588	\$ 105
Changes in provision for ULAE	\$ 150	\$ 80
Total incurred claims and claim adjustment expenses	\$ 738	\$ 185
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	\$ 549	\$ 130
Claims and claim adjustment expenses attributable to insured events of prior years	\$ 130	\$ 61
Total Payments	\$ 679	\$ 191
Total unpaid claims and claim adjustment expenses at end of year	\$ 102	\$ 43

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Risk Financing Limits

The Unemployment Compensation Pool does not carry self-insured retention because it does not purchase excess insurance. Through a combination of net position designated as August 31, 2019 and member contributions earned at August 31, 2020.

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 Unemployment Compensation Pool from insurance premium taxes, and business and occupation taxes imposed pursuant to Chapter 82.04 RCW.

NOTE 9: NET POSITION

Restricted Net Position

The District's Statement of Net Position reports \$155,197 of net position as restricted for support programs as follows as of August 31, 2020:

Support Program Description	Restricted By	Amount
ECEAP Program	Grantor	\$ 52,865
Compensated Absences	Interlocal agreement	\$ 102,332
Total Restricted for Support Programs		\$ 155,197

Unrestricted Net Position

The District's Statement of Net Position reports \$(1,183,744) of unrestricted net position as follows as of August 31, 2020:

Unrestricted Net Position	Amount
Net Pension Liability	\$ (3,469,966)
Net OPEB Liability	\$ (4,957,643)
Joint Venture	\$ (31,623)
Instructional Support	\$ 2,914,585
Non-Instructional Support	\$ 1,109,172
Unreserved Fund Balance	\$ 3,251,731
Total Unrestricted Net Position	\$ (1,183,744)

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NOTE 10: AGENCY FUNDS

Compensated Absences

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

For fiscal year ending August 31, 2020, there are 2 members in the Fund including 1 participating school districts. The Fund allows members to accumulate dedicated funds for payment of leave related to sick leave and vacation leave buy out at retirement and certain other instances. Payroll contributions are made to the Fund at the time leave is earned to reserve assets for expenses. Coverage is on an "occurrence" basis. Expenses of leave taken during employment continue to be recorded when paid.

The District contributes to the Compensated Absences Fund for liabilities relating to sick leave and vacation leave cash outs. As of August 31, 2020, the District's total compensated absences balance in the pool was \$102,332. The District considers these liabilities fully funded and therefore does not report them in the statement of net position

Changes for the fiscal year are summarized below.

		Balance at 8/31/2019
Beginning Liability		\$ 526,562
Beginning Pool Balance	\$ 251,828	
Payments to Pool	\$ 1,397	
Interest	\$ 3,974	
Less Withdrawals from Pool	\$ (154,867)	\$
Less Ending Pool Balance		\$ 102,332
Increase (Decrease) to Estimates of Liability		\$ 60,431
Ending Unfunded Liability		\$ 484,661

NOTE 11: INVESTMENT IN JOINT VENTURE

Washington School Information Processing Cooperative (WSIPC)

The District is a member of the Washington School Information Processing Cooperative (WSIPC). The WSIPC Board of Directors consists of a member of each 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.

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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 did not contributed to, or distributions from the joint venture during fiscal years 2020.

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 (\$3,080,329). 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 the 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 (\$4,072,582). WSIPC has implemented generally accepted accounting principles for 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 from fiscal year 2020 to 2019 is \$61,292 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.

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

NOTE 12: 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. The District, however, continued to operate but our staff shifted to working remotely for the majority of their time, with the ability to come to the office on a limited basis when needed.

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 in new ways. We continue to have staff primarily working remotely with the exception of staff who are providing direct services to students or services that must be provided at onsite work locations.

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.

REQUIRED SUPPLEMENTAL INFORMATION (RSI)

Part 1 – Ten-Year Claims Development Information

The table below illustrates how the pool'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 pool as of the end of each of the last ten years. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year gross earned contribution revenue, investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the pool including overhead and claims expense not allocable to individual claims.
3. This line shows the pool's gross 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. This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest re-estimated number of claims assumed by reinsurers as of the end of the current year for each accident year.
6. This section of ten rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (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. This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net 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 net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

Workers' Compensation Pool
Required Supplementary Information
September 1, 2019 – August 31, 2020
(In Thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1. Required contribution and investment revenue:										
Earned	3,639	3,406	3,325	3,335	3,126	2,775	2,876	3,214	3,663	3,915
Ceded	107	103	99	117	118	115	125	123	112	241
Net earned	3,532	3,303	3,226	3,218	3,008	2,660	2,751	3,091	3,551	3,674
2. Unallocated expenses										
	1,440	1,398	1,492	1,233	1,053	1,299	1,241	1,697	1,772	1,767
3. Estimated claims and expenses end of policy year:										
Incurred	2,025	1,725	1,700	1,425	1,725	1,450	1,450	1,450	2,220	1,850
Ceded	0	0	0	0	0	0	0	0	0	0
Net incurred	2,025	1,725	1,700	1,425	1,725	1,450	1,450	1,450	2,220	1,850
4. Net paid (cumulative) as of:										
End of policy year	476	475	564	431	515	406	545	497	894	703
One year later	805	951	1,009	766	928	944	1,020	1,119	1487	
Two years later	914	1,047	1,193	826	1,191	1,145	1,266	1,376		
Three years later	923	1,080	1,353	880	1,689	1,276	1,394			
Four years later	922	1,088	1,407	913	1,716	1,337				
Five years later	922	1,088	1,525	948	1,721					
Six years later	922	1,088	1,549	956						
Seven years later	922	1,088	1,562							
Eight years later	922	1,087								
Nine years later	922									
5. Re-estimated ceded claims and expenses	0	0	0	0	0	0	0	0	0	0
6. Re-estimated net incurred claims and expenses:										
End of policy year	2,025	1,725	1,700	1,425	1,725	1,450	1,450	1,450	2,220	1,850
One year later	1,575	1,615	1,625	1,250	1,575	1,430	1,550	1,875	2,150	
Two years later	1,325	1,450	1,600	1,150	1,595	1,500	1,725	1,810		
Three years later	1,200	1,360	1,615	1,075	1,995	1,500	1,700			
Four years later	1,120	1,285	1,645	1,045	1,975	1,500				
Five years later	1,040	1,200	1,650	1,075	1,945					
Six years later	1,010	1,175	1,650	1,035						
Seven years later	995	1,150	1,660							
Eight years later	975	1,135								
Nine years later	995									
7. Increase (decrease) in estimated incurred claims and expenses from end of policy year.	1,030	590	40	390	(220)	(50)	(250)	(360)	70	0

Educational Service District No. 114
Required Supplementary Information
September 1, 2019 – August 31, 2020

Part 2 – Schedule of the District’s Proportionate Share of the Net Pension Liability

The required supplementary information identified below is presented separately for each plan the ESD participates in. The amounts reported in the Schedules of the Districts Proportionate Share of the Net Pension Liability are determined as of the June 30 measurement date of the collective net pension liability.

PERS 1						
Last 10 Fiscal Years*						
	2015	2016	2017	2018	2019	2020
District’s Proportion of the net pension liability (percentage)	0.050805%	0.049674%	0.048595%	0.048163%	0.049661%	0.051440%
District’s proportionate share of the net pension liability (amount)	\$2,657,596	\$2,667,751	\$2,305,855	\$2,150,980	\$1,909,658	\$1,816,127
District’s covered-employee payroll	\$5,514,681	\$5,793,249	\$6,052,161	\$6,425,737	\$6,965,952	\$7,690,871
District’s proportionate share of the net pension liability (amount) as a percentage of its covered payroll	48.19%	46.05%	38.10%	33.47%	27.41%	23.61%
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						
Last 10 Fiscal Years*						
	2015	2016	2017	2018	2019	2020
District’s Proportion of the net pension liability (percentage)	0.304955%	0.295323%	0.293375%	0.287809%	0.287578%	0.293562%
District’s proportionate share of the net pension liability (amount)	\$1,238,579	\$1,939,582	\$1,447,732	\$ 860,727	\$ 674,365	\$ 1,561,646
District’s covered-employee payroll	\$5,247,148	\$5,530,180	\$5,993,739	\$6,389,508	\$6,960,474	\$ 7,690,871
District’s proportionate share of the net pension liability (amount) as a percentage of its covered payroll	23.60%	35.07%	24.15%	13.47%	9.69%	20.31%
Plan fiduciary net position as a percentage of the total pension liability	90.92%	86.52%	90.79%	94.77%	96.31%	92.45%

Educational Service District No. 114
Required Supplementary Information
September 1, 2019 – August 31, 2020

TRS 1						
Last 10 Fiscal Years*						
	2015	2016	2017	2018	2019	2020
District's Proportion of the net pension liability (percentage)	0.034688%	0.035248%	0.036967%	0.035684%	0.032490%	0.042569%
District's proportionate share of the net pension liability (amount)	\$ 1,098,951	\$ 1,203,450	1,117,613	1,042,198	804,394	1,025,406
District's covered-employee payroll	\$1,713,835	\$1,851,643	\$2,028,692	\$2,047,091	\$2,103,721	\$ 2,993,635
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	64.12%	64.99%	55.09%	50.91%	38.24%	34.25%
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						
Last 10 Fiscal Years*						
	2015	2016	2017	2018	2019	2020
District's Proportion of the net pension liability (percentage)	0.036636%	0.036695%	0.036193%	0.033391%	0.030217%	0.040353%
District's proportionate share of the net pension liability (amount)	\$ 309,137	\$ 503,927	\$ 334,044	\$ 150,299	\$ 182,067	\$ 619,819
District's covered-employee payroll	\$1,713,835	\$1,851,643	\$1,984,443	\$1,965,920	\$2,017,098	\$ 2,902,736
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	18.04%	27.22%	16.83%	7.65%	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%

* This schedule is to be built prospectively until it contains ten years of data.

Part 3 – Schedule of District Contributions

The information identified below is the Schedule of District Contributions, by Plan. The amounts reported in the Schedule of District Contributions are determined as of the district's fiscal year ending August 31.

PERS 1						
Last 10 Fiscal Years*						
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 233,501	\$ 281,702	\$ 292,309	\$ 321,933	\$ 356,093	\$ 372,813
Contributions in relation to the contractually required contributions	\$ 233,501	\$ 281,702	\$ 292,309	\$ 321,933	\$ 356,093	\$ 372,813
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 5,584,398	\$ 5,807,661	\$ 6,149,258	\$ 6,556,019	\$ 7,105,539	\$ 7,855,659
Contribution as a percentage of covered-employee payroll	4.18%	4.85%	4.75%	4.91%	5.01%	4.75%

Educational Service District No. 114
Required Supplementary Information
September 1, 2019 – August 31, 2020

SERS 2/3						
Last 10 Fiscal Years*						
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 296,483	\$ 353,307	\$ 397,368	\$ 503,495	\$ 575,634	\$ 634,811
Contributions in relation to the contractually required contributions	\$ 296,483	\$ 353,307	\$ 397,368	\$ 503,495	\$ 575,634	\$ 634,811
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 5,307,210	\$ 5,584,851	\$ 6,113,253	\$ 6,523,332	\$ 7,105,521	\$ 7,855,659
Contribution as a percentage of covered-employee payroll	5.59%	6.33%	6.50%	7.72%	8.10%	8.08%

TRS 1						
Last 10 Fiscal Years*						
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 77,623	\$ 107,124	\$ 129,361	\$ 148,409	\$ 161,355	\$ 223,554
Contributions in relation to the contractually required contributions	\$ 77,623	\$ 107,124	\$ 129,361	\$ 148,409	\$ 161,355	\$ 223,554
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$1,713,835	\$1,851,643	\$2,028,692	\$2,047,091	\$2,103,721	\$ 3,225,638
Contribution as a percentage of covered-employee payroll	4.53%	5.79%	6.38%	7.25%	7.67%	6.93%

TRS 2/3						
Last 10 Fiscal Years*						
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 97,360	\$ 119,773	\$ 133,354	\$ 148,451	\$ 157,939	\$ 234,792
Contributions in relation to the contractually required contributions	\$ 97,360	\$ 119,773	\$ 133,354	\$ 148,451	\$ 157,939	\$ 234,792
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,760,023	\$ 1,846,763	\$ 2,004,780	\$ 1,980,418	\$ 2,065,011	\$ 3,133,723
Contribution as a percentage of covered-employee payroll	5.53%	6.49%	6.65%	7.50%	7.65%	7.49%

* This schedule is to be built prospectively until it contains ten years of data.

Part 4– Schedule of Changes in Total OPEB Liability and Related Ratios

The information identified below is the Schedule of Changes in Total OPEB Liability and Related Ratios. The amounts reported in the Schedule of Changes in Total OPEB Liability and Related Ratios are determined as of the district's fiscal year ending August 31.

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

TOTAL OPEB LIABILITY	2018	2019	2020
Service cost	\$256,748	\$233,701	\$346,701
Interest on Total OPEB Liability	\$134,649	\$151,909	\$161,808
Effect of plan changes	\$0	\$0	\$0
Effect of economic/demographic gains or losses	\$0	\$365,758	(\$13,124)
Effect of assumptions changes or inputs	(\$316,313)	\$810,157	\$1,002,858
Expected benefit payments	(\$48,627)	(\$55,754)	(\$69,236)
Net Change in total OPEB Liability	\$26,457	\$1,505,771	\$1,429,007
Total OPEB Liability, beginning balance	\$3,603,518	\$3,629,975	\$5,135,746
Total OPEB Liability , ending balance	\$3,629,975	\$5,135,746	\$6,564,753
Covered payroll	\$ 8,725,549	\$ 9,400,203	\$10,749,628
Total OPEB liability as a % of covered payroll	41.60%	54.63%	61.07%

Schedules:

** 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.

**Olympic Educational Service District No. 114
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		
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Child and Adult Care Food Program	10.558	18070570	62,093	-	62,093	-	1, 7a
	STOP School Violence	16.839	820027	20,763	-	20,763	-	1, 7c
	STOP School Violence	16.839	820018	3,015	-	3,015	-	1, 7d
Total CFDA 16.839:				23,778	-	23,778	-	
WIOA Cluster								
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via Kitsap County)	WIOA Adult Program	17.258	KC-119-18	77,883	-	77,883	-	1, 7e
	WIOA Youth Activities	17.259	KC-343-19	546,175	-	546,175	-	1, 7d
	WIOA Youth Activities	17.259	KC-272-20	106,285	-	106,285	-	1, 7f

The accompanying notes are an integral part of this schedule.

**Olympic Educational Service District No. 114
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		
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via WA EMPLOYMENT SECURITY DEPARTMENT)	WIOA Youth Activities	17.259	K6547	151,352	-	151,352	-	1, 7c
				803,812	-	803,812	-	
				881,695	-	881,695	-	
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF	YouthBuild	17.274	YB-34244-19- 60-A-5	-	176,071	176,071	-	1, 2, 7e
				-	146,930	146,930	-	1, 2, 7c
				323,001	-	323,001	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Kitsap County)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-018	14,931	-	14,931	-	1, 7a
				-	-	-	-	
				26,136	-	26,136	-	1, 7f
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (via UNIVERSITY OF WASHINGTON)	Science	43.001	UWSC8937	27,942	-	27,942	-	1, 7c
				-	-	-	-	
				27,942	-	27,942	-	

**Olympic Educational Service District No. 114
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020**

Federal Agency (Pass-Through Agency)	Expenditures					Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Title I Grants to Local Educational Agencies	84.010	222690	108,254	-	108,254	1, 7c
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Title I Grants to Local Educational Agencies	84.010	260092	146,634	-	146,634	1, 7c
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Title I Grants to Local Educational Agencies	84.010	260105	32	-	32	1, 7b
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via SOUTH KITSAP SCHOOL DISTRICT)	Title I Grants to Local Educational Agencies	84.010	PO 8711800002	22,853	-	22,853	1, 7a
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via SOUTH KITSAP SCHOOL DISTRICT)	Title I Grants to Local Educational Agencies	84.010	PO 8711800001	35,163	-	35,163	1, 7a
Total CFDA 84.010:				340,878	-	340,878	-

Special Education Cluster (IDEA)

The accompanying notes are an integral part of this schedule.

**Olympic Educational Service District No. 114
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		
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Special Education Grants to States	84.027	320288	185,374	-	185,374	-	1, 7c
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Special Education Grants to States	84.027	320298	52,513	-	52,513	-	1, 7c
		Total CFDA 84.027:		237,887	-	237,887	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Special Education Preschool Grants	84.173	380338	26,137	-	26,137	-	1, 7c
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Special Education Preschool Grants	84.173	381018	44,294	-	44,294	-	1, 7c
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Special Education Preschool Grants	84.173	380347	6,739	-	6,739	-	1, 7c

The accompanying notes are an integral part of this schedule.

**Olympic Educational Service District No. 114
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		
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Special Education Preschool Grants	84.173	282008	11,087	-	11,087	-	1, 7c
		Total CFDA 84.173:		88,257	-	88,257	-	
		Total Special Education Cluster (IDEA):		326,144	-	326,144	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via EDUCATIONAL SERVICE DISTRICT 112)	Special Education- Grants for Infants and Families	84.181	700000072	4,131	-	4,131	-	1, 7f
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Educational Service District 105)	Every Student Succeeds Act/Preschool Development Grants	93.434	3471800134	51,322	-	51,322	-	1, 7h
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Every Student Succeeds Act/Preschool Development Grants	93.434	701708	1,125	-	1,125	-	1, 7b
		Total CFDA 93.434:		52,447	-	52,447	-	

The accompanying notes are an integral part of this schedule.

**Olympic Educational Service District No. 114
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 (via WA DEPT OF CHILD, YOUTH AND FAMILIES)	Temporary Assistance for Needy Families	93.558	806829	4,640	-	4,640	-	1, 7i
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DEPT OF CHILD, YOUTH AND FAMILIES)	Temporary Assistance for Needy Families	93.558	806829	2,198	-	2,198	-	1, 7j
		Total CFDA 93.558:			-	6,838	-	
CCDF Cluster								
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DEPT OF CHILD, YOUTH AND FAMILIES)	Child Care and Development Block Grant	93.575	20-1142	144,602	-	144,602	-	1, 7j
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DEPT OF CHILD, YOUTH AND FAMILIES)	Child Care and Development Block Grant	93.575	20-1142	23,637	-	23,637	-	1, 7i
		Total CCDF Cluster:			-	168,239	-	
Head Start Cluster								
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	10CH010249- 05-00	-	3,006,766	3,006,766	-	1, 2, 7i

**Olympic Educational Service District No. 114
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	10CH010249- 04-00	-	866,537	866,537	-	1, 2, 7j
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	10HP000355- 01	-	774,733	774,733	-	1, 2, 7i
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	COVID 19 - Head Start	93.600	10CH010249- 05-C3	-	21,089	21,089	-	1, 7i
Total Head Start Cluster:				-	4,669,125	4,669,125	-	
Medicaid Cluster								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Medical Assistance Program	93.778	K4415	10,602	-	10,602	-	1, 7c
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Medical Assistance Program	93.778	999073	121,298	-	121,298	-	1, 7c
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Medical Assistance Program	93.778	999062	25,430	-	25,430	-	1, 7c

The accompanying notes are an integral part of this schedule.

**Olympic Educational Service District No. 114
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		
		Total Medicaid Cluster:		157,330	-	157,330		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	998217	272,551	-	272,551	-	1, 7c
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	998226	3,585	-	3,585	-	1, 7b
		Total CFDA 93.959:		276,136	-	276,136	-	
		Total Federal Awards Expended:		2,340,776	4,992,126	7,332,902	-	

The accompanying notes are an integral part of this schedule.

Olympic Educational Service District 114

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 20

Notes 1 and 7 are required for all governments. Disclose other notes only if applicable to the government circumstances.

Note 1 – Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as OESD 114's financial statements. OESD 114 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 – Program Costs

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

Note 7 – Indirect Cost Rate

- a) OESD 114 has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
- b) OESD 114 has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The ESD used the federal restricted rate of 7.15%
- c) OESD 114 has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The ESD used the federal restricted rate of 7.18%
- d) OESD 114 has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The ESD used the federal restricted rate of 7.38%
- e) OESD 114 has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The ESD used the federal restricted rate of 7.64%
- f) OESD 114 has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The ESD used the federal restricted rate of 9%.
- g) OESD 114 has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The ESD used the federal restricted rate of 11%.
- h) OESD 114 has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The ESD used the federal unrestricted rate 11%.
- i) OESD 114 has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The ESD used the federal unrestricted rate 11.35%.
- j) OESD 114 has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The ESD used the federal unrestricted rate 11.37%.

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