



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Educational Service District No. 113

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

Published April 26, 2021

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

April 26, 2021

Board of Directors
Educational Service District No. 113
Tumwater, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Educational Service District No. 113's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Educational Service District No. 113 September 1, 2019 through August 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Educational Service District No. 113 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 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*

Educational Service District No. 113 September 1, 2019 through August 31, 2020

Board of Directors
Educational Service District No. 113
Tumwater, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of Educational Service District No. 113, 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 20, 2021. The District has omitted the management's discussion and analysis information that governmental accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

As discussed in Note 15 to the 2020 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.

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Pat McCarthy

State Auditor

Olympia, WA

April 20, 2021

INDEPENDENT AUDITOR'S REPORT

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

Educational Service District No. 113 September 1, 2019 through August 31, 2020

Board of Directors
Educational Service District No. 113
Tumwater, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Educational Service District No. 113, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2020. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control

that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

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

Pat McCarthy
State Auditor
Olympia, WA

April 20, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Educational Service District No. 113 September 1, 2019 through August 31, 2020

Board of Directors
Educational Service District No. 113
Tumwater, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Educational Service District No. 113, 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 Educational Service District No. 113, 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.

Matter of Emphasis

As discussed in Note 15 to the 2020 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 management's discussion and analysis and 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 part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

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

The risk pool statistical information is presented for our purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2021 on our consideration of the District's internal control over financial reporting and on our tests

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

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Pat McCarthy
State Auditor
Olympia, WA

April 20, 2021

FINANCIAL SECTION

Educational Service District No. 113 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 – 2020
Notes to Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Ten Year Claims Development Information – Workers Compensation Trust – 2020
Workers Compensation Trust Reconciliation of Claims Liabilities by Type of Contract – 2020
Schedule of Changes in the ESD's Total OPEB Liability and Related Ratios – 2020
Schedule of Proportionate Share of Net Pension Liability – PERS 1, TRS 1, TRS 2/3, SERS 2/3 – 2020
Schedule of Employer Contributions – PERS 1, TRS 1, TRS 2/3, SERS 2/3 – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020
Notes to the Schedule of Expenditures of Federal Awards – 2020
Workers Compensation Insurance Fund Statistical Information – 2020

Educational Service District #113
STATEMENT OF NET POSITION - ALL FUNDS
AUGUST 31, 2020

	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	12,170,129	25,871,552	5,188,030	43,229,711
Accounts Receivable (net of uncollectible allowance)	3,018,379	401,016	33,506	3,452,901
TOTAL CURRENT ASSETS	15,188,508	26,272,567	5,221,536	46,682,612
NONCURRENT ASSETS				
Capital Assets				
Land and Land Improvements	1,500,000			1,500,000
Building	9,713,825			9,713,825
Equipment	2,317,435			2,317,435
Less: Accumulated Depreciation	(4,467,642)			(4,467,642)
Net Capital Assets	9,063,618	-	-	9,063,618
Restricted for Compensated Absences	903,070			903,070
TOTAL NONCURRENT ASSETS	9,966,689	-	-	9,966,689
TOTAL ASSETS	25,155,197	26,272,567	5,221,536	56,649,300
DEFERRED OUTFLOWS OF RESOURCES				
Deferred OutFlows Related to Pensions	2,437,031			2,437,031
Deferred OutFlows Related to OPEB	4,715,578			4,715,578
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,152,609	-	-	7,152,609
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	775,147	1,018,186	908,156	2,701,489
Accrued Interest Payable	47,888			47,888
Accrued Salaries	111,916			111,916
Payroll Deductions & Taxes Payable	31,540			31,540
Public Employees' Retirement System	324,457			324,457
Bonds Payable	245,000			245,000
Leases Payable	10,390			10,390
Claim Reserves				
IBNR		964,821	678,397	1,643,218
Open Claims		1,196,851	-	1,196,851
Unallocated Loss Adjustment Expenses		415,000	45,000	460,000
Future L&I Assessments		799,000		799,000
Total OPEB Liability - current portion	409,455			409,455
TOTAL CURRENT LIABILITIES	1,955,793	4,393,858	1,631,553	7,981,204
NONCURRENT LIABILITIES				
Compensated Absences_	1,280,755			1,280,755
Claim Reserves_				
IBNR_		1,888,122	1,874	1,889,996
Open Claims_		1,196,206	-	1,196,206
Net Pension Liability_	6,997,557			6,997,557
Total OPEB Liability	13,199,705			13,199,705
Bonds Payable_	3,635,000			3,635,000
Leases Payable_	47,245			47,245
Investment in Joint Venture	31,623			31,623
TOTAL NONCURRENT LIABILITIES	25,191,885	3,084,328	1,874	28,278,087
TOTAL LIABILITIES	27,147,678	7,478,186	1,633,427	36,259,291
DEFERRED INFLOWS OF RESOURCES				
Deferred InFlows Related to Pensions	834,129			834,129
Deferred InFlows Related to OPEB	287,238			287,238
TOTAL DEFERRED INFLOWS OF RESOURCES	1,121,367	-	-	1,121,367
NET POSITION				
Net Investment in Capital Assets	5,183,618	-	-	5,183,618
Restricted	1,933,074	18,794,381	3,588,109	24,315,564
Unrestricted	(3,077,931)			(3,077,931)
TOTAL NET POSITION	4,038,761	18,794,381	3,588,109	26,421,251

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

Educational Service District #113
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	814,961			814,961
State Sources	6,736,799			6,736,799
Allotment	978,282			978,282
Federal Sources	10,246,242			10,246,242
Cooperative Programs	9,047,546			9,047,546
Other Programs	11,192,457	2,500		11,194,957
Member Assessments/Contributions		7,317,780	687,874	8,005,654
TOTAL OPERATING REVENUE	39,016,287	7,320,280	687,874	47,024,441
OPERATING EXPENSES				
General Operations and Administration	2,498,729	1,326,623	37,003	3,862,355
Instructional Support Programs	22,169,820			22,169,820
Non Instructional Support Programs	11,185,139			11,185,139
Incurred Loss/Loss Adjustment Expenses				
Paid on Current Losses		3,035,396	1,273,827	4,309,223
Change in Loss Reserves		(547,000)	538,955	(8,045)
Unallocated Loss Adjustment Expenses				
Change in Unallocated Loss Reserves		(10,000)	19,000	9,000
Excess/Reinsurance Premiums		260,391		260,391
Professional Fees		84,925	44,894	129,819
Labor & Industries Assessments		511,422		511,422
Depreciation	497,721			497,721
Other Operating Expenses		89,734		89,734
TOTAL OPERATING EXPENSES	36,351,409	4,751,491	1,913,679	43,016,579
OPERATING INCOME (LOSS)	2,664,878	2,568,789	(1,225,804)	4,007,863
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	186,767	397,428	83,003	667,198
Interest Expense and Related Charges	(194,150)			(194,150)
Gains (Losses) on Capital Asset Disposition	(19,337)			(19,337)
Change in Joint Venture	61,292			61,292
Change in Compensated Absences	(115,947)			(115,947)
TOTAL NONOPERATING REVENUES (EXPENSES)	(81,376)	397,428	83,003	399,056
INCOME (LOSS) BEFORE OTHER ITEMS	2,583,502	2,966,217	(1,142,801)	4,406,918
INCREASE (DECREASE) IN NET POSITION	2,583,502	2,966,217	(1,142,801)	4,406,918
NET POSITION - BEGINNING BALANCE	1,455,260	15,828,163	4,730,910	22,014,334
NET POSITION - ENDING BALANCE	4,038,762	18,794,381	3,588,109	26,421,252

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

Educational Service District #113
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	19,401,870	2,500		19,404,370
Cash Received from State and Federal Sources	18,428,731			18,428,731
Cash Received from Members		7,395,368	687,351	8,082,718
Payments to Suppliers for Goods and Services	(11,438,485)	29,996		(11,408,489)
Payments to Employees for Services	(25,105,472)			(25,105,472)
Cash Paid for Benefits/Claims		(3,035,396)	(472,692)	(3,508,088)
Transfer from (to) Other Funds	1,424,121	(1,448,251)	(81,989)	(106,118)
Cash Paid for Reinsurance		(273,531)		(273,531)
Cash Received for Labor and Industries Assessments		1,943,628		1,943,628
Cash Paid for Labor and Industries Assessments		(1,879,726)		(1,879,726)
Cash Paid for Professional Services	(129,819)			(129,819)
Cash Paid for Other Operating Expense		(89,734)		(89,734)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,580,945	2,644,854	132,670	5,358,469
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	(176,241)			(176,241)
Principal and Interest Paid on Capital Debt	(431,750)			(431,750)
Other Receipts (Payments)_	4,299			4,299
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(603,692)	-	-	(603,692)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends Received	186,767	397,428	83,003	667,198
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	186,767	397,428	83,003	667,198
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,164,020	3,042,282	215,673	5,421,975
CASH AND CASH EQUIVALENTS - BEGINNING	10,006,109	22,829,270	4,972,357	37,807,736
CASH AND CASH EQUIVALENTS - ENDING	12,170,129	25,871,552	5,188,030	43,229,711
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
OPERATING NET INCOME	2,664,878	2,568,789	(1,225,804)	4,007,863
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	497,721			497,721
Receivables, Net	257,691	77,588	(524)	334,755
Accounts and Other Payables	(67,439)	555,477	801,043	1,289,081
Accrued Expenses	(109,407)			(109,407)
Pension Expense from change in Net Pension Liability				
Change in Deferred Outflows	(794,554)			(794,554)
Change in Deferred Inflows	(1,467,758)			(1,467,758)
Change in Net Pension Liability	488,193			488,193
OPEB Expense from change in Net OPEB Liability				
Change in Deferred Outflows_	(3,097,645)			(3,097,645)
Change in Deferred Inflows_	(71,810)			(71,810)
Change in Net OPEB Liability_	4,281,075			4,281,075
Other Changes for Insurance Funds				
Claims Reserve-Current		(172,199)	539,919	367,720
Claims Reserve-Prior Year		253,985	(964)	253,021
IBNR-Current		(244,842)		(244,842)
IBNR-Prior Year		(311,944)		(311,944)
Future L&I Assessments		(72,000)		(72,000)
Provision for Unallocated Loss Adjustment		(10,000)	19,000	9,000
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES_	2,580,945	2,644,854	132,670	5,358,469

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

Educational Service District #113
STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS
AUGUST 31, 2020

	COMPENSATED ABSENCES	AGENCY
	Agency Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	553,846	51,732
TOTAL ASSETS	553,846	51,732
LIABILITIES		
Accounts Payable and Other Liabilities	40,366	863
Deposits	513,480	50,869
TOTAL LIABILITIES	553,846	51,732

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Educational Service District No. 113 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 Capital Region Educational Service District No. 113 ("CR ESD 113") 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

CR ESD 113 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.

CR ESD 113 serves 44 school districts in Grays Harbor, Lewis, Mason, Pacific and Thurston counties. Oversight responsibility for the CR ESD 113 operations is vested with the Board of Directors who are elected by the school directors of CR ESD 113, one from each of seven CR ESD 113-member districts. Management of the CR ESD 113 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 CR ESD 113 financial statements include all fund entities that are controlled by the CR ESD 113's Board of Directors and managed by the administrative staff, unless noted hereafter.

CR ESD 113 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 CR ESD 113.

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 CR ESD 113 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. CR ESD 113 reports the following major proprietary funds:

The General Operating fund is CR ESD 113 primary fund. It accounts for all financial resources of CR ESD 113 that are not reported in the following funds.

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

The Workers' Compensation 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 CR ESD 113 in an agency capacity. In addition to enterprise funds, CR ESD 113 reports the following agency fund types:

The Compensated Absences agency fund accounts for assets held by CR ESD 113 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 11 for more information.

The Agency account is used to account for assets held by the CR ESD 113 to provide student support services to our programs from funds provided by donors.

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 CR ESD 113 to incur expenses in the amounts specified in CR ESD 113' 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 activity codes; expenses may not exceed the total approved expense budget without adopting a revised budget and gaining 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, CR ESD 113 considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents. Investments held by the Thurston County 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.

Interfund Receivables and Payables

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

Interfund payables from the Compensated Absences to the Operating Fund consist of claims for reimbursement from the Pool for paid sick leave and vacation leave cash outs.

Capital Assets and Depreciation – See Note 3

Compensated Absences

Employees earn vacation leave at varying rates in accordance with CR ESD 113 policy. Vacation is payable upon termination.

Employees earn sick leave at a rate of 12 days per year and may accumulate an unlimited sick leave balance. Under the provisions of Chapter 28A.400.210 RCW, sick leave accumulated by CR ESD 113 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.

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 CR ESD 113. Changes to estimated liabilities for sick and vacation leave balances for employees working in proprietary funds are charged as current expense to those funds.

Deferred Outflows and Deferred Inflows

GAAP for pensions (see Note 6) requires CR ESD 113 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.

GAAP for other post-retirement employee benefits (OPEB) (see Note 7) require CR ESD 113 to recognize deferred inflows and outflows on the Statement of Net Position related to the single-employer plan administered by the Washington Health Care Authority, to be recognized over a number of years, for changes in experience, assumptions, and timing of contributions.

Operating and Nonoperating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principle ongoing operations including:

- Revenue from those who purchase, use, or directly benefit from the goods or services of the program;
- Revenue from other governments, entities, and individuals, if such revenue is restricted to a specific program or programs;
- Interest earnings on restricted program funds if required by funding agreement;
- Current year pension expense (see Note 6); and
- Current year OPEB expense (see Note 7).

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

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

Nonoperating revenues and expenses include interest earnings on investments not restricted to program benefit, interest expense on debt, other asset and financing activities including grants used to finance operations and expenses not related to the provision of CR ESD 113 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 CR ESD 113'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 CR ESD 113 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 Thurston County Treasurer is the ex-officio treasurer for CR ESD 113. CR ESD 113 is a participant in the Thurston County Investment Pool, an external investment pool managed and operated by the Office of the Thurston County Treasurer under authority of RCW 36.29 which authorizes county treasurers to invest funds of participants. In this capacity, the Thurston County Treasurer receives daily deposits and transacts investments on behalf of CR ESD 113 and invests all temporary cash surpluses. Interest on these investments is prorated to various funds by the Thurston County Treasurer based on segregated balance records.

The Thurston County Investment Pool's investment policy is established by the County Finance Committee consisting of the County Treasurer, the County Auditor and the Chair of the Board of County Commissioners. The Thurston County Treasurer publishes an annual report, available on the Treasurer's website at <https://www.thurstoncountywa.gov/treasurer>.

The Thurston 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 GAAP 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, CR ESD 113'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 treasurer was holding a CR ESD 113 aggregate balance of \$44,728,559 in short-term residual investments recognized as cash and cash equivalents on the balance sheet. The estimated fair market value of these accounts is \$45,146,502:

	Thurston County Treasurer	Fair Value
Cash on Hand, Bank Deposits	\$9,800	\$9,800
Thurston County Investment Pool	43,219,911	43,613,958
Thurston County Investment Pool – Agency Funds	1,508,648	1,522,744
Total Cash, Cash Equivalents & Short- Term Investments	\$44,738,359	\$45,146,502

CR ESD 113 reports its investment in the Pool at the fair value amount, which is the same as the value of the Pool per share.

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

Credit Risk

The Thurston 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 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	31.8%
Federal Agencies Semi-Annual Coupon	59.0%
Treasury Coupons	2.0%

Investment Type	% of Pool based on Fair Value
Commercial Paper	0%
Supranationals	1.4%
Municipal Bonds	0.4%
Corporate Notes	3.4%
Bank Deposits	2.0%

Source: Thurston County Investment Pool Compliance Verification

The Pool is not insured or guaranteed by any government; therefore, maintenance of principal is not fully insured. The Thurston County Investment Pool does not have a credit rating. As of August 31, 2020, NAV per share was \$101.44.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, CR ESD 113 would not be able to recover the value of the investment or collateral securities. CR ESD 113's total cash and investment position has no balances exposed to custodial credit risk. CR ESD 113 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. CR ESD 113 does not have a formal policy for concentration of credit risk. CR ESD 113 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 CR ESD 113 may face should interest rate variances affect the fair value of investments. CR ESD 113 does not have a formal policy that addresses interest rate risk.

As of August 31, 2020, the Thurston County Investment Pool's average maturity was 1.6 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

NOTE 3: CAPITAL ASSETS

Capital assets, which include property, facilities, and equipment, are reported in the Operating fund and capitalized at total acquisition cost, provided such cost exceeds \$25,000 and the asset has an expected useful life of more than five years. Property, facilities, and equipment that are purchased using Federal money are subject to records maintenance if the acquisition cost is over \$5,000.

Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives, based on the month placed in service:

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

Major expenses for capital assets, including capital leases and major repairs that 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, were as follows:

	Beginning Balance 9/1/2019	Additions	Retirements	Ending Balance 8/31/2020
Capital assets not depreciated:				
Land	\$ 1,500,000	\$	\$	\$ 1,500,000
Total capital assets not depreciated	1,500,000			1,500,000
Depreciable capital assets:				
Buildings & Improvements	9,713,825			9,713,825
Equipment	2,386,586	165,225	292,848	2,258,963
Equipment Lease	67,295	58,473	67,295	58,473

	Beginning Balance 9/1/2019	Additions	Retirements	Ending Balance 8/31/2020
Total depreciable capital assets	12,167,706	223,698	360,143	12,031,260
Less accumulated depreciation for:				
Buildings & Improvements	2,752,250	323,794		3,076,045
Equipment	1,495,855	160,040	265,272	1,390,622
Equipment Lease	58,322	9,947	67,295	975
Total accumulated depreciation	4,306,427	493,782	332,567	4,467,642
Total depreciable assets, net	7,861,278	(270,084)	27,576	7,563,619
Total assets, net	\$ 9,361,278	\$ (270,084)	\$27,576	\$ 9,063,618

NOTE 4: LONG-TERM LIABILITIES

CR ESD 113 issued general obligation bonds and other debt instruments through direct borrowing and placements to finance the purchase of CR ESD 113 Tumwater Building. Long-term debt from general obligation bonds 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
Purchase of CR ESD 113 Tumwater Building	\$ 5,675,000	Varies	12/1/2031	3% to 5%	\$ 3,880,000
Total	\$ 5,675,000	Varies	12/1/2031	3% to 5%	\$ 3,880,000

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	\$ 245,000	\$ 186,650
2022	255,000	175,375
2023	270,000	162,250

Years Ending August 31,	Principal	Interest
2024	285,000	148,375
2025	295,000	133,875
2026–2030	1,720,000	426,250
2031–2032	810,000	41,000
Total	\$ 3,880,000	\$ 1,273,775

Changes in Long-Term Liabilities

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

	Beginning Balance 9/1/2019	Additions	Reductions	Ending Balance 8/31/20	Due Within One Year
Bonds	\$ 4,115,000		\$ 235,000	\$ 3,880,000	\$ 245,000
Compensated Absences (Note 1)	261,737	115,947		377,685	
Capital Leases (Note 5)	10,178	58,473	11,016	57,635	10,390
Net Pension Liability (NPL) (Note 6)-					
NPL TRS 1	934,944		105,861	829,083	
NPL TRS 2/3	229,822	304,743		534,565	
NPL SERS 2/3	1,395,328	1,213,381		2,608,709	
NPL PERS 1	3,949,270		924,070	3,025,200	
Total OPEB Liability (Note 7)	9,328,085	4,281,075		13,609,160	409,455
Total Long-Term Liabilities	\$ 20,224,364	\$ 5,973,619	\$ 1,275,947	\$ 24,922,037	\$ 664,845

NOTE 5: LEASES

Operating Lease(s)

CR ESD 113 is committed under various leases for space and equipment. Leases are considered operating leases for accounting purposes when CR ESD 113 does not acquire interests in the property and when equipment leases are subject to cancellation at any time during the lease for changes in funding availability.

Lease expenses for the year ended August 31, 2020, totaled \$383,635. Future minimum rental commitments for multi-year operating leases are as follows:

Fiscal Year Ending August 31,	Amount Committed as of August 31, 2020
2021	\$ 326,816
2022	218,853
2023	37,747
2024	21,509
2025	21,082
2026 thereafter	56,960

Capital Lease(s)

CR ESD 113 has entered into a lease agreement for financing office multifunction copiers with no down payment. The lease agreement qualifies as a capital lease for accounting purposes; therefore, it has been recorded at the present value of their future minimum lease payments as of the inception date.

Assets acquired through capital leases are as follows:

Asset	Amount
Multifunction Copiers	\$ 58,473
Less accumulated depreciation	975
Total	\$ 57,498

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

Fiscal Year Ending August 31,	Amount
2021	\$ 13,565
2022	13,565
2023	13,565
2024	13,565
2025	12,435

Fiscal Year Ending August 31,	Amount
Total minimum lease payments	\$ 66,696
Less: Interest	(9,061)
Present Value of Minimum Lease Payments	\$ 57,635

Changes in lease liabilities are presented in Note 4.

NOTE 6: PENSION PLANS

State Sponsored Pension Plans General Information

CR ESD 113 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. GAAP require, among other provisions, that CR ESD 113 recognize its proportionate share of the DRS plans' funded status. CR ESD 113 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 CR ESD 113 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	\$6,997,557
Pension Assets	
Deferred outflows of resources	2,437,031
Deferred inflows of resources	(834,129)
Pension expense/expenditures	315,685

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 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 CR ESD 113'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 disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

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

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

PERS Plan Information

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

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

SERS Plan Information

SERS was established by the legislature in 1998, and the plan became effective in 2000. SERS retirement benefit provisions are established in RCW Chapters 41.34 and 41.35. SERS is a cost-sharing, 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 for Plan 3 members. Plan 3 accounts for the defined contribution portion for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

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

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

option is available only to those who are age 55 or older and have at least 30 years of service. SERS retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

Plan Contributions

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

The employer and employee contribution rates for the PERS, 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			
July 1, 2019 – August 31, 2020			
PERS Plan 1	7.92%	6.00%	
PERS Plan 1 UAAL	4.76%		
Administrative Fee	0.18%		
Total	12.86%	6.00%	
TRS Plan 1			
September 1, 2019 – August 31, 2020			
TRS Plan 1	8.15%	6.00%	
TRS Plan 1 UAAL	7.18%		
Administrative Fee	0.18%		
Total	15.51%	6.00%	
TRS Plan 2/3			
September 1, 2019 – August 31, 2020			
TRS Plan 2/3	8.15%	7.77%	*/**
TRS Plan 1 UAAL	7.18%		
Administrative Fee	0.18%		

Pension Rates – Actual Contribution Rates			
	Employer	Employee	
Total	15.51%	7.77%	
SERS Plan 2/3			
September 1, 2019 – 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			

Proportionate Share of the Net Pension Liability (NPL)

As of June 30, 2020, CR ESD 113 reported a total liability of \$6,997,557 for its proportionate shares of the individual plans' collective net pension liability. The employer's proportionate share of the collective net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2020, CR ESD 113'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
CR ESD 113's Annual Contributions	\$ 621,010	\$ 1,060,443	\$ 180,753	\$ 202,497
Proportionate Share of NPL	3,025,200	2,608,709	829,083	534,565

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

As of June 30, 2020, CR ESD 113's proportionate share of the collective net pension liability and the change in the allocation percentage from the prior year is reported below:

Change in Proportionate Shares Allocation Percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of NPL	0.085687%	0.490392%	0.034419%	0.034803%
Prior year proportionate share of NPL	0.102702%	0.595028%	0.037763%	0.038143%
Net difference percentage	-0.017016%	-0.104636%	-0.003344%	-0.003340%

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. Office of State Actuary (OSA) applies age offsets for each system to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale to project mortality rates for every year after the 2010 base table. The actuarial assumptions used in the June 30, 2019, valuation were based on the results of the *2013–2018 Demographic Experience Study Report and the 2019 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report.

Long-term Expected Rate of Return

OSA selected a 7.40% long-term expected rate of return on pension plan investments using a building-block method. In selecting the assumptions, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the Washington State Investment Board (WSIB) provided. The CMAs contain three pieces of information for each class of assets the WSIB currently invest in:

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

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

The expected future rates of return are developed by the WSIB for each major asset class.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2020, are summarized in the following table:

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.40 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, CR ESD 113 reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions		
PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions		
Difference between expected and actual experiences	\$	\$
Net difference between projected and actual earnings on pension plan investments	\$	\$(16,843)
Changes in assumptions or other inputs	\$	\$
Changes in proportionate shares	\$	\$
Contributions subsequent to the measurement date	\$ 109,716	\$
TOTAL	\$ 109,716	\$ (16,843)
SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 1,550,824	\$
Net difference between projected and actual earnings on pension plan investments	\$	\$(27,317)
Changes in assumptions or other inputs	\$ 28,429	\$(240,159)
Changes in proportionate shares	\$ 63,649	\$(401,162)
Contributions subsequent to the measurement date	\$ 190,159	\$
TOTAL	\$ 1,833,061	\$(668,638)
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	\$	\$(5,332)
Changes in assumptions or other inputs	\$	\$
Changes in proportionate shares	\$	\$
Contributions subsequent to the measurement date	\$ 33,761	\$

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions		
TOTAL	\$ 33,761	\$ (5,332)
TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 337,841	\$ (1,928)
Net difference between projected and actual earnings on pension plan investments	\$	\$ (5,190)
Changes in assumptions or other inputs	\$ 68,949	\$ (58,584)
Changes in proportionate shares	\$ 15,379	\$ (77,615)
Contributions subsequent to the measurement date	\$ 38,323	\$
TOTAL	\$ 460,492	\$ (143,317)
COMBINED TOTAL	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 1,888,665	\$ (9,128)
Net difference between projected and actual earnings on pension plan investments	\$	\$ (54,682)
Changes in assumptions or other inputs	\$ 97,378	\$ (298,743)
Changes in proportionate shares	\$ 79,028	\$ (478,776)
Contributions subsequent to the measurement date	\$ 371,960	\$
TOTAL	\$ 2,437,031	\$ (834,129)

\$371,960 reported as Deferred Outflows of Resources related to pensions resulting from CR ESD 113 contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2021.

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

Year ended August 31,	PERS 1	SERS 2/3	TRS 1	TRS 2/3
2020	\$ (76,435)	\$ (63,715)	\$ (23,433)	\$ (23,363)
2021	(2,404)	210,865	(686)	31,796
2022	23,322	280,753	7,136	50,442
2023	38,673	355,505	11,652	65,707
2024		131,903		33,656
Thereafter		58,953		120,614

Pension Expense

For the year ending August 31, 2020, CR ESD 113 recognized a total pension expense as follows:

Pension Expense (Income)	
PERS 1	\$ (550,033)
SERS 2/3	702,819
TRS 1	8,525
TRS 2/3	154,267
Total Pension Expense	\$ 315,578

Sensitivity of the Net Pension Liability to Changes in the 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.

The table below presents CR ESD 113's proportionate share of the net pension liability calculated using the discount rate of 7.40%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.40%) or one percentage point higher (8.40%) than the current rate. Amounts are calculated by plan using CR ESD 113's allocation percentage.

	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	0.085687%	0.085687%	0.085687%
Proportionate Share of Collective NPL	\$3,789,235	\$3,025,200	\$2,358,883
SERS 2/3 NPL	\$1,517,879,000	\$531,964,000	\$(283,583,000)
Allocation Percentage	0.490392%	0.490392%	0.490392%
Proportionate Share of Collective NPL	\$7,443,558	\$2,608,709	\$(1,390,669)
TRS 1 NPL	\$3,051,911,000	\$2,408,786,000	\$1,847,550,000
Allocation Percentage	0.034419%	0.034419%	0.034419%
Proportionate Share of Collective NPL	\$1,050,440	\$829,083	\$635,910
TRS 2/3 NPL	\$4,526,645,000	\$1,535,981,000	\$(903,643,000)
Allocation Percentage	0.034803%	0.034803%	0.034803%
Proportionate Share of Collective NPL	\$1,575,401	\$534,565	\$(314,494)

NOTE 7: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS

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	\$ 13,609,160
Deferred outflows of resources	4,715,578
Deferred inflows of resources	(287,238)
OPEB expense	1,394,911

Valuation Date, Measurement Date and Reporting Date

The "valuation date" is July 1, 2020. This is the date as of which the census data is gathered and the actuarial valuation is performed. The "measurement date" is August 31, 2020. This is the date as of which the Total OPEB Liability is determined. Generally accepted accounting principles for OPEB allows a lag of up to one year between the measurement date and the reporting date. No adjustment is required between the measurement date and the reporting date. The "reporting date" is CR ESD 113'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. CR ESD 113'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 \$11,268 and \$10,992, 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 (18) medical plans and three (3) dental plans. All current and future retirees who elect medical and dental coverage are assumed to elect carriers based on the weighted average of selection of carriers by current PEBB retirees.

Employees covered by benefit terms

CR ESD 113 employees are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plan 2 or 3 of TRS or SERS (see Note 6):

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

Former members, those who have separated, are entitled to a deferred vested pension benefit but, 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 CR ESD 113 employees and retirees were covered by benefit terms:

Retirees and spouses currently receiving benefit payments	142
Active employees who may qualify for benefits upon retirement	313

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 CR ESD 113, 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

CR ESD 113's Total OPEB Liability of \$13,609,160 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.

Changes in Actuarial Methods and Assumptions

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

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

Actuarial Assumptions and Other Inputs

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

Inflation

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

Salary increases

Salary assumptions are necessary for the actuarial cost method of OPEB. Salary assumptions reflect the assumptions used in the actuarial valuations for Washington

State School Employees' Retirement System (SERS) and Teacher Retirement System (TRS) ². Projected payroll increases have been assumed to be 3.5% which equals 0.75% real wage growth above inflation. Projected annual merit and longevity increases for SERS range from 8.00% for 0 years of service to 0.10% for 20 years of service. Projected annual merit and longevity increases for TRS range from 6.00% for 0 years of service to 0.10% for 25 years of service.

Discount Rate

The discount rate used to measure the Total OPEB Liability, as required by generally accepted accounting principles for the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method, was based on the yield or index rate for 20-year Tax-Exempt General Obligation Municipal bonds with an average rating of AA/Aa or higher (*Bond Buyer General Obligation 20-bond municipal index* for bonds that mature in 20 years). Discount rate assumptions were 2.20% and 2.97% for the measurement dates of August 31, 2020 and 2019, respectively.

Demographic Assumptions

Demographic assumptions regarding retirement, mortality, turnover, and marriage are based on assumptions used in the Office of the State Actuary's actuarial valuation for Washington State SERS and TRS ², modified for CR ESD 113.

- Service retirement assumptions for plans 2 and 3 were used, which vary based on hire date and years of service.
- The assumed rates of disability under SERS and TRS plans 2 and 3 are less than 0.2% for ages 49 and below and continue to be low after that; demographic assumptions assume a 0% disability rate for all ages.
- Mortality assumptions for SERS were used (Scale MP-2017 Long-Term Rates), on a generational basis, with sex-distinct employee rates before commencement and retiree and contingent survivor rates (as appropriate) after benefit commencement. For SERS, generational tables were used; for TRS teachers' tables were used.

Healthcare Cost Trends

Healthcare cost trends used in the actuarial valuation were developed for use in the July 1, 2020 and July 1, 2019 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 years ending June 30:

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

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

Premium Levels

Assumed annual medical retiree contributions as of July 1, 2020 used in the actuarial valuations are displayed below. These represent a weighted average of 7/1/20-6/30/21 PEBB retiree contributions by medical plan, based on overall PEBB current retiree medical plan election as of the July 1, 2020 valuation date. Contribution assumptions exclude fees charged as a direct pass-through to participating retirees.

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

The July 1, 2020 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 retirees and spouses. As of the valuation date, the explicit subsidy for post-65 retirees and spouses is the lesser of \$183 or 50% of the monthly premiums. In 2020, retirees and spouses currently pay the premium minus \$183 when the premium is over \$366 per month and pay half the premium when the premium is lower than \$366.

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	\$ 9,328,085
Changes for the year:	
Service cost	409,455
Interest on Total OPEB Liability	285,029
Effect of plan changes	
Effect of economic/demographic gains or losses	2,245,106
Effect of assumptions changes or inputs	1,624,776
Expected benefit payments	(283,291)

Total OPEB Liability, ending balance	\$ 13,609,160
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Service cost represents the portion of the actuarial present value of expected benefit payments that is attributed to the valuation year.

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

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

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

The following presents CR ESD 113's Total OPEB Liability, calculated using the discount rate of 2.20%, as well as what CR ESD 113's Total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.20%) or one percentage point higher (3.20%) than the current rate:

As of August 31, 2020	1% Decrease 1.20%	Discount Rate 2.20%	1% Increase 3.20%
Total OPEB Liability	\$16,304,298	\$13,609,160	\$11,491,607

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

The following presents the Total OPEB Liability of CR ESD 113, calculated using the current healthcare cost trend rates as well as what CR ESD 113'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, 2020	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 11,212,603	\$ 13,609,160	\$16,801,296

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

For the year ended August 31, 2020, CR ESD 113 recognized OPEB expense as follows:

For the year ending	August 31, 2020
Service cost	\$ 409,455
Interest on Total OPEB Liability	285,029
Effect of plan changes	
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of economic/demographic gains/losses	385,049
Recognition of assumption changes or inputs	315,378
OPEB Expense	\$ 1,394,911

CR ESD 113 reported deferred outflows and inflows of resources as of the August 31, 2020 Measurement Date as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$2,420,920	\$
Changes of assumptions or inputs	2,294,658	(287,238)
Contributions made subsequent to the Measurement Date	NA	NA
Total	\$4,715,578	\$(287,238)

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,	
2021	\$700,427
2022	700,427
2023	700,427
2024	700,429
2025	772,237
Thereafter	\$854,393

NOTE 8: RISK MANAGEMENT

Property and Casualty

CR ESD 113 is a member of United Schools Insurance Program. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1985, when 29 school districts in the state of Washington joined together by signing a Joint Purchasing Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Current membership includes 154 school districts.

The program allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Wrongful Acts Liability, Miscellaneous Professional Liability, and Employee Benefit Liability is on a claims-made basis. All other coverages are on an occurrence basis. The program provides the following forms of group purchased insurance coverage for its members: Property, General Liability, Automotive Liability, Wrongful Acts Liability, and Crime.

Liability insurance is subject to a self-insured retention of \$100,000. Members are responsible for a \$1,000 deductible for each claim (member deductibles may vary), while the program is responsible for the \$100,000 self-insured retention (SIR). Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 SIR. The program also purchases a stop loss policy with an attachment point of \$1,271,048, as an additional layer of protection for its members.

Property insurance is subject to a per-occurrence SIR of \$100,000. Members are responsible for a \$1,000 deductible for each claim (member deductibles may vary), while the program is responsible for the \$100,000 SIR. Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim.

Members contract to remain in the program for a minimum of one year and must give notice before August 31 to terminate participation the following September

1. The Interlocal Agreement is renewed automatically each year. Even after termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Joint Purchasing Agreement.

The program is fully funded by its member participants. Claims are filed by members with Clear Risk Solutions, which has been contracted to perform program administration, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending August 31, 2020, were \$1,696,473.74.

A board of directors, consisting of nine members, is selected by the membership from six areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. The board of directors has contracted with Clear Risk Solutions to perform day-to-day administration of the program. This program has no employees.

Worker's Compensation

CR ESD 113 is a member of the ESD 113 Workers' Compensation Fund, as authorized by Chapter-51.14 RCW. CR ESD 113 joined the Workers' Compensation Fund in 1983. Information regarding operation of the pool is found in Note 9.

The Workers' Compensation Fund 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 Workers' Compensation Fund is fully funded by its member participants.

Members make an annual contribution to fund the Workers' Compensation Fund. Member contributions are calculated based on the members' hours worked. The Workers' Compensation Fund 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 Workers' Compensation Fund per-occurrence retention limit is \$450,000 and the annual aggregate retention is \$15,645,430. Since the Workers' Compensation Fund is a cooperative program, there is a joint liability among participating members.

Workers' Compensation Fund 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 Workers' Compensation Fund for any unresolved, unreported, and in-process claims for the period they were a signatory to the interlocal governmental agreement.

The Workers' Compensation Fund is governed by a board of directors, which is comprised of one designated representative from each participating member. A five-member executive committee is responsible for conducting the business affairs of the Workers' Compensation Fund. Financial statements and disclosures for the Workers' Compensation Fund can be obtained from the following address: www.esd113.org.

Unemployment

CR ESD 113 is a member of the ESD 113 Unemployment Cooperative, as authorized by Chapter 50.44 RCW. CR ESD 113 joined the Unemployment Cooperative in 1978. Information regarding operation of the Unemployment Cooperative is found in Note 9.

The Unemployment Cooperative 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 Cooperative, which is fully funded by its member participants. Member districts pay a contribution calculated at a percentage of their employee's wages. These contributions plus investment earnings pay for unemployment claims and for the administration of the Unemployment Cooperative. There is provision that members can be additionally assessed if the Unemployment Cooperative needs additional funding.

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

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

The Unemployment Cooperative is governed by a board of directors, which is comprised of one designated representative from each participating member. A five-member executive committee is responsible for conducting the business affairs of the Unemployment Cooperative. Financial statements and disclosures for the Unemployment Cooperative can be obtained from the following address: www.esd113.org.

NOTE 9: RISK POOL DISCLOSURES

Workers' Compensation Insurance Pool

CR ESD 113 operates a self-funding, claims control and risk management fund for worker's compensation liabilities of member school districts and CR ESD 113. The Workers' Compensation Pool, registered in Washington as the Worker's Compensation Insurance Fund, is organized pursuant to Chapter 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 Fund was formed in 1983 to pool self-insured losses and jointly purchase insurance and administrative services. Forty-five districts have joined the Workers' Compensation Fund. CR ESD 113 is also a member of Workers' Compensation Fund (see Note 8) for a total of forty-six members.

Member Assessments, Unearned Member Assessments and Credits

Member assessments are collected in advance and recognized as revenue in the period for which insurance protection is provided. The assessment is calculated based on their employee's hours worked and the members experience rated contribution factor.

The interlocal governmental agreement provides for supplemental assessments to members based on actual claim experience. During fiscal year 2020, the Workers' Compensation Fund 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 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 Fund establishes claims liabilities based on actuarially derived estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and claims that have been incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount.

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

The Workers' Compensation Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. At August 31, 2020, the amount of liabilities totaled \$6,460,000. This liability is CR ESD 113'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/single contract] liabilities for the Workers' Compensation Fund during the past two years:

	For the Year Ending August 31, 2020	For the Year Ending August 31, 2019
Unpaid claims and claim adjustment expenses at beginning of year	\$7,017,000	\$7,211,000
Incurred claims and claim adjustment expenses:		

	For the Year Ending August 31, 2020	For the Year Ending August 31, 2019
Provision for insured events of current year	\$2,554,982	\$3,875,010
Changes in provision for ULAE	(10,000)	10,000
Increases in provision for insured events of prior years	(66,586)	(395,597)
Total incurred claims and claim adjustment expenses	2,478,396	3,489,413
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	3,035,396	3,683,413
Claims and claim adjustment expenses attributable to insured events of prior years		
Total Payments	3,035,396	3,683,413
Total unpaid claims and claim adjustment expenses at end of year	\$6,460,000	\$7,017,000

Risk Financing Limits

The Workers' Compensation Fund retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by excess insurance contracts.

Reinsurance

The Workers' Compensation Fund maintains an excess insurance contract with an insurance carrier to provide coverage over the Workers' Compensation Fund 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 Fund as direct insurer of the risks reinsured. The Workers' Compensation Fund 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, Arthur J. Gallagher Risk Management Services provided an excess insurance policy with a self-insured retention of \$450,000 and an aggregated stop loss of \$15,645,430.

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 Fund from insurance premium taxes, and business and occupation taxes imposed pursuant to Chapter 82.04 RCW.

Unemployment Compensation Risk Pool

CR ESD 113 operates a self-funding, claims control and risk management fund for unemployment claim liabilities to member school districts and CR ESD 113. The Unemployment Compensation Pool is organized pursuant to Chapter 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 Cooperative was formed in 1978 to pool self-insured losses and jointly purchase administrative services. Thirty-nine districts have joined the Unemployment Cooperative. CR ESD 113 is also a member of the Unemployment Cooperative (see Note 8) for a total of forty members.

Member Assessments, Unearned Member Assessments and Credits

Member assessments are collected in advance and recognized as revenue in the period for which pooled risk protection is provided. The assessment is calculated based on a percentage of their employee's wages.

The interlocal governmental agreement provides for supplemental assessments to members based on actual claim experience. During fiscal year 2020, the Unemployment Cooperative 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 Cooperative establishes claims liabilities based on actuarially derived estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and claims that have been incurred but not reported. The process used in computing claims liabilities does not necessarily result in an exact amount as it is based on assumption factors. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The Unemployment Cooperative establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. At August 31, 2020, the amount of liabilities totaled \$725,271. This liability is CR ESD 113's best estimate based on available information.

The following represents changes in those [aggregate/single contract] liabilities for the Unemployment Cooperative during the past two years:

	For the Year Ending August 31, 2020	For the Year Ending August 31, 2019
Unpaid claims and claim adjustment expenses at beginning of year	\$271,607	\$151,604
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	\$1,812,782	\$540,390
Changes in provision for ULAE	19,000	26,000
Total incurred claims and claim adjustment expenses	1,831,782	566,390
Payments:		

	For the Year Ending August 31, 2020	For the Year Ending August 31, 2019
Claims and claim adjustment expenses attributable to insured events of current year	368,401	380,118
Claims and claim adjustment expenses attributable to insured events of prior years	104,291	66,269
Total Payments	472,692	446,387
Total unpaid claims and claim adjustment expenses at end of year	\$1,630,697	\$271,607

Risk Financing Limits

The Unemployment Cooperative does not carry self-insured retention because it does not purchase excess insurance. Net position of the UNC fund is available for the purpose of funding future claim costs.

Exemption from Federal and State Taxes

Pursuant to revenue ruling number 90-74, income of Municipal Risk Pools is excluded from gross income under IRC Section 115(1). Chapter 50.44 RCW exempts the Unemployment Cooperative from insurance premium taxes, and business and occupation taxes imposed pursuant to Chapter 82.04 RCW.

NOTE 10: NET POSITION

Restricted Net Position

CR ESD 113's Statement of Net Position reports \$1,933,074 of net position as restricted for support programs as follows as of August 31, 2020:

Support Program Description	Restricted By	Amount
Capital Regional Information Service Center	Contractual Agreement	\$676,095
Lewis County Special Education Cooperative	Contractual Agreement	714,739

Support Program Description	Restricted By	Amount
Early Childhood Transportation Depreciation	RCW 28A.160.130	33,907
Early Childhood Education and Assistance Program	Enabling Legislation	76,683
Debt Service		431,650
Total Restricted for Support Programs		\$1,933,074

Unrestricted Net Position

CR ESD 113's Statement of Net Position reports \$(3,077,931) of unrestricted net position as follows as of August 31, 2020:

Unrestricted Net Position	Amount
Student Assistance Programs	\$ 1,335,502
GRAVITY Education	1,118,173
Facility Reserves	1,030,865
Early Learning Transportation	185,003
Equipment & Technology Replacement	395,115
Regional Math / Science Services	273,123
Teaching & Learning Services	179,482
Research Department	272,554
Network Services Cooperative	255,445
Business Support Services	251,118
EdJobs NW	234,100
Special Education Services	190,170
Digital Learning	112,935
Conference Coordinator	108,169
Communications	93,966
Nursing Services	93,646
Early Childhood	74,686
Equity in Joint Venture	(31,623)
Other Program Reserves	2,067,802
GASB 68 Pension	(5,394,655)
GASB 75 OPEB	(9,180,820)
Bond Payoff	3,635,000

Unrestricted Net Position	Amount
Compensated Absences Pool Liability	(377,685)
Total Unrestricted Net Position	\$ (3,077,931)

NOTE 11: 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 CR ESD 113 and each local school district.

For fiscal year ending August 31, 2020, there are six members in the Fund including five 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.

NOTE 12: INVESTMENT IN JOINT VENTURE

Washington School Information Processing Cooperative (WSIPC)

CR ESD 113 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.

CR ESD 113'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. During fiscal years ending August 31, 2020 and 2019, CR ESD 113 paid \$ 1,760,845 and \$1,639,650, respectively, to WSIPC in fees for cooperative services rendered.

The total investment in joint venture above, includes WSIPC's share of the net pension liability for participation in Washington's Department of Retirement System pension plans. CR ESD 113'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 GAAP. 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. CR ESD 113'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 2019 to 2020 is \$61,292 and has been reported on the Statement of Revenues, Expenses and Changes in Fund Net Position as non-operating expense. 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 13: INTERFUND BALANCES AND TRANSFERS

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund loans

receivable/payable or advances to/from other funds. All other outstanding balances between funds are reported as due to/from other funds.

Interfund loans receivable/payable or advances to/from other funds for the fiscal year ending August 31, 2020 are as follows:

		Operating Fund	Workers Compensations Fund	Unemployment Fund	Total
Due To	Operating Fund		\$209,434	\$2,730	\$212,164
	Workers Compensations Fund				
	Unemployment Fund				
	Total		\$209,434	\$2,730	\$212,164

NOTE 14: CONTINGENCIES AND LITIGATIONS

CR ESD 113 has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that CR ESD 113 will be required to make payment. In the opinion of management, CR ESD 113's insurance policies and reserves are adequate to pay all known or pending claims.

CR ESD 113 participates in a number of federal- and state-assisted programs. These grants are subject to audit by the grantors or their delegated representatives. Such audits could result in reimbursement to grantor agencies for expenses disallowed under the terms of the grants. Management believes that such disallowances, if any, will be immaterial.

NOTE 15: 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. These measures continue to be in effect as of the date of this financial report.

Many of the precautionary measures put in place by CR ESD 113 during the 2019-20 school year remain in effect operationally for the 2020-21 school year and are listed below.

- Employees in positions suitable for remote work continue to work through telecommuting arrangements
- Direct Service programs to students continue to operate in a variety of modes to include: On-site, hybrid or remote learning as appropriate given program objectives and counties' Department of Health guidance.
- Revenues from State, federal and school district have remained stable and requirements amended to address the change in operating modes.

The length of time these measures will be in place, and the full extent of the financial impact on the district, is unknown at this time.

The CR ESD 113 has not been materially impacted by the COVID-19 virus and the measures under taken.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Capital Region ESD 113
Schedule of Proportionate Share of the Net Pension Liability

PERS 1

As of June 30
Last 10 Fiscal Years

PERS 1

	2015	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability (asset) %	0.094772%	0.094848%	0.097611%	0.101660%	0.102702%	0.085687%
Employer's proportionate share of the net pension liability \$	4,957,456	5,093,799	4,631,718	4,540,166	3,949,270	3,025,200
Covered payroll \$	10,712,778	11,479,391	12,265,906	13,617,635	14,401,977	12,848,281
Employer's proportionate share of the net pension liability as a percentage of covered payroll %	46.28%	44.37%	37.76%	33.34%	27.42%	23.55%
Plan fiduciary net position as a percentage of the total pension liability %	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%

Schedule of Proportionate Share of the Net Pension Liability

SERS 2/3

As of June 30

Last 10 Fiscal Years

SERS 2/3

	2015	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability (asset)	% 0.613125%	0.615719%	0.598574%	0.622018%	0.595028%	0.490392%
Employer's proportionate share of the net pension liability	\$ 2,490,214	4,043,840	2,953,812	1,860,221	1,395,328	2,608,709
Covered payroll	\$ 10,554,201	11,391,617	12,230,142	13,604,786	14,401,977	12,848,281
Employer's proportionate share of the net pension liability as a percentage of covered payroll	% 23.59%	35.50%	24.15%	13.67%	9.69%	20.30%
Plan fiduciary net position as a percentage of the total pension liability	% 90.92%	86.52%	90.79%	94.77%	96.31%	92.45%

Schedule of Proportionate Share of the Net Pension Liability

TRS 1

As of June 30

Last 10 Fiscal Years

TRS 1

	2015	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability (asset)	% 0.046211%	0.043081%	0.040736%	0.043080%	0.037763%	0.034419%
Employer's proportionate share of the net pension liability	\$ 1,464,041	1,470,887	1,231,570	1,258,203	934,944	829,083
Covered payroll	\$ 2,282,021	2,217,363	2,288,140	2,547,879	2,546,176	2,503,310
Employer's proportionate share of the net pension liability as a percentage of covered payroll	% 64.16%	66.33%	53.82%	49.38%	36.72%	33.12%
Plan fiduciary net position as a percentage of the total pension liability	% 65.70%	62.07%	65.58%	66.52%	70.37%	70.55%

Schedule of Proportionate Share of the Net Pension Liability

TRS 2/3

As of June 30

Last 10 Fiscal Years

TRS 2/3

	2015	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability (asset)	0.04876%	0.044401%	0.041732%	0.043827%	0.038143%	0.034803%
Employer's proportionate share of the net pension liability	\$ 411,465	609,760	385,166	197,271	229,822	534,565
Covered payroll	\$ 2,282,021	2,217,363	2,288,140	2,547,879	2,546,176	2,503,310
Employer's proportionate share of the net pension liability as a percentage of covered payroll	18.03%	27.50%	16.83%	7.74%	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%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Capital Region ESD 113
Schedule of Employer Contributions
PERS 1
As of August 31
Last 10 Fiscal Years

PERS 1

	2015	2016	2017	2018	2019	2020
Statutorily or contractually required contributions	\$ 438,322	560,057	593,051	696,848	676,760	613,281
Contributions in relation to the statutorily or contractually required contributions	\$ 438,322	560,057	593,051	696,848	676,760	613,281
Contribution deficiency (excess)	\$ -	-				
Covered payroll	\$ 10,798,789	11,648,731	12,418,694	13,851,203	13,193,157	12,863,858
Contributions as a percentage of covered payroll	% 4.06%	4.81%	4.78%	5.03%	5.13%	4.77%

Schedule of Employer Contributions

SERS 2/3

As of August 31

Last 10 Fiscal Years

SERS 2/3

	2015	2016	2017	2018	2019	2020
Statutorily or contractually required contributions	\$ 620,170	787,545	836,546	1,143,662	1,114,822	1,084,425
Contributions in relation to the statutorily or contractually required contributions	\$ 620,170	787,545	836,546	1,143,662	1,114,822	1,084,425
Contribution deficiency (excess)	\$ -	-	-	-	-	-
Covered payroll	\$ 10,653,066	11,572,336	12,345,393	13,846,394	13,193,157	12,863,858
Contributions as a percentage of covered payroll	% 5.82%	6.81%	6.78%	8.26%	8.45%	8.43%

Schedule of Employer Contributions

TRS 1

As of August 31

Last 10 Fiscal Years

TRS 1

	2015	2016	2017	2018	2019	2020
Statutorily or contractually required contributions	\$ 103,030	137,856	143,188	183,355	173,599	181,510
Contributions in relation to the statutorily or contractually required contributions	\$ 103,030	137,856	143,188	183,355	173,599	181,510
Contribution deficiency (excess)	\$					
Covered payroll	\$ 2,285,138	2,217,478	2,298,368	2,551,936	2,346,129	2,527,519
Contributions as a percentage of covered payroll	% 4.51%	6.22%	6.23%	7.18%	7.40%	7.18%

Schedule of Employer Contributions

TRS 2/3

As of August 31

Last 10 Fiscal Years

TRS 2/3

	2015	2016	2017	2018	2019	2020
Statutorily or contractually required contributions	\$ 134,115	152,840	158,587	199,667	187,925	210,447
Contributions in relation to the statutorily or contractually required contributions	\$ 134,115	152,840	158,587	199,667	187,925	210,447
Contribution deficiency (excess)	\$					
Covered payroll	\$ 2,285,138	2,217,478	2,298,368	2,551,936	2,346,129	2,527,519
Contributions as a percentage of covered payroll	% 5.87%	6.89%	6.90%	7.82%	8.01%	8.33%

**Educational Service District No. 113
REQUIRED SUPPLEMENTAL INFORMATION**

SCHEDULE OF CHANGES IN THE ESD'S TOTAL OPEB LIABILITY AND RELATED RATIOS

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

	Fiscal Year Ending August 31		
	2018	2019	2020
Total OPEB Liability			
Service cost	304,891	278,600	409,455
Interest on total OPEB liability	264,200	288,764	285,029
Changes of benefit terms	-		
Effect of economic/demographic gains or (losses)	-	654,340	2,245,106
Effect of assumption changes or inputs	(502,669)	1,233,248	1,624,776
Expected benefit payments	(272,876)	(277,862)	(283,291)
Net change in total OPEB liability	(206,454)	2,177,090	4,281,075
 Total OPEB liability, beginning	 7,357,448	 7,150,995	 9,328,085
Total OPEB liability, ending	7,150,995	9,328,085	13,609,160
 Covered employee payroll	 16,396,953	 16,919,779	 18,935,826
 Total OPEB liability as a % of covered employee payroll	 43.61%	 55.13%	 71.87%

Notes to Schedules:

- * Schedules are based on the District's financial reporting date, fiscal year ending August 31 in each period reported.
- * Changes of benefit terms: There are no changes of benefit terms.
- * Changes of assumptions: Changes of assumptions and other inputs reflect the effect of changes in the discount rate each

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

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

Part 2 - Reconciliation of Claims Liabilities by Type of Contract

The schedule below presents the changes in claims liabilities for the past two years for the pool's contracts.

ESD 113 Workers' Compensation Trust Actuarial Reserve Amounts

	8/31/19	8/31/20	Increase / (Decrease)
Claims Reserve - Current	1,369,050	1,196,851	(172,199)
Claims Reserve - Prior	942,221	1,196,206	253,985
Incurred But Not Reported (IBNR) - Current	1,209,663	964,821	(244,842)
Incurred But Not Reported (IBNR) - Prior	2,200,066	1,888,122	(311,944)
Future L & I Assessments - Current	871,000	799,000	(72,000)
Estimated Unallocated Loss Adjustments	425,000	415,000	(10,000)
	7,017,000	6,460,000	(557,000)

Total unpaid claims and claim adjustment expenses at the end of the fiscal year.

EDUCATIONAL SERVICE DISTRICT 113
REQUIRED SUPPLEMENTAL INFORMATION - TEN YEAR CLAIMS DEVELOPMENT INFORMATION
WORKER'S COMPENSATION TRUST
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020

	Fiscal and Policy Year Ended									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1. Net earned required	6,389,260.97	5,616,914.39	5,633,393.57	5,961,223.01	6,411,357.08	6,579,548.96	6,730,338.00	7,186,593.76	7,963,787.47	7,717,708.16
2. Unallocated expenses	1,542,636.92	1,746,417.91	2,231,758.83	2,157,588.66	1,928,876.68	2,076,826.63	2,196,700.00	2,214,920.28	2,397,523.43	2,183,360.70
3. Estimated incurred claims and	2,081,920.00	2,056,051.00	3,304,963.00	2,879,676.00	2,533,893.00	2,782,564.00	2,450,745.00	2,904,803.00	2,890,336.74	2,585,179.47
4. Paid (cumulative) as of:										
End of policy year	1,072,987	1,067,269	1,432,721	1,422,640	1,112,829	1,385,027	1,280,122	1,592,771	1,521,287	1,388,328
One year later	2,101,100	1,886,798	2,764,077	2,721,087	2,054,149	2,550,091	2,215,473	2,706,684	2,577,632	
Two years later	2,452,095	2,304,989	3,299,040	3,419,665	2,630,521	3,011,369	2,598,790	2,935,900		
Three years later	2,661,222	2,537,204	3,604,119	3,743,269	2,867,595	3,283,197	2,707,922			
Four years later	2,782,210	2,687,372	3,688,884	3,846,167	3,056,888	3,345,629				
Five years later	2,834,919	2,829,173	3,724,823	3,930,591	3,064,653					
Six years later	2,886,121	2,897,309	3,752,702	4,045,127						
Seven years later	2,996,663	2,874,574	3,777,761							
Eight years later	3,033,087	2,868,090								
Nine years later	3,035,643									
	25,856,047	21,952,778	26,044,127	23,128,546	14,786,635	13,575,313	8,802,307	7,235,355	4,098,919	1,388,328
5. Reestimated incurred claims and										
End of policy year	2,081,920	2,056,051	3,304,963	2,879,676	2,533,893	2,782,564	2,450,745	2,904,803	2,890,337	2,585,179
One year later	2,540,188	2,395,323	3,793,335	3,583,965	2,782,388	3,111,327	2,937,877	3,040,914	3,398,129	
Two years later	2,817,781	2,632,927	3,788,687	3,943,703	2,948,948	3,281,650	2,874,874	3,153,662		
Three years later	2,801,718	2,804,417	3,831,035	3,984,076	3,145,563	3,342,915	2,731,706			
Four years later	2,919,060	2,836,856	3,880,410	4,047,634	3,116,715	3,388,580				
Five years later	3,046,044	2,930,639	3,823,462	4,066,789	3,064,653					
Six years later	3,054,196	2,934,583	3,814,100	4,112,001						
Seven years later	3,032,430	2,874,574	3,780,442							
Eight years later	3,033,087	2,868,090								
Nine years later	3,035,643									
	28,362,067	24,333,460	30,016,434	26,617,844	17,592,160	15,907,036	10,995,202	9,099,379	6,288,466	2,585,179

ESD 113 WORKERS' COMPENSATION TRUST ADMINISTRATION

ADVISORY BOARD

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Aberdeen School District No. 14005	Ocosta School District No. 14172
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Chehalis School District No. 21302	Quinalt School District No. 14097
Cosmopolis School District No. 14099	Rainier School District No. 34307
Elma School District No. 14068	Raymond School District No. 25116
Evaline School District No. 21036	Rochester School District No. 34401
Grapeview School District No. 23054	Satsop School District No. 14104
Griffin School District No. 34324	Shelton School District No. 23309
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Hoquiam School District No. 14028	Southside School District No. 23042
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North Beach School District No. 14064	Winlock School District No. 21232
North River School District No. 25200	Wishkah Valley School District No. 14117
North Thurston School District No. 34003	Yelm School District No. 34002
Oakville School District No. 14400	ESD 113

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<u>Name</u>	<u>District</u>
Mr. Ed Rothin	Chehalis School District
Mr. Mike Villareal	Hoquiam School District
Mr. Matthew Mallery	Mary M. Knight School District
Mr. Monty Sabin	North Thurston Public Schools
Ms. Jennifer Priddy	Olympia School District
Dr. Steve Holland	Raymond School District

ESD ADMINISTRATION

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Educational Service District 113
WORKERS' COMPENSATION INSURANCE FUND
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020

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Arlington School District	909	29	115,857.60	92,042.49
Boistfort School District	31	1	27,371.74	-
Centralia School District	646	17	52,494.29	75,519.91
Chehalis School District	540	25	42,172.89	59,078.61
Cosmopolis School District	38	2	5,588.03	5,508.85
Elma School District	298	7	6,909.59	35,647.60
Evaline School District	19	3	1,712.02	-
Grapeview School District	41	1	2,358.54	2,638.21
Griffin School District	122	4	12,415.07	13,293.59
Hood Canal School District	80	1	181.21	2,999.75
Hoquiam School District	290	7	5,978.64	(4,629.09)
M.M.Knight School District	44	5	59,864.76	-
McCleary School District	64	-	-	-
Montesano School District	232	3	40,064.91	18,529.29
Morton School District	72	-	-	-
Mossyrock School District	114	2	27,001.42	41,726.43
Napavine School District	130	1	1,261.44	869.48
No. Beach School District	147	7	3,711.12	21,339.53
No. River School District	29	-	-	369.76
No. Thurston School District	2,438	75	222,741.97	233,320.25
Oakville School District	57	-	-	43,599.63
Ocosta School District	133	2	3,014.39	113,344.00
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Onalaska School District	172	6	14,263.31	11,966.00
Pe Ell School District	76	1	5,453.67	151.26
Pioneer School District	144	6	2,770.19	15,149.50
Quinalt School District	46	3	5,814.59	2,082.58
Rainier School District	134	5	5,813.94	-
Raymond School District	129	6	2,951.23	9,395.24
Rochester School District	324	10	24,429.68	45,087.70
Satsop School District	11	-	-	-
Shelton School District	767	42	141,015.87	172,364.00
So Bend School District	130	4	2,786.67	12,438.09
Southside School District	31	-	-	1,769.93
Taholah School District	49	-	-	50.50
Tenino School District	203	7	11,835.26	729.11
Toledo School District	146	7	5,420.54	22,321.45
Tumwater School District	969	35	120,271.52	97,760.09
Vader(dissolved 8/31/07)	-	-	-	-
White Pass School District	90	2	3,502.83	-
Willapa School District	94	2	6,872.68	1,614.69
Winlock School District	146	6	13,920.75	15,119.27
Wishkah School District	48	1	2,524.68	6,987.33
Yelm School District	873	33	165,632.16	172,457.28
ESD 113	381	14	20,215.87	6,489.64
Total	13,915	457	\$ 1,388,327.85	\$ 1,647,068.13

1/ Average of four quarters.

2/ Claims with date of injury occurring during 2019-20

**Educational Service District No. 113
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		
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via State of WA OSPI)	Child and Adult Care Food Program	10.558	WINS #159260	264,986	-	264,986	-	5, 11
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via State of WA OSPI)	STOP School Violence	16.839	820020	40,512	-	40,512	-	4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Title I Grants to Local Educational Agencies	84.010	260093	219,104	-	219,104	-	4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Title I Grants to Local Educational Agencies	84.010	226042	45,109	-	45,109	-	4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Title I Grants to Local Educational Agencies	84.010	222683	90,122	-	90,122	-	4
Special Education Cluster (IDEA)		Total CFDA 84.010:		354,335	-	354,335	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Special Education Grants to States	84.027	320281	233,446	-	233,446	-	4
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Special Education Grants to States	84.027	327434	21,157	-	21,157	-	4

The accompanying notes are an integral part of this schedule.

**Educational Service District No. 113
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 State of WA OSPI)	Special Education Grants to States	84.027	327425	9,881	-	9,881	-	4
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Special Education Grants to States	84.027	320291	68,640	-	68,640	-	4
		Total CFDA 84.027:		333,124	-	333,124	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Special Education Preschool Grants	84.173	382001	9,917	-	9,917	-	4
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Special Education Preschool Grants	84.173	380341	9,360	-	9,360	-	4
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Special Education Preschool Grants	84.173	381011	110,303	-	110,303	-	4
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Special Education Preschool Grants	84.173	380331	31,745	-	31,745	-	4
		Total CFDA 84.173:		161,325	-	161,325	-	
		Total Special Education Cluster (IDEA):		494,449	-	494,449	-	

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**Educational Service District No. 113
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via Southeast Regional Resource Center)	Comprehensive Centers	84.283	N/A	124,311	-	124,311	-	8
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Comprehensive Centers	84.283	130001	16,674	-	16,674	-	4
		Total CFDA 84.283:		140,985	-	140,985	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Twenty-First Century Community Learning Centers	84.287	991429	267,790	-	267,790	-	4
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Pacific County Health and Human Services)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	2018-19, 2020- 21	13,333	-	13,333	-	10,11
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Shelton School District)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	37,098	-	37,098	-	4
		Total CFDA 93.243:		50,431	-	50,431	-	

The accompanying notes are an integral part of this schedule.

**Educational Service District No. 113
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 State of WA OSPI)	Every Student Succeeds Act/Preschool Development Grants	93.434	701701	2,917	-	2,917	-	4
Head Start Cluster								
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	COVID 19 - Head Start	93.600	10CH010255C3	-	291,023	291,023	-	6,11
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	10CH01025505	-	7,638,778	7,638,778	-	7,11
Total Head Start Cluster:				-	7,929,801	7,929,801	-	
Medicaid Cluster								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of WA OSPI)	Medical Assistance Program	93.778	560005	56,905	-	56,905	-	4
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Health Care Authority)	Medical Assistance Program	93.778	N/A	17,744	-	17,744	-	3,11
Total Medicaid Cluster:				74,649	-	74,649	-	

The accompanying notes are an integral part of this schedule.

**Educational Service District No. 113
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		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of WA OSPI)	Opioid STR	93.788	999200	87,911	-	87,911	-	4
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of WA OSPI)	Opioid STR	93.788	999068	61,089	-	61,089	-	4
		Total CFDA 93.788:		149,000	-	149,000	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Great Rivers BHO)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	20190099	14,558	-	14,558	-	9,11
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Thurston Mason BHO)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	2020-359	7,645	-	7,645	-	9,11
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Thurston Mason BHO)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	2018-359	17,568	-	17,568	-	9,11

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**Educational Service District No. 113
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		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of WA OSPI)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	998210	441,233	-	441,233	-	4
		Total CFDA 93.959:		481,004	-	481,004	-	
		Total Federal Awards Expended:		2,321,058	7,929,801	10,250,859	-	



**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020**

Note 1 - Basis of Accounting

This Schedule of Expenditures of Federal Awards is prepared on the generally accepted accounting principles (GAAP) applicable to governmental enterprise units. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

Note 2 – Federal Indirect Rate

ESD 113 has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Grant Guidance.

Note 3 - Federal Indirect Rate

ESD 113 claimed indirect costs under this grant using its federal restricted/unrestricted rate of 0.0%.

Note 4 - Federal Restricted Indirect Rate

ESD 113 claimed indirect costs under this grant using its federal restricted rate of 7.18% for September 2019 - August 2020.

Note 5 - Federal Indirect Rate

ESD 113 claimed indirect costs under this grant using its federal restricted/unrestricted rate of 7.875% for September 2019, 9.0% for October 2019 – August 2020.

Note 6 - Federal Indirect Rate

ESD 113 claimed indirect costs under this grant using its federal restricted/unrestricted rate of 9.89%.

Note 7 - Federal Indirect Rate

ESD 113 claimed indirect costs under this grant using its federal restricted/unrestricted rate of 9.89% for September 2019 - October 2019, 9.97% November 2019 - August 2020.

Note 8 - Federal Unrestricted Indirect Rate

ESD 113 claimed indirect costs under this grant using its federal unrestricted rate of 9.97% for September 2019 - August 2020.



Capital Region ESD 113

Your goals, our reason

Note 9 - Federal Indirect Rate

ESD 113 claimed indirect costs under this grant using its federal restricted/unrestricted rate of 10%.

Note 10 - Federal Indirect Rate

ESD 113 claimed indirect costs under this grant using its federal restricted/unrestricted rate of 11%.

Note 11 - Program Costs / Matching Contributions

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the ESD's local matching share, 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.

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White Pass School District	90	2	3,502.83	-
Willapa School District	94	2	6,872.68	1,614.69
Winlock School District	146	6	13,920.75	15,119.27
Wishkah School District	48	1	2,524.68	6,987.33
Yelm School District	873	33	165,632.16	172,457.28
ESD 113	381	14	20,215.87	6,489.64
Total	13,915	457	\$ 1,388,327.85	\$ 1,647,068.13

1/ Average of four quarters.

2/ Claims with date of injury occurring during 2019-20

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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