



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Olympic Educational Service District No. 114

For the period September 1, 2020 through August 31, 2021

Published May 26, 2022

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

May 26, 2022

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

Report on Financial Statements and Federal Single Audit

Please find attached our report on Olympic Educational Service District No. 114's financial statements and compliance with federal laws and regulations.

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy, State Auditor
Olympia, WA

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TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	6
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	9
Independent Auditor's Report on the Financial Statements.....	12
Financial Section.....	16
About the State Auditor's Office.....	87

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Olympic Educational Service District No. 114 September 1, 2020 through August 31, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
84.425	COVID-19 – Education Stabilization Fund
93.600	COVID-19 – Head Start Cluster – Head Start
93.600	Head Start Cluster – 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 qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

Olympic Educational Service District No. 114 September 1, 2020 through August 31, 2021

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of Olympic Educational Service District No. 114, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 19, 2022.

As discussed in Notes 1 and 14 to the financial statements, during the year ended August 31, 2021, the District implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*.

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

The District has omitted the management's discussion and analysis information that governmental accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

May 19, 2022

INDEPENDENT AUDITOR'S REPORT

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

Olympic Educational Service District No. 114 September 1, 2020 through August 31, 2021

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Olympic Educational Service District No. 114, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2021. 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, 2021.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

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

Pat McCarthy, State Auditor

Olympia, WA

May 19, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Olympic Educational Service District No. 114 September 1, 2020 through August 31, 2021

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Olympic Educational Service District No. 114, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 16.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we

express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Olympic Educational Service District No. 114, as of August 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Notes 1 and 14 to the financial statements, in 2021, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note 14 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral

part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

May 19, 2022

FINANCIAL SECTION

Olympic Educational Service District No. 114 September 1, 2020 through August 31, 2021

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2021
Statement of Revenues, Expenses and Changes in Fund Net Position – 2021
Statement of Cash Flows – 2021
Statement of Fiduciary Net Position – Fiduciary Funds – 2021
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2021
Notes to Financial Statements – 2021

REQUIRED SUPPLEMENTARY INFORMATION

Ten-Year Claims Development Information – 2021
Schedule of the District's Proportionate Share of the Net Pension Liability – PERS 1,
SERS 2/3, TRS 1, TRS 2/3 – 2021
Schedule of District Contributions – PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2021
Schedule of Changes in Total OPEB Liability and Related Ratios – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2021
Notes to the Schedule of Expenditures of Federal Awards – 2021

Educational Service District # 114					
STATEMENT OF NET POSITION - ALL FUNDS					
31-Aug-21					
		OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	Note 1, 2	\$ 68,550	\$ 80,552	\$ 13,299	\$ 162,401
Investments	Note 1, 2, 10	\$ 7,955,927	\$ 11,594,006	\$ 3,533,672	\$ 23,083,605
Accounts Receivable (net of uncollectible allowance)	Note 1	\$ 2,249,698	\$ 240,173	\$ 42,807	\$ 2,532,678
Prepays	Note 1	\$ 41,142			\$ 41,142
TOTAL CURRENT ASSETS		\$ 10,315,317	\$ 11,914,731	\$ 3,589,778	\$ 25,819,826
NONCURRENT ASSETS					
Capital Assets					
Land and Land Improvements	Note 1,3	\$ 357,962			\$ 357,962
Building	Note 1,3	\$ 5,556,753			\$ 5,556,753
Equipment	Note 1,3	\$ 505,229			\$ 505,229
Less: Accumulated Depreciation	Note 1,3	\$ (2,609,920)			\$ (2,609,920)
Net Capital Assets	Note 1,3	\$ 3,810,024	\$ -	\$ -	\$ 3,810,024
Investment in Joint Venture	Note 1,9,11	\$ 170,794			\$ 170,794
Net Pension Asset	Note 1,5,9	\$ 5,016,794			\$ 5,016,794
TOTAL NONCURRENT ASSETS		\$ 8,997,612	\$ -	\$ -	\$ 8,997,612
TOTAL ASSETS		\$ 19,312,929	\$ 11,914,731	\$ 3,589,778	\$ 34,817,438
DEFERRED OUTFLOWS OF RESOURCES					
Deferred OutFlows Related to Pensions	Note 1,5	\$ 1,959,038			\$ 1,959,038
Deferred OutFlows Related to OPEB	Note 1,6	\$ 1,693,086			\$ 1,693,086
TOTAL DEFERRED OUTFLOWS OF RESOURCES		\$ 3,652,124	\$ -	\$ -	\$ 3,652,124
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	Note 1	\$ 603,313	\$ 263,907	\$ 10,579	\$ 877,799
Accrued Salaries	Note 1	\$ 47,793			\$ 47,793
Payroll Deductions & Taxes Payable	Note 1	\$ 26,072			\$ 26,072
Compensated Absences	Note 1,2,4,10	\$ 129,676			\$ 129,676
OPEB Liability	Note 1,4,6	\$ 85,137			\$ 85,137
Bonds Payable	Note 1,4	\$ 263,000			\$ 263,000
Claim Reserves					
IBNR	Note 8		\$ 448,353		\$ 448,353
Open Claims	Note 8		\$ 188,086	\$ 187,557	\$ 375,643
Unallocated Loss Adjustment Expenses	Note 8		\$ 241,000		\$ 241,000
Future L&I Assessments	Note 8		\$ 375,866		\$ 375,866
Unearned Revenue	Note 1	\$ 26,483			\$ 26,483
TOTAL CURRENT LIABILITIES		\$ 1,181,474	\$ 1,517,212	\$ 198,136	\$ 2,896,822
NONCURRENT LIABILITIES					
Compensated Absences_	Note 1,2,4,10	\$ 599,647			\$ 599,647
Claim Reserves_					
IBNR_	Note 8		\$ 1,693,041		\$ 1,693,041
Open Claims_	Note 8		\$ 707,739	\$ 2,213	\$ 709,952
Pension Liability_	Note 1,4,5	\$ 1,041,613			\$ 1,041,613
OPEB Liability_	Note 1,4,6	\$ 7,173,079			\$ 7,173,079
Bonds Payable_	Note 1,4	\$ 833,000			\$ 833,000
TOTAL NONCURRENT LIABILITIES		\$ 9,647,339	\$ 2,400,780	\$ 2,213	\$ 12,050,332
TOTAL LIABILITIES		\$ 10,828,813	\$ 3,917,992	\$ 200,349	\$ 14,947,154
DEFERRED INFLOWS OF RESOURCES					
Deferred InFlows Related to Pensions	Note 1,5	\$ 7,282,377			\$ 7,282,377
Deferred InFlows Related to OPEB	Note 1,6	\$ 195,093			\$ 195,093
TOTAL DEFERRED INFLOWS OF RESOURCES		\$ 7,477,470	\$ -	\$ -	\$ 7,477,470
NET POSITION					

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

Educational Service District # 114					
STATEMENT OF NET POSITION - ALL FUNDS					
31-Aug-21					
		OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
Net Investment in Capital Assets	Note 1,3,4	\$ 2,714,024	\$ -	\$ -	\$ 2,714,024
Restricted	Note 1,9	\$ 5,517,925	\$ -	\$ 3,389,429	\$ 8,907,354
Unrestricted	Note 1,9	\$ (3,573,179)	\$ 7,996,739	\$ -	\$ 4,423,560
TOTAL NET POSITION		\$ 4,658,770	\$ 7,996,739	\$ 3,389,429	\$ 16,044,938

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

Educational Service District # 114				
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION				
FOR THE YEAR ENDED AUGUST 31, 2021				
	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
OPERATING REVENUES				
Local Sources	\$ 1,182,301			\$ 1,182,301
State Sources	\$ 4,354,589			\$ 4,354,589
Allotment	\$ 1,267,197			\$ 1,267,197
Federal Sources	\$ 8,390,966			\$ 8,390,966
Cooperative Programs	\$ 7,729,817			\$ 7,729,817
Other Programs	\$ 1,258,035			\$ 1,258,035
Member Assessments/Contributions		\$ 3,662,826	\$ 781,899	\$ 4,444,725
Other Operating Revenue		\$ 21,263		\$ 21,263
TOTAL OPERATING REVENUE	\$ 24,182,905	\$ 3,684,089	\$ 781,899	\$ 28,648,893
OPERATING EXPENSES				
General Operations and Administration	\$ 882,273	\$ 685,053	\$ 55,517	\$ 1,622,843
Instructional Support Programs	\$ 15,879,733			\$ 15,879,733
Non Instructional Support Programs	\$ 4,395,788			\$ 4,395,788
Incurring Loss/Loss Adjustment Expenses				
Paid on Current Losses		\$ 1,337,468	\$ 1,128,890	\$ 2,466,358
Change in Loss Reserves		\$ (288,674)		\$ (288,674)
Unallocated Loss Adjustment Expenses				
Change in Unallocated Loss Reserves		\$ (81,933)	\$ 88,289	\$ 6,356
Excess/Reinsurance Premiums		\$ 133,981		\$ 133,981
Professional Fees		\$ 42,767	\$ 30,283	\$ 73,050
Labor & Industries Assessments		\$ 1,305,178		\$ 1,305,178
Depreciation/Depletion	\$ 120,660			\$ 120,660
TOTAL OPERATING EXPENSES	\$ 21,278,454	\$ 3,133,840	\$ 1,302,979	\$ 25,715,273
OPERATING INCOME (LOSS)	\$ 2,904,451	\$ 550,249	\$ (521,080)	\$ 2,933,620
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	\$ 30,845	\$ 46,146	\$ 16,050	\$ 93,041
Interest Expense and Related Charges	\$ (34,080)			\$ (34,080)
Change in Joint Venture	\$ 202,417			\$ 202,417
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ 199,182	\$ 46,146	\$ 16,050	\$ 261,378
INCOME (LOSS) BEFORE OTHER ITEMS	\$ 3,103,633	\$ 596,395	\$ (505,030)	\$ 3,194,998
INCREASE (DECREASE) IN NET POSITION	\$ 3,103,633	\$ 596,395	\$ (505,030)	\$ 3,194,998
NET POSITION - BEGINNING BALANCE	\$ 1,555,137	\$ 7,267,397	\$ 3,894,459	\$ 12,716,993
Prior Period Adjustment		\$ 132,947		\$ 132,947
NET POSITION - ENDING BALANCE	\$ 4,658,770	\$ 7,996,739	\$ 3,389,429	\$ 16,044,938

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

Educational Service District # 114				
STATEMENT OF CASH FLOWS				
FOR THE YEAR ENDED AUGUST 31, 2021				
	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
CASH FLOW FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 2,546,564	\$ 21,264		\$ 2,567,828
Cash Received from State and Federal Sources	\$ 12,773,381			\$ 12,773,381
Cash Received from Members	\$ 7,678,797	\$ 3,684,090	\$ 755,361	\$ 12,118,248
Payments to Suppliers for Goods and Services	\$ (3,230,956)	\$ (718,583)	\$ (87,765)	\$ (4,037,304)
Payments to Employees for Services	\$ (18,275,722)	\$ (434,798)	\$ (21,438)	\$ (18,731,958)
Cash Paid for Benefits/Claims		\$ (1,262,816)	\$ (1,521,790)	\$ (2,784,606)
Internal Activity - Reimbursements from Other Funds	\$ (523,911)	\$ 501,867	\$ 22,044	\$ -
Cash Paid for Reinsurance		\$ (133,981)		\$ (133,981)
Cash Paid for Labor and Industries Assessments		\$ (1,305,178)		\$ (1,305,178)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 968,153	\$ 351,865	\$ (853,588)	\$ 466,430
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal and Interest Payment on Notes	\$ (285,080)			\$ (285,080)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	\$ (285,080)	\$ -	\$ -	\$ (285,080)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends Received	\$ 30,845	\$ 46,146	\$ 16,050	\$ 93,041
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ 30,845	\$ 46,146	\$ 16,050	\$ 93,041
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 713,918	\$ 398,011	\$ (837,538)	\$ 274,391
CASH AND CASH EQUIVALENTS - BEGINNING	\$ 7,310,559	\$ 11,143,600	\$ 4,384,509	\$ 22,838,668
PRIOR PERIOD ADJUSTMENT		\$ 132,947		\$ 132,947
CASH AND CASH EQUIVALENTS - ENDING	\$ 8,024,477	\$ 11,674,558	\$ 3,546,971	\$ 23,246,006
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
OPERATING NET INCOME	\$ 2,904,451	\$ 550,249	\$ (521,080)	\$ 2,933,620
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	\$ 120,660			\$ 120,660
Receivables, Net	\$ (990,811)	\$ (36,634)	\$ (26,538)	\$ (1,053,983)
Prepays	\$ 6,334			\$ 6,334
Accounts and Other Payables	\$ 440,100	\$ 208,857	\$ (394,259)	\$ 254,698
Unearned Revenue	\$ (193,353)			\$ (193,353)
Pension Expense (Income) from change in Net Pension Liability (Asset)				
Change in Deferred Outflows	\$ (88,887)			\$ (88,887)
Change in Deferred Inflows	\$ 6,965,258			\$ 6,965,258
Change in Net Pension Liability (Asset)	\$ (8,998,179)			\$ (8,998,179)
OPEB Expense from change in Net OPEB Liability				

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

Educational Service District # 114				
STATEMENT OF CASH FLOWS				
FOR THE YEAR ENDED AUGUST 31, 2021				
	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
Change in Deferred Outflows_	\$ 143,340			\$ 143,340
Change in Deferred Inflows_	\$ (34,223)			\$ (34,223)
Change in Net OPEB Liability_	\$ 693,463			\$ 693,463
Other Changes for Insurance Funds				
Claims Reserve-Current		\$ (154,431)	\$ 86,514	\$ (67,917)
Claims Reserve-Prior Year		\$ 143,674	\$ 1,775	\$ 145,449
IBNR-Current		\$ (356,521)		\$ (356,521)
IBNR-Prior Year		\$ 78,604		\$ 78,604
Future L&I Assessments		\$ (59,933)		\$ (59,933)
Provision for Unallocated Loss Adjustment		\$ (22,000)		\$ (22,000)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES_	\$ 968,153	\$ 351,865	\$ (853,588)	\$ 466,430

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

Educational Service District # 114
STATEMENT OF FIDUCIARY NET POSITION
31-Aug-21

	<u>CUSTODIAL FUNDS</u>
ASSETS	
Investments	\$ 590,132
Accounts Receivable	\$ 7,528
TOTAL ASSETS	<u>\$ 597,660</u>
NET POSITION	
Restricted for:	
Individuals, Organizations, and Other	
Governments	\$ 597,660
TOTAL NET POSITION	<u>\$ 597,660</u>

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

Educational Service District # 114	
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	
FOR THE YEAR ENDED AUGUST 31, 2021	
	CUSTODIAL FUNDS
ADDITIONS	
Contributions	
Employer	91,278
Total Contributions	91,278
Investment Earnings	
Interest	2,241
Total Investment Earnings	2,241
TOTAL ADDITIONS	93,519
DEDUCTIONS	
Administrative Expenses	400
TOTAL DEDUCTIONS	400
Net Increase (Decrease) in Fiduciary Net Position	93,119
NET POSITION - BEGINNING	504,541
NET POSITION - ENDING	597,660

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

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Educational Service District No. 114 (the District) 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 the District are implemented under the oversight authority of the Office of Superintendent of Public Instruction (OSPI), as published annually in the *Accounting Manual for Educational Service Districts*. The following summary of the more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

Reporting Entity

The District is one of nine educational service districts organized as political subdivisions of the state of Washington pursuant to Title 28A Revised Code of Washington (RCW) for the purpose of (1) providing cooperative and informational services to local school districts; (2) assisting the OSPI and the Washington State Board of Education in the performance of their respective statutory or constitutional duties; and (3) providing services to school districts to assure equal educational opportunities.

The District serves 15 school districts, 2 Tribal schools and 1 charter school in Clallam, Jefferson, Kitsap and part of Mason counties. Oversight responsibility for the District's operations is vested with the Board of Directors who are elected by the school directors of the member districts. Management of the District is appointed by and accountable to the Board of Directors. Fiscal responsibility, including budget authority, the power to operate cooperatives, set fees for services, and issue debt consistent with the provisions of state statutes, rests with the Board. For financial reporting purposes, the District's financial statements include all fund entities that are controlled by the District's Board of Directors and managed by the administrative staff, unless noted hereafter.

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

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

Basis of Accounting and Reporting

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

The activities of the District rely significantly on fees and charges for support and are reported as enterprise funds. The District reports the following major enterprise funds:

The *Operating Fund* is the District's primary fund. It accounts for all financial resources of the District that are not reported in the following funds.

The *Unemployment Insurance Fund* accounts for the collection of premiums from members of the fund and the related payment of associated claims and expenses. See Note 8 for more information.

The *Workers' Compensation Insurance Fund* accounts for workers' compensation payroll taxes collected from members, and the payment of associated claims, assessments and expenses. See Note 8 for more information.

Fiduciary Funds

The District reports the following custodial funds, which are used to account for assets held and administered by the District in a fiduciary capacity:

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

Budget

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

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

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

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

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

For the purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) to be cash and cash equivalents. Investments held by the Kitsap County Treasurer are considered highly liquid as they are accessible on a daily basis, equivalent to a cash account.

Receivables

Accounts and contracts receivable represent the value of goods and services provided and invoiced to clients as of fiscal year-end. The amounts represent balances due from clients, generally within thirty days of invoice dates.

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

Prepaid Items

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

Capital Assets and Depreciation

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 3 years. Property, facilities, and equipment that are purchased using Federal money are subject to records maintenance if the acquisition cost is over \$5,000. Donated capital assets are recorded at acquisition value at the date of donation.

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

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

Asset	Years
Vehicles	3–10
Equipment	5–20
Buildings and structures	10–50
Land improvements	5–50

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

See Note 3 for further information on capital assets and depreciation.

Compensated Absences

Employees earn vacation leave at varying rates in accordance with District policy. Accrued but unused vacation leave is payable upon termination or death.

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

The balance reported in the Statement of Net Position as of August 31, 2021, represents the aggregate amount of vacation and sick leave payable for all eligible employees of the District. Changes to estimated liabilities for sick and vacation leave balances for employees working in enterprise funds are charged as current expense to those funds.

The District's liability for Compensated Absences is reported in the Operating Fund. As of August 31, 2021, the District's total Compensated Absence balance was \$684,066.

Unearned Revenue

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

Deferred Outflows and Deferred Inflows

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

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

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

Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Consistent with generally accepted accounting principles, net position is displayed in the following three categories, which focus on the accessibility of the underlying assets: (1) Net Investment in Capital Assets, (2) Restricted Net Position, and (3) Unrestricted Position.

Net Investment in Capital Assets

Consists of capital assets, including restricted capital assets, if any, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction, or improvement of capital assets.

Restricted Net Position

Funds subject to externally imposed restrictions, which may not be removed without the consent of those imposing the restrictions. Major categories of restricted net position are listed in Note 11.

Unrestricted Net Position

Funds that do not meet the definition of either of the first components above. Management or the Board of the District may designate resources for specific purposes, however, this represents an internal commitment that may be changed or removed and is therefore not considered a restriction under generally accepted accounting principles.

Net Position Classification

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

It is the District's general practice to first apply restricted resources when an expense is incurred for purposes for which both are available.

Operating and Nonoperating Revenues and Expenses

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principle ongoing operations. Including:

- Revenue from those who purchase, use, or directly benefit from the goods or services of the program;
- Revenue from other governments, entities, and individuals, if such revenue is restricted to a specific program or programs;
- Interest earnings on restricted program funds if required by funding agreement;
- Current year pension expense (see Note 5); and
- Current year OPEB expense (see Note 6).

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

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

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

Accounting and Reporting Changes

The District implemented GASB Statement No. 84 Fiduciary Activities for the fiscal year ended August 31, 2021 with no significant impact on financial position or reporting.

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

The Kitsap County Investment Pool's investment policy is established in accordance with RCW 36.48.070. . The Kitsap County Treasurer's investment policy and annual report are available at:

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

The Kitsap County Investment Pool is an unrated external investment pool. Investments in the Kitsap County Investment Pool are reported at amortized cost, which approximates fair value. The Kitsap County Investment Pool is invested in manner that meets the maturity, quality, diversification and liquidity requirements set forth by generally accepted accounting principles for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The Kitsap County Investment Pool does not have any legally binding guarantees of share values.

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

The Kitsap County Investment Pool does not impose liquidity fees or redemption gates on participant withdrawals. It is the policy of the Pool to permit participants to withdraw their investments on a daily basis; therefore, the District's investment balance in the Kitsap County Investment 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, 2021, the District had cash balances and short-term residual investments of surplus cash as follows:

	Fair Value
Cash on Hand, Bank Deposits	\$ 162,401
Kitsap County Investment Pool	
Operating Fund	\$ 7,910,670
Worker's Compensation Fund	\$ 11,594,006
Unemployment Fund	\$ 3,533,672
Compensated Absences Fund Held by the District	\$ 45,257
Total Cash, Cash Equivalents & Short-Term Investments	\$ 23,246,006

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

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

Credit Risk

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

The Kitsap County Investment Pool is not insured or guaranteed by any government; therefore, maintenance of principal is not fully insured. The Kitsap County Investment Pool does not have a credit rating. As of August 31, 2021, NAV per share was \$ 824,321,562.69.

Custodial Credit Risk

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, the District would not be able to recover the value of the investment or collateral securities. Of the District's total cash and investment position of \$23,246,006 no balances are exposed to custodial credit risk. The District does not have a policy for custodial credit risk.

Concentration of Credit Risk

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

Interest Rate Risk

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

As of August 31, 2021, the Kitsap County Investment Pool's average maturity was 12 months. As a means of limiting its exposure to rising interest rates, securities purchased in the Kitsap County Investment Pool must have a final maturity, or weighted average life, no longer than five years. While the Kitsap County Investment Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Kitsap County Investment Pool distributes earnings monthly using an amortized cost methodology.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the fiscal year ended August 31, 2021, was as follows:

	Beginning Balance 9/1/20	Additions	Retirements	Ending Balance 8/31/21
Capital assets not depreciated:				
Land	\$ 357,962	\$	\$	\$ 357,962
Total capital assets not depreciated	\$ 357,962			\$ 357,962
Depreciable capital assets:				
Buildings & Improvements	\$ 5,556,753			\$ 5,556,753

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

	Beginning Balance 9/1/20	Additions	Retirements	Ending Balance 8/31/21
Equipment	\$ 505,229			\$ 505,229
Total depreciable capital assets	\$ 6,061,982			\$ 6,061,982
Less accumulated depreciation for:				
Buildings & Improvements	\$ 2,020,104	\$ 110,025		\$ 2,130,129
Equipment	\$ 469,156	\$ 10,635		\$ 479,791
Total accumulated depreciation	\$ 2,489,260	\$ 120,660		\$ 2,609,920
Total depreciable assets, net	\$ 3,572,722	\$ 120,660		\$ 3,452,062
Total assets, net	\$ 3,930,684	\$ 120,660		\$ 3,810,024

NOTE 4: LONG-TERM LIABILITIES

The District issues limited obligation bonds and other debt instruments through direct borrowings and placements to finance the purchase of building addition. Long-term debt from limited obligation bonds and notes from direct borrowings and placements as of August 31, 2021, are comprised of the following individual issues:

Issue Name/Purpose	Amount Authorized	Annual Installments	Maturity Range	Interest Rate	Amount Outstanding, August 31, 2021
General Obligation Bonds	\$2,343,000	From 12,171 to 295,007	12/01/2024	2.79	\$ 1,096,000
Total	\$2,343,000				\$ 1,096,000

The District's property, located at 105 National Ave N., Bremerton, Washington has been pledged as collateral for the limited obligation bonds listed.

Debt service requirements to maturity for privately placed limited obligation bonds, as of August 31, 2021, are as follows:

Years Ending August 31,	Principal	Interest
2022, Current Portion	\$ 263,000	\$ 26,910
2023	\$ 270,000	\$ 19,474
2024	\$ 276,000	\$ 11,858
2025	\$ 287,000	\$ 4,004
Total	\$ 1,096,000	\$ 62,246

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

Changes in Long-Term Liabilities

During the fiscal year ending August 31, 2021, the following changes occurred in long-term liabilities:

	Beginning Balance 9/1/2020	Additions	Reductions	Ending Balance 8/31/2021	Due Within One Year
General Obligation Bonds	\$ 1,347,000		\$ 251,000	\$ 1,096,000	\$ 263,000
Compensated Absences (Note 1)	\$ 484,661	\$ 199,405		\$ 684,066	\$ 129,676
NPL TRS 1	\$ 1,025,406		\$ 671,644	\$ 353,762	
NPL TRS 2/3	\$ 619,819		\$ 1,993,414	\$ (1,373,594)	
NPL SERS 2/3	\$ 1,561,646		\$ 5,204,846	\$ (3,643,200)	
NPL PERS 1	\$ 1,816,127		\$ 1,128,276	\$ 687,851	
Total OPEB Liability (Note 7)	\$ 6,564,753	\$ 693,463		\$ 7,258,216	\$ 85,137
Total Long-Term Liabilities	\$ 13,419,419	\$ 892,868	\$ 9,248,180	\$ 5,063,101	\$ 477,813

NOTE 5: PENSION PLANS

State Sponsored Pension Plans

General Information

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

The following table represents the aggregate pension amounts for all plans of the District for fiscal year 2021:

Aggregate Pension Amounts—All Plans	
Pension Liabilities	\$ (1,041,613)
Pension Assets	\$ 5,016,794
Deferred outflows of resources	\$ 1,959,039
Deferred inflows of resources	\$ (7,282,376)
Pension expense/expenditures	\$ (505,399)

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

DRS, a department within the primary government of the state of Washington, issues a publicly available annual comprehensive financial report that includes financial statements and required supplementary information for each plan. The DRS annual comprehensive financial report 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/news/>.

Membership Participation

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

Membership & Plan Benefits

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

TRS Plan Information

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

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

TRS Plan 1 provides retirement, disability and death benefits. TRS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

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 41.34 and 41.40. PERS is a cost-sharing, multiple-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

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

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 41.34 and 41.35. SERS is a cost-sharing, multiple-employer retirement system comprised of two separate plans for membership purposes. SERS Plan 2 is a defined benefit plan and SERS Plan 3 is a defined benefit plan with a defined contribution component. SERS members include classified employees of school districts and educational service districts.

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

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

The benefit is reduced by a factor that varies according to age, for each year before age 65. SERS members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 2, 2013: With a benefit

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

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% of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The employer and employee contribution rates for the PERS plan are effective as of July 1. SERS and TRS contribution rates are effective as of September 1. The pension plan contribution rates (expressed as a percentage of covered payroll) for fiscal year 2021 are listed below:

Pension Rates – Actual Contribution Rates			
	Employer	Employee	
PERS Plan 1			
September 1, 2020 – June 30, 2021			
PERS Plan 1	12.79%	6.00%	
PERS Plan 1 UAAL	12.79%		
Administrative Fee	0.18%		
Total	12.97%	6.00%	
July 1, 2021 – August 31, 2021			
PERS Plan 1	10.072%	6.00%	
PERS Plan 1 UAAL	10.072%		
Administrative Fee	0.18%		
Total	10.252%	6.00%	
TRS Plan 1			

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

Pension Rates – Actual Contribution Rates			
	Employer	Employee	
September 1, 2020 – August 31, 2021			
TRS Plan 1	15.56%	6.00%	
TRS Plan 1 UAAL	15.56%		
Administrative Fee	0.18%		
Total	15.74%	6.00%	
TRS Plan 2/3			
September 1, 2020 – August 31, 2021			
TRS Plan 2/3	15.56%	7.77%	*/ **
TRS Plan 1 UAAL	15.56%		
Administrative Fee	0.18%		
Total	15.74%	7.77%	
SERS Plan 2/3			
September 1, 2020 – August 31, 2021			
SERS Plan 2/3	13.12%	8.25%	*/ **
PERS Plan 1 UAAL	13.12%		
Administrative Fee	0.18%		
Total	13.30%	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			

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

As of June 30, 2021, the District reported \$1,041,613 for its proportionate shares of the individual plans' collective net pension liability and \$(5,016,794) for its proportionate shares of the net pension asset. The employer's proportionate share of these collective net pension amounts is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2021, the District's proportionate share of each plan's net pension liability (asset) is reported below:

June 30, 2021	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	389,967	660,678	277,021	288,714
Proportionate Share of NPL	687,851	(3,643,200)	353,762	(1,373,594)

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

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

As of June 30, 2021, the District's proportionate share of the collective net pension liability and the change in the allocation percentage from the prior year is reported below:

Change in Proportionate Shares Allocation Percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of NPL	0.056324%	0.339314%	0.052542%	0.049971%
Prior year proportionate share of NPL	0.051440%	0.293562%	0.042569%	0.040353%
Net difference percentage	0.004884%	0.045751%	0.009617%	0.009617%

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, 2020, with the results rolled forward to June 30, 2021, 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. The Office of the 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, 2020, 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 2020 actuarial valuation report.

Long-term Expected Rate of Return

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

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, 2021, are summarized in the following table:

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

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

Discount Rate

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

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

current plan members. Therefore, the long-term expected rate of return, a 7.40% on pension plan investments was applied to determine the total pension liability.

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

The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.4%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.4%) or one percentage point higher (8.4%) than the current rate. Amounts are calculated by plan using the District's allocation percentage.

Sensitivity of NPL to Changes in the Discount Rate			
	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS1	\$ 2,080,441,000	\$ 1,221,234,000	\$ 471,917,000
%NPL	0.056324%	0.056324%	0.056324%
District's PERS1	\$ 1,171,793	\$ 687,851	\$ 265,804
SERS2/3	\$ (11,793,000)	\$ (1,073,697,000)	\$ (1,952,101,000)
%NPL	0.339314%	0.339314%	0.339314%
District's SERS2/3	\$ (40,015)	\$ (3,643,200)	\$ (6,623,744)
TRS1	\$ 1,290,542,000	\$ 673,298,000	\$ 134,647,000
%NPL	0.052542%	0.052542%	0.052542%
District's TRS1	\$ 678,073	\$ 353,762	\$ 70,746
TRS2/3	\$ 479,331,000	\$ (2,748,807,000)	\$ (5,382,150,000)
%NPL	0.049971%	0.049971%	0.049971%
District's TRS2/3	\$ 239,524	\$ (1,373,594)	\$ (2,689,491)
PERS 2/3	\$ (2,837,869,000)	\$ (9,961,609,000)	\$ (15,828,012,000)
%NPL	0.000000%	0.000000%	0.000000%

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

Sensitivity of NPL to Changes in the Discount Rate			
District's PERS2/3	\$	\$	\$

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. As of August 31, 2021, the District 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
Difference between expected and actual experiences	\$	\$
Net difference between projected and actual earnings on pension plan investments	\$	\$ (763,284)
Changes in assumptions or other inputs	\$	\$
Changes in proportionate shares	\$	\$
Contributions subsequent to the measurement date	\$ 63,166	\$
TOTAL	\$ 63,166	\$ (763,284)
SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 947,743	\$
Net difference between projected and actual earnings on pension plan investments	\$	\$ (4,132,308)
Changes in assumptions or other inputs	\$ 14,986	\$ (120,238)
Changes in proportionate shares	\$ 114,780	\$ (13,230)
Contributions subsequent to the measurement date	\$ 107,006	\$
TOTAL	\$ 1,184,516	\$ (4,265,777)

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions		
TRS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$	\$
Net difference between projected and actual earnings on pension plan investments	\$	\$ (530,358)
Changes in assumptions or other inputs	\$	\$
Changes in proportionate shares	\$	\$
Contributions subsequent to the measurement date	\$ 47,626	\$
TOTAL	\$ 47,626	\$ (530,358)
TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 426,736	\$ (11,117)
Net difference between projected and actual earnings on pension plan investments	\$	\$ (1,601,441)
Changes in assumptions or other inputs	\$ 85,442	\$ (72,183)
Changes in proportionate shares	\$ 101,835	\$ (38,214)
Contributions subsequent to the measurement date	\$ 49,719	\$
TOTAL	\$ 663,731	\$ (1,722,956)
COMBINED TOTAL	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 1,374,480	\$ (11,117)
Net difference between projected and actual earnings on pension plan investments	\$	\$ (7,027,392)
Changes in assumptions or other inputs	\$ 100,428	\$ (192,421)
Changes in proportionate shares	\$ 216,615	\$ (51,444)
Contributions subsequent to the measurement date	\$ 267,517	\$

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions		
TOTAL	\$ 1,959,039	\$ (7,282,375)

\$267,517 reported as Deferred Outflows of Resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending August 31, 2022.

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
2022	(202,194)	(847,176)	(140,544)	(356,392)
2023	(185,283)	(803,611)	(128,605)	(329,620)
2024	(175,193)	(742,537)	(121,711)	(307,702)
2025	<u>(200,614)</u>	(901,896)	(139,498)	(353,721)
2026		102,740		61,841
Thereafter		2,229		176,651

Pension Expense

For the year ending August 31, 2021, the District recognized a total pension expense as follows:

Pension Expense (Income)	
PERS 1	\$ 44,466
SERS 2/3	\$ (519,776)
TRS 1	\$ 140,910
TRS 2/3	\$ (170,999)
Total Pension Expense	\$ (505,399)

Schedules of Required Supplementary Information

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

NOTE 6: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

457 Plan – Deferred Compensation Plan

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

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

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

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

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

Washington State, through the HCA, administers a defined benefit other post-employment (OPEB) plan. The Public Employees' Benefits Board (PEBB) created under the HCA is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Eligible retirees and spouses are entitled to subsidies associated with post-employment 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. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

Aggregate Summary of OPEB Amounts	
OPEB liabilities	\$ 7,258,216
Deferred outflows of resources	\$ 1,693,086
Deferred inflows of resources	\$ (195,093)
OPEB expense	\$ 886,288

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, 2021. This is the date as of which the Total OPEB Liability is determined. Generally accepted accounting principles for OPEB allows a lag of up to one year between the measurement date and the reporting date. No adjustment is required between the measurement date and the reporting date. The "reporting date" is the District's fiscal year end of August 31, 2021.

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 full-time equivalent (FTE) under RCW 28A.400.410. Employers do not have the ability to contribute additionally to funding against future liabilities or impact funding progress on the actuarially determined liability of the HCA's PEBB OPEB plan.

The PEBB OPEB plan provides healthcare insurance benefits (medical and dental) for retirees and their dependents. Retired members may only elect dental coverage if they have elected medical coverage. The PEBB OPEB plan offers eighteen (18) medical plans and three (3) dental plans. All current and future retirees who elect medical and dental coverage are assumed to elect carriers based on the weighted average of selection of carriers by current PEBB retirees. When a retiree or covered dependent becomes eligible for Medicare, the retiree or covered dependent must enroll in Medicare Parts A and B in order to maintain eligibility for retiree coverage.

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

Employees Covered by Benefit Terms

District employees are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plan 2 or 3 of TRS or SERS (see Note 5):

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

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

Retirees and dependents currently receiving benefit payments	33
Active employees who may qualify for benefits upon retirement	192

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

Election Assumptions

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

Total OPEB Liability

The District's Total OPEB Liability of \$7,258,216 was measured for the year ending August 31, 2021, and was determined by an actuarial valuation as of the valuation date of July 1, 2020, calculated based on the discount rates discussed below, projected to the measurement date. There have been no significant changes between the valuation date and the fiscal year end. If there were significant changes, an additional analysis or valuation might be required.

Actuarial Assumptions and Other Inputs

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

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

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, 2021.

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 6.60% for 0 years of service to 0.10% for 20 years of service. Projected annual merit and longevity increases for TRS range from 5.10% for 0 years of service to 0.10% for 25 years of service.

Discount Rate

The discount rate used to measure the Total OPEB Liability, as required by generally accepted accounting principles for the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method, was based on the yield or index rate for 20-year Tax-Exempt General Obligation Municipal bonds with an average rating of AA/Aa or higher (*Bond Buyer General Obligation 20-bond municipal index* for bonds that mature in 20 years). Discount rate assumptions were 2.14% for the measurement date of August 31, 2021.

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 TRS², modified for the District.

- Service retirement assumptions for plans 2 and 3 were used, which vary based on hire date and years of service.
- The assumed rates of disability under SERS and TRS plans 2 and 3 are less than 0.2% for ages 49 and below and continue to be low after that; demographic assumptions assume a 0% disability rate for all ages.
- Mortality assumptions for SERS were used (Scale MP-2017 Long-Term Rates) on a generational basis, with gender-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.

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

Healthcare Cost Trends

Healthcare cost trends used in the actuarial valuation were developed for use in the July 1, 2020 OPEB valuation for the PEBB¹ program, 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 valuation are displayed below. These represent a weighted average of July 1, 2021 to June 30, 2022 PEBB retiree contributions by medical plan, based on overall PEBB current retiree medical plan election as of the July 1, 2020 valuation date. Contribution assumptions exclude fees charged as a direct pass-through to participating retirees.

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

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

Actuarial Cost Method

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

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

¹ The actuarial valuation for the Washington State OPEB plan offered through PEBB under administration of the Washington 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 at <https://www.drs.wa.gov/administration/annual-report>

Claims Cost Assumptions

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

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

The explicit subsidies are monthly amounts paid per post-65 retirees and spouses. As of the valuation date, the explicit subsidy for post-65 retirees and spouses is the lesser of \$183 or 50% of the monthly premiums. The rate remains at \$183 through 2022. The rate was last increased in 2020 with expected increases after 2023. 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, 2021
Total OPEB Liability, beginning balance	\$6,564,753
Changes for the year:	
Service cost	\$537,590
Interest on Total OPEB Liability	\$155,336

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

Effect of plan changes	
Effect of economic/demographic gains or losses	
Effect of assumptions changes or inputs	\$84,245
Expected benefit payments	(\$83,708)
Total OPEB Liability, ending balance	\$7,258,216

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

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

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the District's Total OPEB Liability, calculated using the discount rate of 2.14%, as well as what the District's Total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.14%) or one percentage point higher (3.14%) than the current rate:

As of August 31, 2021	1% Decrease 1.14%	Discount Rate 2.14%	1% Increase 3.14%
Total OPEB Liability	\$ 8,898,590	\$ 7,258,216	\$ 5,984,896

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

As of August 31, 2021	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 5,713,259	\$ 7,258,216	\$ 9,376,868

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

The District recognized OPEB expense as follows:

For the year ending	August 31, 2021
Service cost	\$ 537,590
Interest on Total OPEB Liability	\$ 155,336
Effect of plan changes	
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of economic/demographic gains/losses	\$ 36,826
Recognition of assumption changes or inputs	\$ 156,536
OPEB Expense	\$ 886,288

The District's deferred outflows and inflows of resources related to OPEB as of the August 31, 2021 Measurement Date is as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ (10,576)	\$ 251,458
Changes of assumptions or inputs	\$ (184,517)	\$ 1,441,628
Contributions made subsequent to the Measurement Date	NA	NA
Total	\$ (195,093)	\$ 1,693,086

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

Measurement Period Ending August 31.	
2022	\$ 193,362
2023	\$ 193,362
2024	\$ 193,362
2025	\$ 193,362

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

2026	\$ 193,362
Thereafter	\$ 531,183

NOTE 7: RISK MANAGEMENT

Property and Casualty

The District is a member of the Washington Schools Risk Management Pool (WSRMP). WSRMP provides property and casualty insurance coverage for its membership as authorized by RCW 48.62. An agreement to form a pooling arrangement was made pursuant to the provisions of RCW 39.34, the Interlocal Cooperation Act. WSRMP was formed in 1986 to pool self-insured losses and jointly purchase insurance and administrative services. Over ninety schools and educational service districts have joined WSRMP.

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

Members make an annual contribution to fund WSRMP. Members are responsible for the first \$1,000 of all property claims and WSRMP is responsible for the next \$999,000. There is no member deductible for liability claims. Excess insurance covers insured losses over one million dollars up to the limits of each policy. WSRMP obtains excess insurance on behalf of the membership. WSRMP purchases additional excess crime coverage as well as required Public Official Bonds. Commercial Crime coverage is subject to a per-occurrence deductible of \$1,000, which is the member's responsibility. WSRMP is fully funded by its member participants. No claims have exceeded insurance coverage in the past three years.

WSRMP members must remain in the pool for a minimum of three years and must give notice three years before terminating membership participation. The WSRMP interlocal agreement is renewed automatically each year after the initial three-year period. After termination, the member remains responsible for their share of contributions for any unresolved, unreported, and in-process claims for the period they were a signatory to the interlocal agreement.

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

WSRMP is governed by a board of directors, which is comprised of one designated representative from each participating member. A sixteen-member executive committee is responsible for conducting the business affairs of WSRMP. Financial statements and disclosures for WSRMP may be obtained at the following web address, <https://wsrmp.com/public-documents/>, or at PO Box 88710, Tukwila WA, 98138.

Worker's Compensation

The District is a member of the Worker's Compensation Pool, as authorized by RCW 51.14. The District joined the Worker's Compensation Pool effective April 1, 1984. Information regarding operation of the Worker's Compensation Pool is found in Note 8. The Worker's Compensation Pool provides industrial injury accident insurance coverage for its membership, including excess insurance coverage and provides related services such as administrative services, safety programs and claims administration. All coverage is on an occurrence basis. The Worker's Compensation Pool is fully funded by its member participants.

Members make an annual contribution to fund the Worker's Compensation Pool. Member contributions are calculated based on the members' hours worked. The Worker's Compensation Pool retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts. The Worker's Compensation Pool per-occurrence retention limit is \$450,000 and the annual aggregate retention is \$4,363,621. Since the Worker's Compensation Pool is a cooperative program, there is a joint liability among participating members.

Worker's Compensation Pool members contract to automatically renew from year to year unless the member gives written notice of its election to terminate its participation in the agreement at least 180 days prior to August 31 of any year. Termination occurs on August 31. Even after termination, a member remains responsible for contributions to the Worker's Compensation Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the interlocal governmental agreement. The Worker's Compensation Pool is governed by a board of directors, which is comprised of one designated representative from each participating member. A six member executive committee is responsible for conducting the business affairs of the Worker's Compensation Pool. Financial statements and disclosures for the Worker's Compensation Pool can be obtained from the following address: 105 National Avenue N. Bremerton, WA 98312.

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

Unemployment

The District is a member of the Unemployment Compensation Pool as authorized by RCW 50.44. The District joined the Unemployment Compensation Pool effective January 1, 1978. Information regarding operation of the Unemployment Compensation Pool is found in Note 8.

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

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

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

Unemployment Compensation Pool members contract to automatically renew from year to year unless the member gives written notice of its election to terminate its participation in the agreement as of midnight, December 31st of any year. Termination occurs on August 31. Even after termination, a member remains responsible for contributions to the Unemployment Compensation Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the interlocal governmental agreement.

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

Note 8: RISK POOL DISCLOSURES

Workers' Compensation Insurance Pool

The District operates a self-funding, claims control and risk management fund for worker's compensation liabilities to member school districts and educational service districts. The Workers' Compensation Pool, registered in Washington as the Worker's Compensation Insurance Trust, is organized pursuant to RCW 51.14 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 RCW 39.34, the Interlocal Cooperation Act. The Workers' Compensation Pool was formed on April 1, 1984 to pool self-insured losses and jointly purchase insurance and administrative services. . Fifteen members have joined the Workers' Compensation Pool. The District is also a member of the Workers' Compensation Pool. (See Note 7)

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 total hours worked.

Workers' Compensation self-insurers in Washington are charged quarterly by L&I based on the amount of self-insured loss payments made during the quarter. The Workers' Compensation Pool estimated outstanding self-insurer assessments as of August 31, 2021 are approximately \$376,000. This represents future administrative and second injury assessments related to the Workers' Compensation Pool August 31, 2021 unpaid claim estimate. The estimate made in the prior actuarial study was \$(436,000). The estimated Workers' Compensation Pool future second injury fund assessment rate is based on a three-year average of the prior rates charged by L&I.

The interlocal governmental agreement provides for assessments to members based on actual claim experience. The agreement further provides that assessments are made in the aggregate and may be held to credit against future assessments, rather than refunded on an actual claims experience basis for a fiscal year.

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

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

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

Unpaid Claim Liabilities

The Workers' Compensation Pool establishes claims liabilities based on actuarially derived estimates of the ultimate cost of claims, including future claim adjustment expenses, that have 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 Worker's Compensation Pool establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. At August 31, 2021, the amount of liabilities totaled \$3,917,993. This liability is the District's best estimate based on available information.

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

	For the Year Ending August 31, 2021 (In Thousands)	For the Year Ending August 31, 2020 (In Thousands)
Unpaid claims and claim adjustment expenses at beginning of year	\$ 3,326	\$ 3,536
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	\$ 1	\$ 1,850

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

	For the Year Ending August 31, 2021 (In Thousands)	For the Year Ending August 31, 2020 (In Thousands)
Increases (decreases) in provision for insured events of prior years	\$ 3,040	\$ 1,971
Total incurred claims and claim adjustment expenses	\$ 3,041	\$ 3,821
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	\$ 343	\$ 527
Claims and claim adjustment expenses attributable to insured events of prior years	\$ 2,987	\$ 3,504
Total Payments	\$ 3,330	\$ 4,031
Total unpaid claims and claim adjustment expenses at end of year	\$ 3,037	\$ 3,326

Risk Financing Limits

The Workers' Compensation Pool retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by excess insurance contracts. For the fiscal year ending August 31, 2021, the Workers' Compensation Pool per occurrence self-insured retention limit is \$450,000.

Reinsurance

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

For the fiscal year ending August 31, 2021, Arthur J. Gallagher provided an excess insurance policy through Safety National with a self-insured retention of \$450,000 and an aggregated stop loss of \$4,363,621.

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

The District records liabilities net of reinsurance premiums based on operating practice with the reinsurer who pays all reinsurance claims directly. The District's reinsurance premiums paid during the year were \$133,981. Reinsurance paid \$118,191 in claims during the year.

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). RCW 51.14 exempts the Workers' Compensation Pool from insurance premium taxes, and business and occupation taxes imposed pursuant to RCW 82.04.

Unemployment Compensation Risk Pool

The District operates a self-funding, claims control and risk management fund for unemployment claim liabilities to member school districts and educational service districts. The Unemployment Compensation Pool is organized pursuant to RCW 50.44 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 RCW 39.34, the Interlocal Cooperation Act. The Unemployment Compensation Pool as formed on January 1, 1978 to pool self-insured losses and jointly purchase administrative services. Fourteen members have joined the Unemployment Compensation Pool. The District is also a member of the Unemployment Compensation Pool (see Note 7).

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 actual claims experience.

The interlocal governmental agreement provides for assessments to members based on actual claim experience. During fiscal year 2021, the Unemployment Compensation Pool did not make a supplemental assessment for claims experience.

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.

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

Reserve for Unallocated Loss Adjustment Expenses

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

Unpaid Claim Liabilities

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

The Unemployment Compensation Pool establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. At August 31, 2021, the amount of liabilities totaled \$200,349. This liability is the District's best estimate based on available information.

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

	For the Year Ending August 31, 2021 (In Thousands)	For the Year Ending August 31, 2020 (In Thousands)
Unpaid claims and claim adjustment expenses at beginning of year	\$ 102	\$ 43
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	\$ 151	\$ 588
Changes in provision for ULAE	\$ 1,075	\$ 150

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

	For the Year Ending August 31, 2021 (In Thousands)	For the Year Ending August 31, 2020 (In Thousands)
Total incurred claims and claim adjustment expenses	\$ 1,226	\$ 738
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	\$ 1,129	\$ 549
Claims and claim adjustment expenses attributable to insured events of prior years	\$ 9	\$ 130
Total Payments	\$ 1,138	\$ 679
Total unpaid claims and claim adjustment expenses at end of year	\$ 190	\$ 102

Risk Financing Limits

The Unemployment Compensation Pool does not carry self-insured retention because it does not purchase excess insurance.

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). RCW 50.44 exempts the Unemployment Compensation Pool from insurance premium taxes, and business and occupation taxes imposed pursuant to RCW 82.04.

NOTE 9: NET POSITION

Restricted Net Position

The District's Statement of Net Position reports \$ 5,517,925 of restricted net position as of August 31, 2021:

Program Description	Restricted By	Amount
WSIPC	Joint Venture Asset	\$ 170,794

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

Program Description	Restricted By	Amount
Compensated Absences	Interlocal agreement	\$ 45,257
Net Pension	Net Pension Asset	\$ 5,016,794
Restricted for Debt Service	Debt Service	\$ 285,080
Total Restricted Net Position		\$ 5,517,925

Joint Venture

The District is a member of a joint venture for provision of information processing services. The District's interest in the joint venture of \$170,794 is reported as a restricted position on the Statement of Net Position. See Note 11 for further disclosure regarding the joint venture.

Unrestricted Net Position

The District's Statement of Net Position reports \$(3,573,179) of unrestricted net position as of August 31, 2021:

Unrestricted Net Position	Amount
Net Pension Liability	\$ (1,041,613)
Net OPEB Liability	\$ (7,258,216)
Instructional Support	\$ 3,183,688
Non-Instructional Support	\$ 1,282,008
Unreserved Fund Balance	\$ 260,954
Total Unrestricted Net Position	\$ (3,573,179)

NOTE 10: CUSTODIAL FUNDS

Compensated Absences

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

For fiscal year ending August 31, 2021, there are 2 members in the Compensated Absences Fund including 1 participating school district. The Compensated Absences Fund allows members to accumulate dedicated funds for payment of leave related to

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

sick leave and vacation leave buy out at retirement and certain other instances. Payroll contributions are made to the Compensated Absences Pool at the time leave is earned to reserve assets for expenses. Coverage is on an "occurrence" basis. Leave taken by current employees is recorded as an expense when paid.

NOTE 11: INVESTMENT IN JOINT VENTURE

Washington School Information Processing Cooperative (WSIPC)

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

The District's share of the total investment in the joint venture is \$170,794 and is reported on the Statement of Net Position as a noncurrent asset. Under the terms of the *"Amended and Restated Interlocal Cooperative Agreement for the Washington School Information Processing Cooperative"*, dated January 18, 2012, contributions made by any of the participating ESDs to WSIPC remain in WSIPC, should an ESD terminate its membership. Terminating members remain fully liable for all obligations incurred, known and unknown, as of the effective date of termination, in the event WSIPC is not able to fully pay or satisfy the obligation. In the event the joint venture is dissolved, all assets shall be liquidated to pay any remaining liabilities. In the event assets or funds remain after payment of all liabilities and current expenses, remaining assets or funds shall be proportionately divided between currently participating ESDs at the time of the dissolution, based upon the percentage of total local user and related fees generated by each during the one-year period prior to the dissolution. In the event assets or funds are not sufficient to pay all liabilities and current expenses, the remaining liabilities shall be divided equally between currently participating ESDs at the time of the dissolution.

The District did not contributed to, or distributions from the joint venture during fiscal years 2021.

The total investment in the joint venture, includes WSIPC's share of the net pension liability for participation in Washington's Department of Retirement System pension plans. The District's share of net investment in the joint venture is impacted by the components of the pension liabilities by \$1,389,397. WSIPC employees participate in the Washington State retirement system; WSIPC is required to recognize their proportionate share of the individual plans' net pension liability and related component measures under generally accepted accounting principles. WSIPC's financial statements include

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

the proportionate share of the net pension liability associated with Public Employees' Retirement System (PERS) plans. General disclosures regarding the Washington State retirement system and pension accounting may be found in the DRS annual comprehensive financial report (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 the joint venture, includes WSIPC's share of the Total OPEB (other post-employment benefits) liability for post-retirement benefits provided through the Washington State Health Care Authority. The District's share of net investment in the joint venture is impacted by the components of the OPEB liabilities by \$4,616,799. 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 State Health Care Authority for employer participants may be found at <http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>. Specific disclosures for WSIPC's plan participation may be found in the notes to WSIPC's financial statements.

The change in net position for the District's share in the joint venture from fiscal year 2020 to 2021 is \$202,417 and has been reported on the Statement of Revenues, Expenses and Changes in Fund Net Position as non-operating revenue or expense. The Net Investment in Joint Venture balance in the Statement of Net Position is a restricted net position (see Note 11). Upon dissolution of the joint venture, the nine, member ESDs shall share equally in assets and liabilities of the venture.

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

NOTE 12: INTERFUND BALANCES AND TRANSFERS

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

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

Interfund balances are generally settled within thirty days; outstanding balances as of August 31, 2021 are expected to be settled within thirty days, and not more than one year from the date of the financial statements.

Interfund balances due from other funds to the Operating Fund as of August 31, 2021 are as follows:

		Due From			
		Operating Fund	Workers' Compensation Fund	Unemployment Compensation Fund	Total
Due To	Operating Fund		\$ 236,928	\$ 1,863	\$ 238,791
	Total		\$ 236,928	\$ 1,863	\$ 238,791

NOTE 13: CONTINGENCIES AND LITIGATIONS

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

NOTE 14: OTHER DISCLOSURES

Prior Period Adjustments

The District had a prior period adjustment in the Workers' Compensation Fund of \$132,947. This was from a Reinsurance Payment for 2020-2021 fiscal year posted in error to the 2019-2020 fiscal year.

Accounting and Reporting Changes

The District implemented GASB 84 for fiscal year 20-21 which reports the Compensated Absences Pool as a Trust Fund, not an Agency Fund.

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

Educational Service District No. 114
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2020 THROUGH AUGUST 31, 2021

closed all public and private K–12 school buildings throughout the remainder of the 2019–20 school year. Many precautionary measures remained in place during the 2020–21 school year.

Many of the precautionary measures put in place during the 2019–20 school year remain in effect, and are affecting the District for the 2020–21 school year in new ways. We continue to have staff primarily working remotely with the exception of staff who are providing direct services to students or services that must be provided at onsite work locations.

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

REQUIRED SUPPLEMENTAL INFORMATION (RSI)

Part 1 – Ten-Year Claims Development Information

The table below illustrates how the pool's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the pool as of the end of each of the last ten years. The rows of the table are defined as follows:

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

WORKERS COMPENSATION FUND

REQUIRED SUPPLEMENTARY CLAIMS DEVELOPMENT INFORMATION 2020-2021

The table below illustrates how the fund's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the previous ten years. The rows of the table are defined as follows:

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

	(In Thousands)									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1. Required contribution and investment revenue:										
Earned	3,406	3,325	3,335	3,126	2,775	2,876	3,214	3,663	3,915	3,663
Ceded	103	99	117	118	115	125	123	112	241	134
Net earned	3,303	3,226	3,218	3,008	2,660	2,751	3,091	3,551	3,674	3,529
2. Unallocated expenses										
	1,398	1,492	1,233	1,053	1,299	1,241	1,697	1,772	1,767	227
3. Estimated claims and expenses end of policy year:										
Incurred	1,725	1,700	1,425	1,725	1,450	1,450	1,450	2,220	1,850	975

Ceded	0	0	0	0	0	0	0	0	0	0
Net incurred	1,725	1,700	1,425	1,725	1,450	1,450	1,450	2,220	1,850	975
4. Net paid (cumulative) as of:										
End of policy year	475	564	431	515	406	545	497	894	703	339
One year later	951	1,009	766	928	944	1,020	1,119	1487	1421	
Two years later	1,047	1,193	826	1,191	1,145	1,266	1,376	1,641		
Three years later	1,080	1,353	880	1,689	1,276	1,394	1,402			
Four years later	1,088	1,407	913	1,716	1,337	1,457				
Five years later	1,088	1,525	948	1,721	1,340					
Six years later	1,088	1,549	956	1,740						
Seven years later	1,088	1,562	956							
Eight years later	1,087	1,586								
Nine years later	1,087									
5. Re-estimated ceded claims and expenses										
	0	0	0	0	0	0	0	0	0	0
6. Re-estimated net incurred claims and expenses:										
End of policy year	1,725	1,700	1,425	1,725	1,450	1,450	1,450	2,220	1,850	975
One year later	1,615	1,625	1,250	1,575	1,430	1,550	1,875	2,150	2,200	
Two years later	1,450	1,600	1,150	1,595	1,500	1,725	1,810	2,050		
Three years later	1,360	1,615	1,075	1,995	1,500	1,700	1,650			
Four years later	1,285	1,645	1,045	1,975	1,500	1,770				
Five years later	1,200	1,650	1,075	1,945	1,450					
Six years later	1,175	1,650	1,035	1,975						
Seven years later	1,150	1,660	1,025							
Eight years later	1,135	1,655								
Nine years later	1,125									
7. Increase(decrease) in estimated incurred claims and expenses										
from end of policy year	(600)	(1,700)	(1,425)	(1,725)	(1,450)	(1,450)	(1,450)	(2,220)	(1,850)	(975)

Educational Service District No. 114
Required Supplementary Information
September 1, 2020 – August 31, 2021

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

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

PERS 1							
Last 10 Fiscal Years*							
	2015	2016	2017	2018	2019	2020	2021
District's Proportion of the net pension liability (percentage)	0.050805%	0.049674%	0.048595%	0.048163%	0.049661%	0.051440%	0.056324%
District's proportionate share of the net pension liability (amount)	\$ 2,657,596	\$ 2,667,751	\$ 2,305,855	\$ 2,150,980	\$ 1,909,658	\$ 1,816,127	\$ 687,851
District's covered-employee payroll	\$ 5,514,681	\$ 5,793,249	\$ 6,052,161	\$ 6,425,737	\$ 6,965,952	\$ 7,690,871	\$ 9,079,275
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	48.19%	46.05%	38.10%	33.47%	27.41%	23.61%	7.58%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%

SERS 2/3							
Last 10 Fiscal Years*							
	2015	2016	2017	2018	2019	2020	2021
District's Proportion of the net pension liability (percentage)	0.304955%	0.295323%	0.293375%	0.287809%	0.287578%	0.293562%	0.339314%
District's proportionate share of the net pension liability (amount)	\$ 1,238,579	\$ 1,939,582	\$ 1,447,732	\$ 860,727	\$ 674,365	\$ 1,561,646	\$ (3,643,200)
District's covered-employee payroll	\$ 5,247,148	\$ 5,530,180	\$ 5,993,739	\$ 6,389,508	\$ 6,960,474	\$ 7,690,871	\$ 8,659,724
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	23.60%	35.07%	24.15%	13.47%	9.69%	20.31%	-42.07%
Plan fiduciary net position as a percentage of the total pension liability	90.92%	86.52%	90.79%	94.77%	96.31%	92.45%	114.15%

TRS 1							
Last 10 Fiscal Years*							
	2015	2016	2017	2018	2019	2020	2021
District's Proportion of the net pension liability (percentage)	0.034688%	0.035248%	0.036967%	0.035684%	0.032490%	0.042569%	0.052542%
District's proportionate share of the net pension liability (amount)	\$ 1,098,951	\$ 1,203,450	\$ 1,117,613	\$ 1,042,198	\$ 804,394	\$ 1,025,406	\$ 353,762
District's covered-employee payroll	\$ 1,713,835	\$ 1,851,643	\$ 2,028,692	\$ 2,047,091	\$ 2,103,721	\$ 2,993,635	\$ 4,084,425
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	64.12%	64.99%	55.09%	50.91%	38.24%	34.25%	8.66%
Plan fiduciary net position as a percentage of the total pension liability	65.70%	62.07%	65.58%	66.52%	70.37%	70.55%	91.42%

TRS 2/3							
Last 10 Fiscal Years*							
	2015	2016	2017	2018	2019	2020	2021
District's Proportion of the net pension liability (percentage)	0.036636%	0.036695%	0.036193%	0.033391%	0.030217%	0.040353%	0.049971%
District's proportionate share of the net pension liability (amount)	\$ 309,137	\$ 503,927	\$ 334,044	\$ 150,299	\$ 182,067	\$ 619,819	\$ (1,373,594)
District's covered-employee payroll	\$ 1,713,835	\$ 1,851,643	\$ 1,984,443	\$ 1,965,920	\$ 2,017,098	\$ 2,902,736	\$ 3,710,478
District's proportionate share of the net pension liability (amount) as a	18.04%	27.22%	16.83%	7.65%	9.03%	21.35%	-37.02%
Plan fiduciary net position as a percentage of the total pension liability	92.48%	88.72%	93.14%	96.88%	96.36%	91.72%	120.29%

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

Part 3 – Schedule of District Contributions

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

PERS 1							
Last 10 Fiscal Years*							
	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$ 233,501	\$ 281,702	\$ 292,309	\$ 321,933	\$ 356,093	\$ 372,813	\$ 389,967
Contributions in relation to the contractually required contributions	\$ 233,501	\$ 281,702	\$ 292,309	\$ 321,933	\$ 356,093	\$ 372,813	\$ 389,967
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 5,584,398	\$ 5,807,661	\$ 6,149,258	\$ 6,556,019	\$ 7,105,539	\$ 7,855,659	\$ 8,398,183
Contribution as a percentage of covered-employee payroll	4.18%	4.85%	4.75%	4.91%	5.01%	4.75%	4.64%

SERS 2/3							
Last 10 Fiscal Years*							
	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$ 296,483	\$ 353,307	\$ 397,368	\$ 503,495	\$ 575,634	\$ 634,811	\$ 660,678
Contributions in relation to the contractually required contributions	\$ 296,483	\$ 353,307	\$ 397,368	\$ 503,495	\$ 575,634	\$ 634,811	\$ 660,678
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 5,247,148	\$ 267,041	\$ 296,483	\$ 353,307	\$ 397,368	\$ 503,495	\$ 8,008,217
Contribution as a percentage of covered-employee payroll	5.65%	132.30%	134.03%	142.51%	144.86%	126.08%	8.25%

TRS 1							
Last 10 Fiscal Years*							
	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$ 77,623	\$ 107,124	\$ 129,361	\$ 148,409	\$ 161,355	\$ 223,554	\$ 277,021
Contributions in relation to the contractually required contributions	\$ 77,623	\$ 107,124	\$ 129,361	\$ 148,409	\$ 161,355	\$ 223,554	\$ 277,021
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,713,835	\$ 1,851,643	\$ 2,028,692	\$ 2,047,091	\$ 2,103,721	\$ 2,993,635	\$ 3,306,294
Contribution as a percentage of covered-employee payroll	4.53%	5.79%	6.38%	7.25%	7.67%	7.47%	8.38%

TRS 2/3							
Last 10 Fiscal Years*							
	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$ 97,360	\$ 119,773	\$ 133,354	\$ 148,451	\$ 157,939	\$ 234,792	\$ 288,714
Contributions in relation to the contractually required contributions	\$ 97,360	\$ 119,773	\$ 133,354	\$ 148,451	\$ 157,939	\$ 234,792	\$ 288,714
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,760,023	\$ 1,846,763	\$ 2,004,780	\$ 1,980,418	\$ 2,065,011	\$ 3,133,723	\$ 3,542,504
Contribution as a percentage of covered-employee payroll	5.53%	6.49%	6.65%	7.50%	7.65%	7.49%	8.15%

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

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

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

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

TOTAL OPEB LIABILITY	2018	2019	2020	2021
Service cost	\$256,748	\$233,701	\$346,701	\$537,590
Interest on Total OPEB Liability	\$134,649	\$151,909	\$161,808	\$155,336
Effect of plan changes	\$0	\$0	\$0	\$0
Effect of economic/demographic gains or losses	\$0	\$365,758	(\$13,124)	\$0
Effect of assumptions changes or inputs	(\$316,313)	\$810,157	\$1,002,858	\$84,245
Expected benefit payments	(\$48,627)	(\$55,754)	(\$69,236)	-\$83,708
Net Change in total OPEB Liability	\$26,457	\$1,505,771	\$1,429,007	\$693,463
Total OPEB Liability, beginning balance	\$3,603,518	\$3,629,975	\$5,135,746	\$6,564,753
Total OPEB Liability , ending balance	\$3,629,975	\$5,135,746	\$6,564,753	\$7,258,216
Covered payroll	\$ 8,725,549	\$ 9,400,203	\$10,749,628	\$11,786,733
Total OPEB liability as a % of covered payroll	41.60%	54.63%	61.07%	61.58%

Schedules:

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

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

**Olympic Educational Service District No. 114
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021**

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 JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	STOP School Violence	16.839	820027	1,591	-	1,591	-	1, 3c
	STOP School Violence	16.839	820037	14,420	-	14,420	-	1, 3b
Total CFDA 16.839:				16,011	-	16,011	-	
WIOA Cluster								
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via WA EMPLOYMENT SECURITY DEPARTMENT)	WIOA Youth Activities	17.259	6150-7620-20	79,111	-	79,111	-	1, 3b
	WIOA Youth Activities	17.259	6150-7629-20	61,082	-	61,082	-	1, 3c
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via Kitsap County)	WIOA Youth Activities	17.259	KC-272-20	617,826	-	617,826	-	1, 3e
	WIOA Youth Activities	17.259	KC-401-21	126,288	-	126,288	-	1, 3e
Total WIOA Cluster:				884,307	-	884,307	-	

The accompanying notes are an integral part of this schedule.

**Olympic Educational Service District No. 114
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via DEPARTMENT OF LABOR)	YouthBuild	17.274	YB-34244-17- 60-A-53	21,340	-	21,340	-	1, 3d, 4
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via DEPARTMENT OF LABOR)	YouthBuild	17.274	YB-34244-19- 60-A-53	348,802	-	348,802	-	1, 3c, 4
Total CFDA 17.274:				370,142	-	370,142	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Kitsap County)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-018	5,069	-	5,069	-	1, 2
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (via UNIVERSITY OF WASHINGTON)	Science	43.001	UWSC12710	13,992	-	13,992	-	1, 3e
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (via UNIVERSITY OF WASHINGTON)	Science	43.001	UWSC12710	31,778	-	31,778	-	1, 3e
Total CFDA 43.001:				45,770	-	45,770	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Title I Grants to Local Educational Agencies	84.010	260105	299,968	-	299,968	-	1, 3b

The accompanying notes are an integral part of this schedule.

**Olympic Educational Service District No. 114
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021**

Federal Agency (Pass-Through Agency)	Expenditures						Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via SOUTH KITSAP SCHOOL DISTRICT)	Title I Grants to Local Educational Agencies	84.010	PO 871200009	22,962	-	22,962	-	1, 2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via SOUTH KITSAP SCHOOL DISTRICT)	Title I Grants to Local Educational Agencies	84.010	PO 8712000010	38,042	-	38,042	-	1, 2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Title I Grants to Local Educational Agencies	84.010	222701	25,240	-	25,240	-	1, 3b
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Title I Grants to Local Educational Agencies	84.010	222701	38	-	38	-	1, 3a
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Title I Grants to Local Educational Agencies	84.010	222700	120,963	-	120,963	-	1, 3b
Total CFDA 84.010:				507,213	-	507,213	-	

Special Education Cluster (IDEA)

**Olympic Educational Service District No. 114
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Special Education Grants to States	84.027	320308	218,992	-	218,992	-	1, 3b
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Special Education Grants to States	84.027	320318	61,634	-	61,634	-	1, 3b
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via Educational Service District 171)	Special Education Grants to States	84.027	1202000113	58,809	-	58,809	-	1, 3b
		Total CFDA 84.027:		339,435	-	339,435	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Special Education Preschool Grants	84.173	380358	25,713	-	25,713	-	1, 3b
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Special Education Preschool Grants	84.173	381149	26,770	-	26,770	-	1, 3b

**Olympic Educational Service District No. 114
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Special Education Preschool Grants	84.173	380367	782	-	782	-	1, 3b
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Special Education Preschool Grants	84.173	381158	16,197	-	16,197	-	1, 3b
		Total CFDA 84.173:		69,462	-	69,462	-	
		Total Special Education Cluster (IDEA):		408,897	-	408,897	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via EDUCATIONAL SERVICE DISTRICT 112)	Special Education- Grants for Infants and Families	84.181	700000072	4,186	-	4,186	-	1, 3e
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	COVID 19 - Education Stabilization Fund	84.425	84.425 D 130008	199,173	-	199,173	-	1, 3g
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	COVID 19 - Education Stabilization Fund	84.425	84.425 D 135518	1,734	-	1,734	-	1, 3f
		Total CFDA 84.425:		200,907	-	200,907	-	

The accompanying notes are an integral part of this schedule.

**Olympic Educational Service District No. 114
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients
CCDF Cluster							
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DEPT OF CHILD, YOUTH AND FAMILIES)	Child Care and Development Block Grant	93.575	20-1142	146,114	-	146,114	- 1 3h
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DEPT OF CHILD, YOUTH AND FAMILIES)	Child Care and Development Block Grant	93.575	20-1142	24,152	-	24,152	- 1, 3g
Total CCDF Cluster:				170,266	-	170,266	-
Head Start Cluster							
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	COVID 19 - Head Start	93.600	10HP000355-02-01	-	35,152	35,152	- 1, 3g
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	COVID 19 - Head Start	93.600	10HP000249-05-C3	-	121,458	121,458	- 1, 3h
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	COVID 19 - Head Start	93.600	10HP000249-05-C3	-	100,209	100,209	- 1, 3g
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	10CH010249-05-00	-	116,155	116,155	- 1, 3h, 4

The accompanying notes are an integral part of this schedule.

**Olympic Educational Service District No. 114
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	10CH010249- 05-00	-	362,130	362,130	-	1, 3h, 4
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	10CH011839- 01-00	-	1,780,127	1,780,127	-	1, 3g, 4
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	10CH010249- 05-00	-	139,382	139,382	-	1, 3h, 4
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	10CH010249- 05-00	-	341,121	341,121	-	1, 3h, 4
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	10CH011839- 01-00	-	1,463,741	1,463,741	-	1, 3g, 4
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	10HP000355- 02-03	-	911,000	911,000	-	1, 3g, 4
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	10HE000916- 01-C5	-	1,863	1,863	-	1, 3g
Total Head Start Cluster:				-	5,372,338	5,372,338	-	
Medicaid Cluster								

**Olympic Educational Service District No. 114
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021**

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		
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Medical Assistance Program	93.778	k2413	11,855	-	11,855	-	1, 2
		Total Medicaid Cluster:				11,855	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Opioid STR	93.788	K5475	12,326	-	12,326	-	1, 3c
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Opioid STR	93.788	K5475	3,206	-	3,206	-	1, 3b
		Total CFDA 93.788:				15,532	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Office of the Superintendent of Public Instruction)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	998226	246,183	-	246,183	-	1, 3b

The accompanying notes are an integral part of this schedule.

**Olympic Educational Service District No. 114
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021**

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 Washington State Health Care Authority)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K4840	85,558	-	85,558	-	1, 3b
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K5475	31,143	-	31,143	-	1, 3b
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K5475	2,631	-	2,631	-	1, 3b
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K5475	7,479	-	7,479	-	1, 3b
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K5475-01	1,562	-	1,562	-	1, 3b

The accompanying notes are an integral part of this schedule.

**Olympic Educational Service District No. 114
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021**

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 Washington State Health Care Authority)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K5475	5,735	-	5,735	-	1, 3b
		Total CFDA 93.959:		380,291	-	380,291	-	
		Total Federal Awards Expended:		3,020,446	5,372,338	8,392,784	-	

Olympic Educational Service District 114

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2021

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the Olympic Educational Service District 114 (OESD 114) financial statements. OESD 114 uses the accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

Note 2 – Federal De Minimis Indirect Cost Rate

OESD 114 has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Federal Indirect Cost Rate(s)

- a) The amount expended includes \$2.41 claimed as an indirect cost recovery using an approved indirect cost rate of 6.75 percent.
- b) The amount expended includes \$88,889.25 claimed as an indirect cost recovery using an approved indirect cost rate of 7.15 percent.
- c) The amount expended includes \$28,390.45 claimed as an indirect cost recovery using an approved indirect cost rate of 7.18 percent.
- d) The amount expended includes \$1,514.65 claimed as an indirect cost recovery using an approved indirect cost rate of 7.64 percent.
- e) The amount expended includes \$65,565.40 claimed as an indirect cost recovery using an approved indirect cost rate of 9 percent.

- f) The amount expended includes \$157.22 claimed as an indirect cost recovery using an approved indirect cost rate of 9.97 percent.
- g) The amount expended includes \$455,172.50 claimed as an indirect cost recovery using an approved indirect cost rate of 11.21 percent.
- h) The amount expended includes \$125,002.08 claimed as an indirect cost recovery using an approved indirect cost rate of 11.35 percent.

Note 4 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including OESD 114's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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