



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Educational Service District No. 112

For the period September 1, 2021 through August 31, 2022

Published April 27, 2023

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

April 27, 2023

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

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Educational Service District No. 112 September 1, 2021 through August 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
84.027	Special Education Cluster (IDEA) – Special Education Grants to States
84.027	Special Education Cluster (IDEA) – COVID-19 – Special Education Grants to States
84.173	Special Education Cluster (IDEA) – Special Education Preschool Grants
84.173	Special Education Cluster (IDEA) – COVID-19 – Special Education Preschool Grants
84.425	COVID-19 – Education Stabilization Fund

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

Educational Service District No. 112 September 1, 2021 through August 31, 2022

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each major fund of Educational Service District No. 112, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 25, 2023.

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

REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

April 25, 2023

INDEPENDENT AUDITOR'S REPORT

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

Educational Service District No. 112 September 1, 2021 through August 31, 2022

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of Educational Service District No. 112, with the types of compliance requirements identified as subject to audit 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, 2022. The District's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;

- Obtain an understanding of the District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District’s internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

April 25, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Educational Service District No. 112 September 1, 2021 through August 31, 2022

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of each major fund of Educational Service District No. 112, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of Educational Service District No. 112, as of August 31, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2022, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

As described above, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information 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 as a whole.

Other Information

The other information comprises risk pools information and schedule presenting effect of long term obligations for funding state-mandated and administered retirement benefit plans and OPEB benefit plans are presented for purposes of additional analysis but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included with the financial statements. Our opinions on the basic financial statements do not cover this other information, and, we do not express an opinion or provide any assurance thereon.

In connection with the audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2023 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

April 25, 2023

**Educational Service District No. 112
September 1, 2021 through August 31, 2022**

BASIC FINANCIAL STATEMENTS

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Notes to the SW WA Workers' Compensation Cooperative – Claims Development
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Schedule of Expenditures of Federal Awards – 2022
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SW WA Workers' Compensation Risk Fund – DES Schedule of Operating Expenses –
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SW WA Risk Management Insurance Cooperative – Public Entity Risk Pool List of
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SW Property and Casualty Risk Fund (Risk Management) – DES Schedule of Operating Expenses – 2022

SW WA Unemployment Compensation Cooperative – Public Entity Risk Pool List of Participating Members – 2022

SW WA Unemployment Compensation Risk Fund – DES Schedule of Operating Expenses – 2022

Presenting Effect of Long-Term Obligations for Funding State-Mandated and Administered Retirement and OPEB Benefit Plans – 2022

Educational Service District No. 112
STATEMENT OF NET POSITION - ALL FUNDS
AUGUST 31, 2022

	NOTE REF	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	PROPERTY CASUALTY INSURANCE FUND	CHILDCARE FUND	TOTAL ALL FUNDS
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	Notes 1,2	\$ 177,047	\$ 79	\$ 661	\$ 376	\$ 3,692	\$ 181,855
Investments	Notes 1,2	\$ 23,302,866	\$ 16,976,111	\$ 11,598,798	\$ 7,639,933	\$ 731,732	\$ 60,249,439
Accounts Receivable (net of uncollectible allowance)	Note 1	\$ 11,443,525	\$ 333,920	\$ 164,453		\$ 181,414	\$ 12,123,312
Leases Receivable	Note 1	\$ 63,363					\$ 63,363
Interfund Receivable	Note 12	\$ 419,070					\$ 419,070
Inventory	Note 1	\$ 90,281					\$ 90,281
Prepays	Note 1	\$ 39,616					\$ 39,616
TOTAL CURRENT ASSETS		\$ 35,535,767	\$ 17,310,110	\$ 11,763,912	\$ 7,640,309	\$ 916,837	\$ 73,166,936
NONCURRENT ASSETS							
Capital Assets							
Land		\$ 4,916,711					\$ 4,916,711
Construction in Progress		\$ 2,907,346					\$ 2,907,346
Land Improvements		\$ 144,105					\$ 144,105
Building		\$ 19,916,093					\$ 19,916,093
Equipment		\$ 4,297,255					\$ 4,297,255
Leased Assets and Leasehold Improvements	Note 5	\$ 649,003					\$ 649,003
Less: Accumulated Depreciation		\$ (10,610,042)					\$ (10,610,042)
Net Capital Assets	Note 3	\$ 22,220,472	\$ -	\$ -	\$ -	\$ -	\$ 22,220,472
Investment in Joint Venture	Note 11	\$ 270,233					\$ 270,233
Net Pension Asset	Note 6	\$ 2,665,242	\$ 32,604	\$ 8,207	\$ 18,610	\$ 16,773	\$ 2,741,435
Leases Receivable	Note 1	\$ 715,048					\$ 715,048
TOTAL NONCURRENT ASSETS		\$ 25,870,994	\$ 32,604	\$ 8,207	\$ 18,610	\$ 16,773	\$ 25,947,187
TOTAL ASSETS		\$ 61,406,761	\$ 17,342,714	\$ 11,772,119	\$ 7,658,919	\$ 933,610	\$ 99,114,123
DEFERRED OUTFLOWS OF RESOURCES							
Deferred OutFlows Related to Pensions	Notes 1,6	\$ 7,893,688	\$ 68,202	\$ 17,167	\$ 38,928	\$ 35,086	\$ 8,053,072
Deferred OutFlows Related to OPEB	Notes 1,7	\$ 4,048,863	\$ 27,405	\$ 7,765	\$ 16,965	\$ 35,910	\$ 4,136,908
TOTAL DEFERRED OUTFLOWS OF RESOURCES		\$ 11,942,551	\$ 95,608	\$ 24,932	\$ 55,894	\$ 70,996	\$ 12,189,980

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

Educational Service District No. 112
STATEMENT OF NET POSITION - ALL FUNDS
AUGUST 31, 2022

	NOTE REF	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	PROPERTY CASUALTY INSURANCE FUND	CHILDCARE FUND	TOTAL ALL FUNDS
LIABILITIES							
CURRENT LIABILITIES							
Accounts Payable		\$ 2,259,754	\$ 390,867	\$ 73,951	\$ 2,933	\$ 77,758	\$ 2,805,263
Notes Payable	Note 4	\$ 38,829					\$ 38,829
Accrued Interest Payable		\$ 23,172					\$ 23,172
Accrued Salaries		\$ 378,140					\$ 378,140
Payroll Deductions & Taxes Payable		\$ 619,705					\$ 619,705
Compensated Absences	Notes 1,4	\$ 285,000					\$ 285,000
Interfund Payable	Notes 12		\$ 104,978	\$ 41,140	\$ 55,891	\$ 217,060	\$ 419,070
Total OPEB Liability	Notes 4,7	\$ 242,226	\$ 1,640	\$ 465	\$ 1,015	\$ 2,148	\$ 247,493
Bonds Payable	Note 4	\$ 1,135,829					\$ 1,135,829
Leases Payable	Notes 4,5	\$ 233,435					\$ 233,435
Claim Reserves							
IBNR	Notes 4,9		\$ 918,878		\$ 282,762		\$ 1,201,640
Open Claims	Notes 4,9	\$ 19,501	\$ 1,443,899	\$ 111,524	\$ 270,369		\$ 1,845,293
Unearned Revenue	Note 1	\$ 934,525				\$ 27,371	\$ 961,896
TOTAL CURRENT LIABILITIES		\$ 6,170,115	\$ 2,860,261	\$ 227,080	\$ 612,970	\$ 324,337	\$ 10,194,764
NONCURRENT LIABILITIES							
Compensated Absences	Notes 1,4	\$ 1,623,245					\$ 1,623,245
Notes Payable	Note 4	\$ 397,533					\$ 397,533
Claim Reserves							
IBNR	Notes 4,9		\$ 760,394		\$ 293,188		\$ 1,053,582
Open Claims	Notes 4,9		\$ 2,053,117	\$ 4,946	\$ 538,378		\$ 2,596,441
Unallocated Loss Adjustment Expenses	Notes 4,9		\$ 419,000	\$ 16,000	\$ 115,000		\$ 550,000
Future L&I Assessments	Notes 4,9		\$ 1,111,867				\$ 1,111,867
Net Pension Liability	Notes 4,6	\$ 6,937,526	\$ 61,240	\$ 15,415	\$ 34,955	\$ 31,505	\$ 7,080,640
OPEB Liability	Notes 4,6	\$ 12,589,598	\$ 85,215	\$ 24,144	\$ 52,752	\$ 111,658	\$ 12,863,367
Bonds Payable	Note 4	\$ 4,770,558					\$ 4,770,558
Leases Payable	Notes 4,5	\$ 165,919					\$ 165,919
TOTAL NONCURRENT LIABILITIES		\$ 26,484,380	\$ 4,490,833	\$ 60,505	\$ 1,034,273	\$ 143,162	\$ 32,213,152
TOTAL LIABILITIES		\$ 32,654,495	\$ 7,351,094	\$ 287,585	\$ 1,647,242	\$ 467,499	\$ 42,407,916

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

Educational Service District No. 112
STATEMENT OF NET POSITION - ALL FUNDS
AUGUST 31, 2022

	NOTE REF	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	PROPERTY CASUALTY INSURANCE FUND	CHILDCARE FUND	TOTAL ALL FUNDS
DEFERRED INFLOWS OF RESOURCES							
Deferred InFlows Related to Leases	Notes 1,5	\$ 759,686					\$ 759,686
Deferred InFlows Related to Pensions	Notes 1,6	\$ 6,577,234	\$ 61,579	\$ 15,500	\$ 35,148	\$ 31,679	\$ 6,721,140
Deferred InFlows Related to OPEB	Notes 1,7	\$ 8,396,297	\$ 56,832	\$ 16,102	\$ 35,182	\$ 74,467	\$ 8,578,880
TOTAL DEFERRED INFLOWS OF RESOURCES		\$ 15,733,218	\$ 118,411	\$ 31,602	\$ 70,330	\$ 106,146	\$ 16,059,707
NET POSITION							
Net Investment in Capital Assets	Note 1	\$ 15,478,369	\$ -	\$ -	\$ -	\$ -	\$ 15,478,369
Restricted Net Position	Notes 1,10	\$ 9,707,564	\$ 73,609	\$ 18,885	\$ 42,702	\$ 38,606	\$ 9,881,366
Unrestricted Net Position	Notes 1,10	\$ (224,334)	\$ 9,895,207	\$ 11,458,978	\$ 5,954,539	\$ 392,355	\$ 27,476,746
TOTAL NET POSITION		\$ 24,961,600	\$ 9,968,817	\$ 11,477,863	\$ 5,997,240	\$ 430,960	\$ 52,836,481

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

Educational Service District No. 112							
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION							
FOR THE YEAR ENDED AUGUST 31, 2022							
	NOTE REF	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	PROPERTY CASUALTY INSURANCE FUND	CHILDCARE FUND	TOTAL ALL FUNDS
OPERATING REVENUES							
Local Sources		\$ 2,009,299				\$ 1,751,129	\$ 3,760,428
State Sources		\$ 44,500,260				\$ 689,695	\$ 45,189,955
State Allotment		\$ 808,889					\$ 808,889
Federal Sources		\$ 14,360,963				\$ 41,954	\$ 14,402,917
Cooperative Programs		\$ 9,025,356					\$ 9,025,356
Other Programs		\$ 15,309,184					\$ 15,309,184
Member Assessments/Contributions			\$ 9,070,061	\$ 3,660,649	\$ 4,181,808		\$ 16,912,518
Other Operating Revenue			\$ 51,219		\$ 1,450		\$ 52,669
TOTAL OPERATING REVENUE	Note 1	\$ 86,013,951	\$ 9,121,279	\$ 3,660,649	\$ 4,183,258	\$ 2,482,778	\$ 105,461,915
OPERATING EXPENSES							
General Operations and Administration		\$ 5,017,184	\$ 708,690	\$ 248,045	\$ 489,376		\$ 6,463,296
Instructional Support Programs		\$ 54,511,676				\$ 1,988,554	\$ 56,500,230
Non Instructional Support Programs		\$ 21,028,307					\$ 21,028,307
Incurred Loss/Loss Adjustment Expenses -							
Paid on Current Losses	Note 9		\$ 3,193,368	\$ 359,988	\$ 1,099,075		\$ 4,652,432
Change in Loss Reserves	Note 9		\$ 468,834	\$ (41,214)	\$ 180,511		\$ 608,131
Excess/Reinsurance Premiums	Note 9		\$ 152,097		\$ 2,425,960		\$ 2,578,057
Labor & Industries Assessments	Note 9		\$ 2,967,119				\$ 2,967,119
Depreciation/Depletion	Notes 1,3	\$ 1,547,053					\$ 1,547,053
Other Operating Expenses		\$ 187,557	\$ 190,601	\$ 243	\$ 17,679	\$ 8,707	\$ 404,787
TOTAL OPERATING EXPENSES	Note 1	\$ 82,291,777	\$ 7,680,710	\$ 567,063	\$ 4,212,602	\$ 1,997,260	\$ 96,749,412
OPERATING INCOME (LOSS)		\$ 3,722,174	\$ 1,440,569	\$ 3,093,586	\$ (29,344)	\$ 485,517	\$ 8,712,504

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

Educational Service District No. 112
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED AUGUST 31, 2022

	NOTE REF	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	PROPERTY CASUALTY INSURANCE FUND	CHILDCARE FUND	TOTAL ALL FUNDS
NONOPERATING REVENUES (EXPENSES)							
Interest and Investment Income	Note 2	\$ 177,386	\$ 114,477	\$ 71,229	\$ 56,112	\$ 3,918	\$ 423,122
Interest Expense and Related Charges	Note 5	\$(550,304)					\$(550,304)
Lease Income	Note 11	\$ 349,923					\$ 349,923
Change in Joint Venture	Note 5	\$ 99,439					\$ 99,439
Other Nonoperating Revenues	Note 1	\$ 143,756					\$ 143,756
TOTAL NONOPERATING REVENUES (EXPENSES)		\$ 220,200	\$ 114,477	\$ 71,229	\$ 56,112	\$ 3,918	\$ 465,936
INCOME (LOSS) BEFORE OTHER ITEMS							
Extraordinary Item - Gain on Sale of Land & Buildings	Note 14	\$ 3,942,374	\$ 1,555,046	\$ 3,164,816	\$ 26,769	\$ 489,435	\$ 9,178,440
INCREASE (DECREASE) IN NET POSITION		\$ 6,680,698					\$ 6,680,698
NET POSITION - BEGINNING BALANCE		\$ 10,623,073	\$ 1,555,046	\$ 3,164,816	\$ 26,769	\$ 489,435	\$ 15,859,138
NET POSITION - ENDING BALANCE		\$ 14,338,527	\$ 8,413,771	\$ 8,313,048	\$ 5,970,472	\$ (58,475)	\$ 36,977,342
		\$ 24,961,600	\$ 9,968,817	\$ 11,477,863	\$ 5,997,240	\$ 430,960	\$ 52,836,481

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

Educational Service District No. 112						
STATEMENT OF CASH FLOWS						
FOR THE YEAR ENDED AUGUST 31, 2022						
	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	PROPERTY CASUALTY INSURANCE FUND	CHILDCARE FUND	TOTAL ALL FUNDS
CASH FLOW FROM OPERATING ACTIVITIES						
Cash Received from Customers	\$ 22,683,722				\$ 2,502,323	\$ 25,186,045
Cash Received from State and Federal Sources	\$ 60,584,112				\$ 739,620	\$ 61,323,732
Cash Received from Members		\$ 8,621,820	\$ 3,718,099	\$ 3,964,377		\$ 16,304,296
Payments to Suppliers for Goods and Services	\$ (24,312,720)	\$ (81,278)	\$ (35,867)	\$ (537,270)	\$ (1,604,366)	\$ (26,571,502)
Payments to Employees for Services	\$ (52,458,460)					\$ (52,458,460)
Cash Paid for Benefits/Claims	\$ (40,602)	\$ (3,180,064)	\$ (374,932)	\$ (1,099,327)		\$ (4,694,925)
Internal Activity - Reimbursements from Other Funds	\$ 376,718	\$ 25,949	\$ (33)	\$ 479,395	\$ (882,029)	\$ -
Internal Activity - Payments made to Other Funds	\$ 588,341	\$ (204,121)	\$ 108,572	\$ (230,011)	\$ (262,781)	\$ -
Cash Paid for Reinsurance		\$ (152,097)		\$ (2,425,960)		\$ (2,578,057)
Cash Received for Labor and Industries Assessments		\$ (2,967,119)				\$ (2,967,119)
Cash Paid for Other Operating Expense	\$ (591,991)	\$ (190,601)	\$ (243)	\$ (17,679)	\$ (8,707)	\$ (809,221)
Other Receipts (Payments)		\$ 51,219		\$ 1,450		\$ 52,669
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 6,829,120	\$ 1,923,707	\$ 3,415,596	\$ 134,976	\$ 484,060	\$ 12,787,458
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Other Noncapital Activities	\$ 60,005					\$ 60,005
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	\$ 60,005	\$ -	\$ -	\$ -	\$ -	\$ 60,005
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	\$ 1,710,714					\$ 1,710,714
Proceeds from Capital Debt	\$ 6,803,412					\$ 6,803,412
Principal and Interest Paid on Capital Debt	\$ (21,408,413)					\$ (21,408,413)
Capital Contributions						\$ -
Principal and Interest Related to Leases	\$ (667,727)					\$ (667,727)
Lease Income	\$ 414,322					\$ 414,322
Other Receipts (Payments)_ Gain on Sale of Land & Buildings	\$ 6,680,698					\$ 6,680,698
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (6,466,993)	\$ -	\$ -	\$ -	\$ -	\$ (6,466,993)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and Dividends Received	\$ 177,386	\$ 114,477	\$ 71,229	\$ 56,112	\$ 3,918	\$ 423,122
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ 177,386	\$ 114,477	\$ 71,229	\$ 56,112	\$ 3,918	\$ 423,122
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 599,517	\$ 2,038,184	\$ 3,486,825	\$ 191,088	\$ 487,978	\$ 6,803,592

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

Educational Service District No. 112						
STATEMENT OF CASH FLOWS						
FOR THE YEAR ENDED AUGUST 31, 2022						
	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	PROPERTY CASUALTY INSURANCE FUND	CHILDCARE FUND	TOTAL ALL FUNDS
CASH AND CASH EQUIVALENTS - BEGINNING	\$ 22,880,395	\$ 14,938,007	\$ 8,112,634	\$ 7,449,221	\$ 247,445	\$ 53,627,703
CASH AND CASH EQUIVALENTS - ENDING	\$ 23,479,912	\$ 16,976,191	\$ 11,599,459	\$ 7,640,309	\$ 735,423	\$ 60,431,295
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
OPERATING NET INCOME	\$ 3,722,174	\$ 1,440,569	\$ 3,093,586	\$ (29,344)	\$ 485,517	\$ 8,712,504
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities-						
Depreciation Expense	\$ 1,547,053					\$ 1,547,053
Change in Assets and Liabilities-						
Receivables, Net	\$ (1,087,402)	\$ 30,661	\$ 393,253		\$ (8,748)	\$ (672,236)
Prepays	\$ 6,046					\$ 6,046
Inventories	\$ (24,078)					\$ (24,078)
Accounts and Other Payables	\$ 1,151,076	\$ 20,515	\$ (12,501)	\$ 501	\$ 28,946	\$ 1,188,538
Accrued Expenses						\$ -
Unearned Revenue	\$ 578,770				\$ (7,261)	\$ 571,509
Pension Expense (Income) from change in Net Pension Liability (Asset)-						
Change in Deferred Outflows	\$ (3,069,942)	\$ (5,548)	\$ (510)	\$ (1,461)	\$ (1,023)	\$ (3,078,484)
Change in Deferred Inflows	\$ (12,779,756)	\$ (206,180)	\$ (55,684)	\$ (124,971)	\$ (113,892)	\$ (13,280,483)
Change in Net Pension Liability (Asset)	\$ 14,917,072	\$ 185,358	\$ 48,873	\$ 110,064	\$ 99,936	\$ 15,361,304
OPEB Expense from change in Total OPEB Liability-						
Change in Deferred Outflows	\$ 561,161	\$ 10,869	\$ 5,263	\$ 4,864	\$ 9,911	\$ 592,068
Change in Deferred Inflows	\$ 7,565,461	\$ 49,934	\$ 13,754	\$ 31,247	\$ 66,209	\$ 7,726,606
Change in Total OPEB Liability	\$ (6,217,913)	\$ (71,306)	\$ (29,224)	\$ (36,437)	\$ (75,535)	\$ (6,430,416)
Other Changes for Insurance Funds						
Claims Reserve-Current	\$ (40,602)	\$ 107,818	\$ (33,398)	\$ (22,998)		\$ 10,820
Claims Reserve-Prior Year		\$ (91,693)	\$ (1,816)	\$ 71,697		\$ (21,812)
IBNR-Current		\$ 544,198		\$ 62,688		\$ 606,886
IBNR-Prior Year		\$ (205,669)		\$ 51,124		\$ (154,545)
Future L&I Assessments		\$ 76,180				\$ 76,180
Provision for Unallocated Loss Adjustment		\$ 38,000	\$ (6,000)	\$ 18,000		\$ 50,000
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 6,829,120	\$ 1,923,707	\$ 3,415,596	\$ 134,976	\$ 484,060	\$ 12,787,458

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

Educational Service District No. 112
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 1, 2021 THROUGH AUGUST 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Educational Service District No. 112 (the District) have been prepared in conformity with generally accepted accounting principles (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 Washington 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 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 thirty school districts in Clark, Cowlitz, Klickitat, Pacific, Skamania and Wahkiakum counties. Oversight responsibility for the District's operations is vested with a seven-member volunteer Board of Directors, elected by the school directors of member districts from throughout the six-county region. 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.

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.

Educational Service District No. 112
NOTES TO 2021-2022 FINANCIAL STATEMENTS

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 *Workers' Compensation Risk Fund* accounts for workers' compensation payroll taxes collected from members, and the payment of associated claims, assessments and expenses. The Fund, Southwest Washington Workers' Compensation Cooperative, is an enterprise fund established in 1983 for the purpose of providing group insurance and claims control for workers' compensation to member school districts and educational service districts. Refer to Note 9 for further disclosures.

The *Unemployment Risk Fund* accounts for the collection of premiums from members of the fund and the related payment of associated claims and expenses. The Fund, Southwest Washington Unemployment Compensation Cooperative, is an enterprise fund established in 1978 for the purpose of providing group insurance and claims control for unemployment compensation to the member districts and such other agencies as the members of the Cooperative shall deem appropriate. Refer to Note 9 for further disclosures.

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

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

Budget

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

The approved budget constitutes the legal authority for expenses. Management is authorized to transfer budgeted amounts between departments, within fund object classes and/or within activity codes; expenses may not exceed the total approved expense budget without 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 – Refer to 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 Clark County Treasurer are considered highly liquid as they are accessible on a daily basis, equivalent to a cash account.

Accounts Receivable

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.

Leases Receivable

The District is a lessor for noncancelable leases and follows generally accepted accounting principles in its treatment of assets leased to other entities. The District recognizes a lease receivable and a deferred inflow of resources in the operating fund.

Lease agreements are evaluated regarding the lease term, payments, and discount rates as well as materiality to the District's financial position. Leasing arrangements that are considered short term under generally accepted accounting principles are treated as operating income in the current year. Refer to Note 5 for further information on leased assets owned by the District.

Interfund Receivable

Outstanding balances between funds are reported as Interfund Receivable/Payable.

Inventory

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

Prepays

Deposits paid for right-to-use facility leases and certain payments to vendors reflecting costs applicable to future accounting periods are recorded as prepaids.

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 \$20,000 and the asset has an expected useful life of more than four (4) years. From September 1, 2015 to August 31, 2020, the capitalization threshold was \$15,000 as established by Board policy. Property, facilities, and equipment that are purchased using Federal money are subject to records maintenance if the

Educational Service District No. 112
NOTES TO 2021-2022 FINANCIAL STATEMENTS

acquisition cost is over \$5,000. Donated capital assets are recorded at acquisition value at the date of donation.

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

Asset	Years
Vehicles	4–10
Equipment	5–20
Buildings and structures	10–40
Land improvements	5–40

Major expenses for capital assets, including capital leases and major repairs that increase the effectiveness or efficiency of the asset are capitalized. Assets under the capitalization threshold, maintenance, repairs, and minor renewals are accounted for as expenses when incurred. See Note 3 for further information on capital assets and depreciation.

Leased Assets and Leasehold Improvements

The District follows generally accepted accounting principles in its treatment of leased assets. Leasing agreements are evaluated regarding the lease term, payments, and discount rates as well as materiality to the District’s financial position. Leasing arrangements that are considered short term under generally accepted accounting principles or do not meet capitalization thresholds are treated as operating expenses in the current year. Refer to Note 5 for further information on intangible right-to-use leased assets.

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, limited to 240 hours.

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, 2022, represents the aggregate amount of vacation and sick leave payable for all eligible employees of the District.

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

Generally accepted accounting principles for pensions (refer to Note 6) require the District to recognize deferred inflows and outflows on the Statement of Net Position related to the District's 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) (refer to Note 7) 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.

Generally accepted accounting principles for leases require the District to recognize deferred inflows on the Statement of Net Position related to the lease receivable at inception of the lease or implementation of GASB 87. Refer to Note 5 for further disclosures related to leases.

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 Net 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 10.

Unrestricted Net Position

Funds that do not meet the definition of either of the first components above. The District's management or 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

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 nonoperating 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 (refer to Note 6); and
- Current year OPEB expense (refer to Note 7).

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

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

Nonoperating revenues and expenses include interest earnings on investments not restricted to program benefit, interest expense on debt, other asset and financing activities including grants used to finance operations and expenses not related to the provision of 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 assets, net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of 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.

For purposes of calculating the restricted net position related to the net pension asset, the District includes the net pension asset and the related deferred outflows and deferred inflows.

Accounting and Reporting Changes

Effective for the fiscal year ending August 31, 2022, the District adopted the following new standard issued by the Governmental Accounting Standards Board (GASB):

Statement No. 87, Leases. This statement established a single model for lease accounting based on the principle that leases are financings of the right to use an asset. This statement applies to contracts that convey the right to use a non-financial asset in an exchange or exchange-like transaction for a term exceeding 12 months. Example of non-financial assets include buildings, land, or equipment. Lessees are required to recognize a lease liability and an intangible right-to-use asset, and lessors are required to recognize a lease receivable and a deferred inflow of resources. Refer to Notes 4 and 5.

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

The CCTIP investment policy is established in accordance with RCW 36.48.070. The CCTIP investment policy and annual report are available at <https://clark.wa.gov/treasurer>.

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

The CCTIP does not impose liquidity fees or redemption gates on participant withdrawals. It is the policy of the CCTIP to permit participants to withdraw their investments on a daily basis; therefore, the District’s investment balance in the CCTIP is equal to fair value. Fair value is measured using quoted prices in active markets for identical assets that the CCTIP 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, 2022, the District had cash balances and short-term residual investments of surplus cash as follows:

	Fair Value
Cash on Hand, Bank Deposits	\$ 181,855
Clark County Treasurer’s Investment Pool (CCTIP)	\$ 60,249,439
Total Cash, Cash Equivalents & Short-Term Investments	\$ 60,431,295

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

The Clark County Treasurer bears the risk of maturity in the CCTIP.

Credit Risk

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

The CCTIP is not insured or guaranteed by any government; therefore, maintenance of principal is not fully insured. The CCTIP does not have a credit rating. As of August 31, 2022, NAV per share was \$0.971947.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, the District would not be able to recover the value of the investment or collateral securities. Of the District's total cash and investment position of \$60,431,295, no balances invested with the CCTIP 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, 2022, the CCTIP average maturity was 1.31 years. As a means of limiting its exposure to rising interest rates, securities purchased in the CCTIP must have a final maturity, or weighted average life, no longer than five years. While the CCTIP's market value is calculated monthly, unrealized gains and losses are not distributed to participants. The CCTIP distributes earnings monthly using an amortized cost methodology.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the fiscal year ended August 31, 2022, was as follows:

	Beginning Balance 9/1/21	Additions	Retirements	Ending Balance 8/31/22
Capital assets not depreciated:				
Land	\$ 6,450,043	\$ -	\$ (1,533,332)	\$ 4,916,711
Construction in Progress	248,884	2,789,277	(130,815)	2,907,346
Total capital assets not depreciated	6,698,927	2,789,277	(1,664,147)	7,824,057
Depreciable capital assets:				
Buildings & Improvements	24,603,176	181,654	(4,868,737)	19,916,093
Furniture, Fixtures, Other Equipment & Software	398,369			398,369
Transportation Equipment	3,785,477	309,471	(196,063)	3,898,885
Land Improvements	144,105			144,105
Total depreciable capital assets	28,931,127	491,125	(5,064,800)	24,357,452
Less accumulated depreciation for:				
Buildings & Improvements	(8,245,336)	(910,063)	1,541,767	(7,613,632)
Furniture, Fixtures, Other Equipment & Software	(162,644)	(51,942)		(214,586)
Transportation Equipment	(2,372,499)	(331,520)	196,063	(2,507,956)
Land Improvements	(20,340)	(9,498)		(29,838)
Total accumulated depreciation	(10,800,819)	(1,303,023)	1,737,830	(10,366,012)
Total depreciable assets, net	18,130,308	(811,898)	(3,326,970)	13,991,440
Total assets, net	\$ 24,829,235	\$ 1,977,379	\$ (4,991,117)	\$ 21,815,497

Refer to Note 5 for further disclosures on leases of assets owned by the District, as well as intangible right to use assets by the District and associated accumulated depreciation.

Construction Commitments

The District has active construction projects and commitments as of August 31, 2022. At fiscal year-end, the District's projects and contractual commitments were as follows:

Project	Spent to Date as of August 31, 2022	Outstanding Commitment
2400 Behavioral Program Remodel	\$ 2,424,543	\$ 532,387
2500 Conference Center Addition	\$ 213,735	\$ 2,214
49 th Street ELC Leasehold Improvements	\$ 269,068	\$ 807,304

NOTE 4: LONG-TERM LIABILITIES

The District issues limited obligation bonds through direct borrowings and placements to finance the purchase of real property and construction of capital facilities and leasehold improvements. Long-term debt from limited obligation bonds and notes from direct borrowings and placements as of August 31, 2022, are comprised of the following individual issues:

Bond Purpose	Amount Authorized	Annual Installments	Maturity Range	Interest Rate	Amount Outstanding, August 31, 2022
Business Park Bond 2022 Refinance - 2500 NE 65 th Avenue, Vancouver WA	\$ 6,404,058	\$982,829- \$1,133,671	8/1/22- 8/1/27	3.50%	\$ 5,270,387
Land/Building purchase for Cowlitz County Therapeutic Program-1946 8 th Avenue, Longview WA	\$ 1,485,000	\$133,000- \$165,000	12/1/16- 6/1/26	2.50%	\$ 636,000
Total					\$ 5,906,387

For limited obligation bond issuances, the District irrevocably pledges the full faith, credit and resources of the District for the prompt payment of bond obligations. The District has further provided a deed of trust for the acquired properties as collateral to the lender for limited obligation bond issuances as listed in the table above.

Prepaid and Refunded Debt

On May 24, 2022, the Educational Service District 112 Board of Directors approved the issuance of \$6,404,058 in Limited General Obligation (LGO) bonds with a true interest cost of 3.50%. The proceeds of the LGO bonds, coupled with an ESD cash contribution of \$6,629,720, were used to refund the ESD's outstanding LGO 2015B bond, (\$9,750,000 plus accrued interest \$110,500), pay a \$7,500 bank fee, and payoff the following LGO bonds: LGO 2014 (\$710,000 plus accrued interest of \$7,327); LGO 2019 (\$547,337 plus accrued interest of \$3,612); LGO 2019B (\$1,896,722 plus accrued interest of \$781). As a result, the LGO 2014, LGO 2015 A/B, LGO 2019 and LGO 2019B are no longer outstanding.

Debt service requirements to maturity for privately placed limited obligation bonds, as of August 31, 2022, are as follows:

Years Ending August 31,	Principal	Interest
2023, Current Portion	\$ 1,135,809	\$ 199,414
2024	1,174,228	161,165
2025	1,213,831	121,612
2026	1,254,680	80,712
2027	1,127,819	39,473
Total	\$ 5,906,367	\$ 602,376

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The District issues notes obligations through direct borrowings and placements to finance the purchase of transportation vehicles and a portable building. Debt from note obligations from direct borrowings and placements as of August 31, 2022, are comprised of the following individual issues:

Note Purpose	Amount Authorized	Annual Installments	Maturity Range	Interest Rate	Amount Outstanding, August 31, 2022
Captain Strong Portable	\$ 280,600	\$7,015	12/31/20-12/31/39	0.00%	\$ 266,570
Financed Bus Purchase	\$ 135,821	\$18,956	12/15/20-12/15/27	3.28%	\$ 86,488
Financed Bus Purchase	\$ 130,820	\$18,258	12/15/20-12/15/27	3.28%	\$ 83,304
				Total	\$ 436,362

The annual debt service requirements to maturity for note payables, as of August 31, 2022 are as follows:

Fiscal Years Ending August 31,	Principal	Interest
2023, Current Portion	\$ 38,829	\$ 5,400
2024	39,867	4,362
2025	40,940	3,289
2026	42,048	2,181
2027	43,182	1,047
2028-2032	35,075	-
2033-2037	35,075	-
2037-2039	161,345	-
Total	\$ 436,362	\$ 16,279

Changes in Long-Term Liabilities

During the fiscal year ending August 31, 2022, the following changes occurred in long-term liabilities:

	Beginning Balance 9/1/2021	Additions	Reductions	Ending Balance 8/31/2022	Due Within One Year
Direct Placement Bonds	\$19,966,076	\$ 6,404,058	\$(20,463,747)	\$ 5,906,387	\$ 1,135,829
Notes Payable	474,039		(37,678)	436,361	38,829
Compensated Absences (Note 1)	1,688,209	220,036		1,908,245	285,000
Claims Reserves (Note 9)	4,452,726		(10,992)	4,441,734	1,845,293
IBNR (Note 9)	1,802,881	452,341		2,255,222	1,201,640
Unallocated Loss Adjustment Expenses (Note 9)	500,000	50,000		550,000	-

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	Beginning Balance 9/1/2021	Additions	Reductions	Ending Balance 8/31/2022	Due Within One Year
Future L&I Assessments (Note 9)	1,035,687	76,180		1,111,867	-
Leases (Note 5)	-	630,458	(231,104)	399,354	233,435
Net Pension Liability (NPL) (Note 6)	2,810,734	4,269,906		7,080,640	-
Total OPEB Liability (Note 7)	19,541,276		(6,430,416)	13,110,860	247,493
Total Long-Term Liabilities	\$52,271,628	\$12,102,979	\$(27,173,937)	\$37,200,670	\$4,987,519

NOTE 5: LEASES

Lease of Capital Assets (intangible right to use assets by the District)

The District leases facilities, office equipment and other assets under a variety of long-term, non-cancelable lease agreements. In accordance with GASB Statement No. 87, Leases, the District records right-to-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the rates state in the contracts or comparative borrowings. The District provides no residual value guarantees for the buildings or equipment.

The underlying leased assets as of August 31, 2022, are as follows:

	Beginning Balance 9/1/2021	Additions	Deductions	Ending Balance 8/31/2022
Leased Buildings	\$ -	\$ 423,298	\$ -	\$ 423,298
Leased Equipment	-	225,705	-	225,705
Total Leased Assets	-	649,003	-	649,003
Accum. Amort. Leased Bldgs.	-	(144,384)	-	(144,384)
Accum. Amort. Leased Equip.	-	(99,643)	-	(99,643)
Total Accum. Amortization	-	(244,028)	-	(244,028)
Total Leased Assets, net	\$ -	\$ 404,976	\$ -	\$ 404,976

The following schedule presents future annual lease payments as of August 31, 2022:

Year ended August 31	Principal	Interest	Total
2023	\$ 233,435	\$ 5,531	\$ 238,967
2024	137,804	1,458	139,261
2025	19,008	197	19,205
2026	8,047	60	8,107
2027	1,060	2	1,062

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Total	\$ 399,354	\$ 7,248	\$ 406,602
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Changes in lease liabilities are presented in Note 4.

Lease of Capital Assets (owned by the District)

The District leases district-owned space to tenants in buildings not currently needed by the District, excess capacity, and also to a communication tower to generate revenue for public service. In addition, the District leases small amount of office space to other governmental agencies on one-year lease agreements, as capacity is available, not applicable to GASB Statement No. 87. As of August 31, 2022, the District recognizes \$759,686 regarding inflows recognized in the reporting period not previously included in lease calculations and/or other inflows. Lease income and additional income for the fiscal year ended August 31, 2022 is \$349,923 and \$83,752, respectively. Lease income is classified as nonoperating revenue.

In accordance with GASB Statement No. 87, Leases, the District records applicable lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the state’s incremental borrowing rate. A brief description of leasing arrangements is as follows:

Business Park

The District owns buildings in the Ogden Business Park totaling 113,601 square feet. The District currently occupies 82% of the building square footage; the remainder is under lease occupancy agreements that were transferred from the seller of the buildings in 2015. The existing lease has a termination date of December 31, 2022, excluding unexecuted options to renew. The District’s lease to a communication tower has a termination date of November 30, 2038, excluding unexecuted options to renew. As of August 31, 2022, the principal and interest requirements to maturity are as follows:

Year ended August 31	Principal	Interest	Total
2023	\$ 63,363	\$ 16,972	\$ 80,335
2024	29,467	16,137	45,604
2025	31,186	15,444	46,630
2026	33,324	14,704	48,028
2027	35,555	13,915	49,470
2028-2032	214,704	55,815	270,519
2033-2037	286,396	27,211	313,607
2038-2042	84,416	1,306	85,722
Total	\$ 778,411	\$ 161,504	\$ 939,915

NOTE 6: 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 2022:

Aggregate Pension Amounts—All Plans	
Pension Liabilities	\$ 7,080,640
Pension Assets	2,741,435
Deferred outflows of resources	8,053,072
Deferred inflows of resources	6,721,140
Pension expense (income)	3,569,246

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 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 Washington 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 Washington 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 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 Washington 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 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 Washington 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 2022 are listed below:

Pension Rates – Actual Contribution Rates			
	Employer	Employee	
PERS Plan 1			
September 1, 2021 – June 30, 2022			
PERS Plan 1	6.36%	6.00%	
PERS Plan 1 UAAL	3.71%		
Administrative Fee	0.18%		
Total	10.25%	6.00%	
July 1, 2022 – August 31, 2022			
PERS Plan 1	6.36%	6.00%	
PERS Plan 1 UAAL	3.71%		
Administrative Fee	0.18%		
Total	10.25%	6.00%	
TRS Plan 1			
September 1, 2021 – August 31, 2022			
TRS Plan 1	8.05%	6.00%	
TRS Plan 1 UAAL	6.19%		
Administrative Fee	0.18%		
Total	14.42%	6.00%	
TRS Plan 2/3			
September 1, 2021 – August 31, 2022			
TRS Plan 2/3	8.05%	8.05%	*/
TRS Plan 1 UAAL	6.19%		**

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Pension Rates – Actual Contribution Rates			
	Employer	Employee	
Administrative Fee	0.18%		
Total	14.42%	8.05%	
SERS Plan 2/3			
September 1, 2021 – August 31, 2022			
SERS Plan 2/3	7.76%	7.76%	*/ **
PERS Plan 1 UAAL	3.71%		
Administrative Fee	0.18%		
Total	11.65%	7.76%	
* TRS & SERS Plan 3 Employee Contribution variable from 5% to 15% based on rate selected by the employee member			
** TRS & SERS Plan 2/3 Employer Contribution for defined benefit portion only			

The District’s actual contributions to the plans for the year ended August 31, 2022 were as follows:

August 31, 2022	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District’s Annual Contributions	\$ 921,947	\$ 1,922,699	\$ 580,280	\$ 749,441

District’s Proportionate Share of the Net Pension Liability (NPL) and Net Pension Asset (NPA)

As of June 30, 2022, the District reported \$7,080,640 for its proportionate shares of the individual plans’ collective net pension liability and \$(2,741,435) 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, 2022, the District’s proportionate share of each plan’s net pension liability (asset) is reported below:

June 30, 2022	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District’s Annual Contributions	\$ 1,029,901	\$ 2,075,392	\$ 647,990	\$ 813,625
Proportionate Share of NPL (NPA)	4,679,064	(2,491,113)	2,401,576	(250,322)

Changes to the District’s proportionate shares of the collective net pension liability from the prior period are displayed in the Schedule of Changes in Long Term Liabilities, Note 4. Changes to the District’s proportionate shares of the collective net pension asset from the prior period are displayed below.

Changes in Proportionate Shares of the Net Pension Asset	Beginning Balance 9/1/2021	Additions	Reductions	Ending Balance 8/31/2022
Net Pension Asset	\$ (13,832,833)	\$ 11,091,399	\$ -	\$ (2,741,435)

As of June 30, 2022, the District’s proportionate share of the collective net pension liability/asset 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	0.168048%	0.927271%	0.126277%	0.127205%
Prior year proportionate share of NPL	0.159047%	0.956588%	0.128977%	0.129583%
Net difference percentage	0.009001%	-0.029317%	-0.002700%	-0.002377%

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, 2021, with the results rolled forward to June 30, 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.75% total economic inflation, 3.25% salary inflation
Salary increases	In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.00%

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, 2021, valuation were based on the results of the *2013–2018 Demographic Experience Study Report and the 2021 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report.

Long-term Expected Rate of Return

OSA selected a 7.00% 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.

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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, 2022, 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%	1.50%
Tangible Assets	7.00%	4.70%
Real Estate	18.00%	5.40%
Global Equity	32.00%	5.90%
Private Equity	23.00%	8.90%

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 7.00%. 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 current plan members. Therefore, the long-term expected rate of return, a 7.00% on pension plan investments was applied to determine the total pension liability/asset.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The table below presents the District's proportionate share of the net pension liability or (asset) calculated using the discount rate of 7.0%, as well as what the net pension liability or (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate. Amounts are calculated by plan using the District's allocation percentage.

Sensitivity of NPL (NPA) to Changes in the Discount Rate			
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
PERS 1 NPL (NPA)	\$3,719,876,000	\$2,784,367,000	1,967,887,000
Allocation Percentage	0.168048%	0.168048%	0.168048%
Proportionate Share of Collective NPL (NPA)	\$ 6,251,165	\$ 4,679,064	\$ 3,306,988
SERS 2/3 NPL (NPA)	929,172,000	(268,650,000)	(1,255,926,000)
Allocation Percentage	0.927271%	0.927271%	0.927271%
Proportionate Share of Collective NPL (NPA)	\$ 8,615,942	\$ (2,491,113)	\$ (11,645,836)
TRS 1 NPL (NPA)	2,582,448,000	\$1,901,830,000	1,306,883,000

Sensitivity of NPL (NPA) to Changes in the Discount Rate			
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Allocation Percentage	0.126277%	0.126277%	0.126277%
Proportionate Share of Collective NPL (NPA)	\$ 3,261,041	\$ 2,401,576	\$ 1,650,294
TRS 2/3 NPL (NPA)	3,565,129,000	(196,786,000)	(3,255,167,000)
Allocation Percentage	0.127205%	0.127205%	0.127205%
Proportionate Share of Collective NPL (NPA)	\$ 4,535,030	\$ (250,322)	\$ (4,140,742)

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, 2022, 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	-	(775,458)
Changes in assumptions or other inputs	-	-
Changes in proportionate shares	-	-
Contributions subsequent to the measurement date	77,145	
TOTAL	\$ 77,145	\$ (775,458)
SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	2,059,671	-
Net difference between projected and actual earnings on pension plan investments		(3,676,667)
Changes in assumptions or other inputs	2,816,938	(203,058)
Changes in proportionate shares	93,373	(49,782)
Contributions subsequent to the measurement date	160,872	
TOTAL	\$ 5,133,854	\$(3,929,507)

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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	-	(430,334)
Changes in assumptions or other inputs	-	-
Changes in proportionate shares	-	-
Contributions subsequent to the measurement date	51,281	
TOTAL	\$ 51,281	\$ (430,334)
TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 1,247,255	\$ (25,156)
Net difference between projected and actual earnings on pension plan investments	-	(1,323,969)
Changes in assumptions or other inputs	1,410,215	(153,374)
Changes in proportionate shares	66,632	(83,343)
Contributions subsequent to the measurement date	60,690	
TOTAL	\$ 2,790,793	\$ (1,585,841)
COMBINED TOTAL	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 3,306,927	\$ (25,156)
Net difference between projected and actual earnings on pension plan investments	-	(6,206,427)
Changes in assumptions or other inputs	4,227,153	(356,432)
Changes in proportionate shares	163,005	(133,125)
Contributions subsequent to the measurement date	355,987	
TOTAL	\$ 8,053,072	\$(6,721,140)

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\$355,987 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 or asset in the year ending August 31, 2023.

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
2023	\$ (328,158)	\$ (469,853)	\$ (182,452)	\$ (269,670)
2024	(298,052)	(334,020)	(165,884)	(213,877)
2025	(373,897)	(777,072)	(208,631)	(331,024)
2026	224,649	1,972,109	126,633	727,164
2027	-	593,526	-	301,880
Thereafter	-	58,786	-	923,790

Pension Expense

For the year ending August 31, 2022, the District recognized total pension expense (income) as follows:

Pension Expense (Income)	
PERS 1	\$ 2,494,703
SERS 2/3	(278,614)
TRS 1	1,377,310
TRS 2/3	(24,153)
Total Pension Expense (Income)	\$ 3,569,426

Schedules of Required Supplementary Information

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

NOTE 7: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS

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

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

Aggregate Summary of OPEB Amounts	
OPEB liabilities	\$ 13,110,860
Deferred outflows of resources	4,136,908
Deferred inflows of resources	8,578,880
OPEB expense	2,118,984

Valuation Date, Measurement Date and Reporting Date

The “valuation date” is July 1, 2022. This is the date as of which the census data is gathered and the actuarial valuation is performed. The “measurement date” is August 31, 2022. 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, 2022.

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.

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 (refer to Note 6):

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

Former members who are entitled to a deferred vested pension benefit are not eligible to receive medical and life insurance benefits after pension benefit commencement. Survivors of covered members who die are eligible for medical benefits. As of July 1, 2022, the following employees were covered by benefit terms:

Retirees and dependents currently receiving benefit payments	94
Active employees who may qualify for benefits upon retirement	598

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 \$13,110,860 was measured for the year ending August 31, 2022, and was determined by an actuarial valuation as of the valuation date of July 1, 2022, calculated based on the discount rates discussed below, projected to the measurement date. There have been no significant changes between the valuation date and the fiscal year end. If there were significant changes, an additional analysis or valuation might be required.

Changes in Actuarial Assumptions and Other Inputs

The actuarial methods and assumptions used in the valuation as of July 1, 2022 are the same as those used in the prior valuation except as follows:

- The GASB 75 discount rate was changed from 2.14% for the August 31, 2021 measurement date to 3.59% for the August 31, 2022 measurement date. This is the Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years. GASB 75 requires that the discount rate be based on a 20-year high quality (AA/Aa or higher) municipal bond rate.
- Effective July 1, 2022, the expected trends, claims, and contributions were updated to better reflect expectations of future trends, claims and contributions experience.
- Effective July 1, 2022, the general wage growth assumption was updated to match the assumption used by the Office of the State Actuary.

Actuarial Assumptions and Other Inputs

The Total OPEB Liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement dates, unless otherwise specified.

Inflation

The inflation rate of 2.35% was developed by the Office of the State Actuary for PEBB¹ and was applied to the measurement date ending August 31, 2022.

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 3.25% which equals 0.40% for the regional price inflation differential component and 0.50% real wage growth above inflation. Projected annual merit and longevity increases for SERS range from 8.00% for 0 years of service to 0.10% for 20 years of service. Projected annual merit and longevity increases for TRS range from 5.50% for 0 years of service to 0.10% for 25 years of service.

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 3.59% for the measurement date of August 31, 2022.

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.

Healthcare Cost Trends

Healthcare cost trends used in the actuarial valuation were developed for use in the July 1, 2022 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
2023	5.3%	8.8%	9.1%
2024-2097+	5.6% to 3.8%	7.1% to 3.8%	7.4% to 3.8%

Dental costs trends are assumed to increase 1.1% to 4.0% for the year 2023-2027 and beyond.

Premium Levels

Assumed annual medical retiree contributions as of July 1, 2022 used in the actuarial valuation are displayed below. These represent a weighted average of July 1, 2022 to June 30, 2023 PEBB retiree contributions by medical plan, based on overall PEBB current retiree medical plan election as of the July 1, 2022 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	\$ 9,037.50	\$ 3,800.69

The July 1, 2022 assumed annual dental retiree contribution for employee or spouse is \$578.19, representing a weighted average of 2022 PEBB retiree contributions by dental plan, based on overall PEBB current retiree dental plan elections.

Actuarial Cost Method

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

¹ The actuarial valuation for the Washington State OPEB plan offered through PEBB under administration of 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 Financial Report at [Publications - Department of Retirement Systems \(wa.gov\)](http://www.drs.wa.gov/Publications-Department-of-Retirement-Systems)

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, 2022
Total OPEB Liability, beginning balance	\$ 19,541,276
Changes for the year-	
Service cost	1,989,474
Interest on Total OPEB Liability	458,302
Effect of plan changes	-
Effect of economic/demographic gains or losses	(3,616,421)
Effect of assumptions changes or inputs	(5,031,045)
Expected benefit payments	(230,726)
Total OPEB Liability, ending balance	\$ 13,110,860

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 3.59%, 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 (2.59%) or one percentage point higher (4.59%) than the current rate:

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As of August 31, 2022	1% Decrease 2.59%	Discount Rate 3.59%	1% Increase 4.59%
Total OPEB Liability	\$ 15,663,985	\$ 13,110,860	\$ 11,087,704

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

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

As of August 31, 2022	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 10,750,431	\$ 13,110,860	\$ 16,244,209

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, 2022
Service cost	\$ 1,989,474
Interest on Total OPEB Liability	458,302
Effect of plan changes	-
Recognition of Deferred Inflows/Outflows of Resources-	
Recognition of economic/demographic gains/losses	(284,760)
Recognition of assumption changes or inputs	(44,032)
OPEB Expense	\$ 2,118,984

The District's deferred outflows and inflows of resources related to OPEB as of the August 31, 2022 Measurement Date is as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 576,427	\$ (3,596,217)
Changes of assumptions or inputs	3,560,481	(4,982,663)
Contributions made subsequent to the Measurement Date	-	N/A
Total	\$ 4,136,908	\$ (8,578,880)

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.

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Measurement Period Ending August 31,	
2023	\$(328,792)
2024	(328,792)
2025	(328,792)
2026	(328,792)
2027	(328,792)
Thereafter	\$(2,798,012)

NOTE 8: RISK MANAGEMENT

Worker’s Compensation

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

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

Members make an annual contribution to fund the Cooperative. Member contributions are calculated based on the members’ hours worked. The Cooperative retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts. The Cooperative’s per-occurrence retention limit is \$450,000 and the annual aggregate retention is 7,221,595. There is a joint liability among participating members.

Cooperative members contract to automatically renew from year to year unless the member gives written notice of its election to terminate its participation in the agreement at least 30 days prior to midnight December 31st of any year. Termination occurs on December 31st. Even after termination, a member remains responsible for contributions to the Cooperative for any unresolved, unreported, and in-process claims for the period they were a signatory to the interlocal governmental agreement.

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

Unemployment

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

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

Members make an annual contribution to fund the Cooperative, which is fully funded by its member participants. Member districts pay a 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 Cooperative. There is provision that members can be additionally assessed if the Cooperative needs additional funding.

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

Cooperative members contract to automatically renew from year to year unless the member gives written notice of its election to terminate its participation in the agreement at least 30 days prior to midnight December 31st. Termination occurs on December 31st. Even after termination, a member remains responsible for contributions to the Cooperative for any unresolved, unreported, and in-process claims for the period they were a signatory to the interlocal governmental agreement.

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

Property and Casualty

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

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

Members make an annual contribution to fund the Cooperative. Members are responsible for the first \$1,000 of all property claims and the Cooperative is responsible for the next \$500,000,000. There is no member deductible for liability claims. Excess insurance covers insured losses over \$250,000 up to the limits of each policy. The Cooperative is a member of Washington Schools Risk Management Pool (WSRMP) to obtain this excess insurance. The Cooperative purchases additional excess crime coverage as well as required Public Official Bonds. The Commercial Crime coverage is subject to a per-occurrence deductible of \$5,000; members are responsible for \$1,000 of that deductible amount for each claim. Cyber claims are subject to per occurrence deductible of \$100,000 to \$500,000. The Cooperative is fully funded by its member participants. No claims have exceeded insurance coverage in the past three years.

Cooperative 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 31st of any year. Termination occurs on August 31st. After termination, a member remains responsible for contributions to the Cooperative for any unresolved, unreported, and in-process claims for the period they were a signatory to the interlocal governmental agreement.

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

NOTE 9: 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 Southwest Washington Workers' Compensation Cooperative (the Cooperative), registered and dba in Washington as the Southwest Washington 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 Cooperative was formed on January 1, 1983 to pool self-insured losses and jointly purchase insurance and administrative services. Thirty (30) members have joined the Cooperative. The District is also a member of the Cooperative (refer to Note 8).

Member Assessments, Unearned Member Assessments and Credits

Member assessments are collected in advance and recognized as revenue in the period for which insurance protection is provided. The assessment is calculated based on reported member 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 Cooperative's estimated outstanding self-insurer assessments as of August 31, 2022, are approximately \$1,111,867. This represents future administrative and second injury assessments related to the Cooperative's August 31, 2022 unpaid claim estimate. The estimate made in the prior actuarial study was \$1,035,687. The estimated Cooperative's future second injury fund assessment rate is based on a three-year average of the prior rates charged by the Washington Department of Labor & Industries (L&I).

The interlocal governmental agreement provides for assessments to members. 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. During fiscal year 2022, the Cooperative did not make a supplemental assessment for claims experience. The Cooperative has not issued a supplemental assessment in any year of its operation.

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Unpaid Claims

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

Reserve for Unallocated Loss Adjustment Expenses

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

Unpaid Claim Liabilities

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

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

The Cooperative establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. At August 31, 2022, the amount of liabilities totaled \$6,707,155. This liability is the District's best estimate based on available information.

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

	For the Year Ending August 31, 2022	For the Year Ending August 31, 2021
Unpaid claims and claim adjustment expenses at beginning of year	\$ 6,238,321	\$ 6,844,393
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	3,400,000	2,350,000
Provision for insured events of current year – L&I assessments	3,043,299	2,301,738

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	For the Year Ending August 31, 2022	For the Year Ending August 31, 2021
Increases (decreases) in provision for insured events of prior years	151,500	(819,000)
Increases (decreases) in provision for ULAE	38,000	(33,000)
Total incurred claims and claim adjustment expenses	6,632,799	3,799,738
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	1,037,223	(639,239)
Claims and claim adjustment expenses attributable to insured events of prior years	2,159,623	(1,315,574)
State L&I assessments paid	2,967,119	(2,450,997)
Total Payments	(6,163,965)	(4,405,810)
Total unpaid claims and claim adjustment expenses at end of year	\$ 6,707,155	\$ 6,238,321
Components of Claims Liabilities:		
Reserve for open claims	\$ 3,497,016	\$ 3,480,891
Claims incurred but not reported (IBNR)	1,679,272	1,340,743
Unallocated loss adjustment expense (ULAE)	419,000	381,000
Washington State L&I Assessment	1,111,867	1,035,687
Total claims liabilities	\$ 6,707,155	\$ 6,238,321

Risk Financing Limits

The Cooperative retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by excess insurance contracts. For the fiscal year ending August 31, 2022, the Cooperative's per occurrence self-insured retention limit is \$450,000. There is a \$0 member deductible.

Reinsurance

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

For the fiscal year ending August 31, 2022, Safety National Casualty Corporation provided an excess insurance policy with a self-insured retention of \$450,000 and an aggregated stop loss of \$7,221,595.

The Cooperative records liabilities net of reinsurance premiums based on operating practice with the reinsurer who pays all reinsurance claims directly. The Cooperative's reinsurance premiums paid during the year were \$152,097. Reinsurance paid \$305,738 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 Cooperative 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 Cooperative (the Cooperative) 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 Cooperative was formed on January 1, 1978 to pool self-insured losses and jointly purchase administrative services. Twenty-nine (29) members have joined the Cooperative. The District is also a member of the Cooperative (refer to Note 8).

Member Assessments, Unearned Member Assessments and Credits

Member assessments are collected in advance and recognized as revenue in the period for which pooled risk protection is provided. The assessment is calculated based on members' reported taxable salary.

The interlocal governmental agreement provides for assessments to members. The agreement further provides that assessments are made in the aggregate and may be held to credit against future assessments in circumstances of a surplus fund balance. During fiscal year 2021, the Cooperative did not make a supplemental assessment for claims experience. The Cooperative has not issued a supplemental assessment in any year of its operation.

Unpaid Claims

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

Reserve for Unallocated Loss Adjustment Expenses

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

Unpaid Claim Liabilities

The Cooperative establishes claims liabilities based on actuarially derived estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported

Educational Service District No. 112
 NOTES TO 2021-2022 FINANCIAL STATEMENTS

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

The Cooperative establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. At August 31, 2022, the amount of liabilities totaled \$132,470. This liability is the Cooperative's best estimate based on available information.

The following represents changes in the single-contract liabilities for the Cooperative during the past two years:

	For the Year Ending August 31, 2022	For the Year Ending August 31, 2021
Unpaid claims and claim adjustment expenses at beginning of year	\$ 173,684	\$ 1,121,945
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	278,560	658,013
Increases (decreases) in provision for insured events of prior years	7,629	813,870
Increases (decreases) for changes in provision for ULAE	(6,000)	(28,000)
Total incurred claims and claim adjustment expenses	280,189	1,443,883
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	166,152	(511,387)
Claims and claim adjustment expenses attributable to insured events of prior years	155,252	(1,880,757)
Total Payments	(321,404)	(2,392,144)
Total unpaid claims and claim adjustment expenses at end of year	\$ 132,469	\$ 173,684

Risk Financing Limits

The Cooperative is self-insured for all claims and does not purchase excess insurance. Through a combination of net position designated as August 31, 2021 and member contributions earned at August 31, 2022, the board of directors of the Cooperative committed \$132,470 specifically for the purpose of funding future claim costs.

Exemption from Federal and State Taxes

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

Property & Liability Insurance Risk Fund

The District operates a self-funding, claims control, and risk management fund for property and casualty liabilities to member school districts and educational service districts. The Southwest Washington Risk Management Insurance Cooperative (the Cooperative) provides property and casualty insurance coverage for its membership as authorized by RCW 48.62. An agreement to form a pooling arrangement was made pursuant to the provisions of RCW 39.34, the Interlocal Cooperation Act. The Cooperative was formed on September 1, 1985 to pool self-insured losses and jointly purchase insurance and administrative services. Thirty-three (33) members have joined the Cooperative. The District is a member of the Cooperative (refer to Note 8).

Member Assessments, Unearned Member Assessments and Credits

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

The interlocal governmental agreement provides for supplemental assessments to members based on actual claim experience. During fiscal years 2022 and 2021, the Cooperative did not make a supplemental assessment.

The interlocal governmental agreement provides that surplus members' fund balance be used to credit future annual assessments. For the year ended 2022, member assessments are presented net of such credits of \$4,181,808. The board of directors of the Cooperative has designated \$0 of member's net position for this purpose for the fiscal year ending 2022.

Unpaid Claims

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

Reserve for Unallocated Loss Adjustment Expenses

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

Unpaid Claims Liabilities

The Cooperative establishes claims liabilities based on actuarially derived estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated

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 NOTES TO 2021-2022 FINANCIAL STATEMENTS

amounts of salvage, subrogation, and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability.

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

The Cooperative establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated.

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

	For the Year Ending August 31, 2022	For the Year Ending August 31, 2021
Unpaid claims and claim adjustment expenses, beginning of year	\$ 1,319,186	\$ 2,601,861
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	972,468	802,663
Increases (decreases) in provision for insured events of prior years	237,287	(470,750)
Increases (decreases) for changes in provision for ULAE	18,000	(93,000)
Total incurred claims and claim adjustment expenses	1,227,755	238,913
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	419,337	(289,222)
Claims and claim adjustment expenses attributable to insured events of prior years	627,907	(1,232,366)
Total Payments	1,047,244	(1,521,588)
Total unpaid claims and claim adjustment expenses, end of year	\$ 1,499,697	\$ 1,319,186

Educational Service District No. 112
 NOTES TO 2021-2022 FINANCIAL STATEMENTS

As of August 31, 2022, \$1,499,697 of unpaid claims and claim adjustment expenses are presented at their net present value of \$1,499,697. These claims are not discounted. There are \$0 in unpaid claims expenses reported in the 2022 fiscal year-end balances because the Cooperative has not purchased annuities in claimants' names to settle those claims.

Risk Financing Limits

The Cooperative retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by excess insurance contracts. For the fiscal year ending August 31, 2022, the Cooperative's per occurrence self-insured retention limit is \$250,000 for liability claims and \$250,000 for property claims.

Per occurrence coverage limits provided by the Cooperative as of August 31, 2022, including excess insurance limits combined with the Cooperative's self-insured retention are as follows:

Type of Coverage	Member Deductibles	Self-Insured Retention	Excess Limits
Property	\$ 1,000	\$ 250,000	\$ 500,000,000
Equipment Breakdown	\$ -	\$ 250,000+ \$ 25,000	\$ 500,000,000
Liability	\$ -	\$ 250,000	\$ 30,000,000
Crime	\$ 1,000	\$ 250,000	\$ 50,000/ \$ 1,000,000
Commercial Crime	\$ 1,000	\$ 5,000	\$ 1,000,000
Public Official Bonds	\$ -	\$ -	\$ 5,000/ \$ 50,000
Cyber	\$ 100,000/ \$ 500,000	\$ -	\$ 500,000/ \$ 5,000,000
Communicable Disease Defense Only	\$ -	\$ -	\$ 100,000
Errors & Omissions; Sexual Abuse/Misconduct	\$ -	\$ 250,000	\$ 20,000,000

Reinsurance

The Cooperative uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Cooperative as direct insurer of the risks reinsured. The Cooperative does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

The Cooperative maintains excess insurance contracts with insurance carriers, which provide various limits of coverage over the Cooperative's self-insured retention limits. The per occurrence coverage limits provided by these excess insurance contracts are as follows for the fiscal year ending August 31, 2022:

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 NOTES TO 2021-2022 FINANCIAL STATEMENTS

Lines of Coverage	Company	Per-Occurrence Limits
Property	WSRMP	\$ 500,000,000
Liability	WSRMP	\$ 30,000,000

The coverage limits provided by the Cooperative, including the excess insurance limits combined with the Cooperative’s self-insured retention limits, are as follows for the fiscal year ending August 31, 2022:

Lines of Coverage	Company	Per-Occurrence Limits
Property	WSRMP	\$ 500,250,000
Liability	WSRMP	\$ 30,250,000

The amount deducted from claims liabilities as of August 31, 2022, for reinsurance was \$0. Premiums ceded to reinsurers during 2022 were \$2,425,960.

Solvency

Washington Administrative Code (WAC) 200-100 requires pools to maintain certain levels of primary and secondary assets to meet solvency standards. As defined in WAC 200-100-03001 total primary assets, cash and cash equivalents less non-claim liabilities, must be at least equal to the unpaid claims estimate at the expected level as determined by the actuary. Additionally, total primary and secondary assets must be at least equal to the unpaid claims estimate at the 80 percent confidence level as determined by the actuary. Secondary assets are defined as insurance receivables, real estate or other assets (less any non-claim liabilities) the value of which can be independently verified by the state risk manager.

Solvency Tests for Risk Management	Primary Asset Test	Secondary Asset Test
Cash & cash equivalents	\$ 18,986	\$ 18,986
Investments	\$ 7,639,933	\$ 7,639,933
Receivables	n/a	-
Prepaid expenses	n/a	-
Total	\$ 7,658,919	\$ 7,658,919
Less: Non-claims liabilities	\$ (147,545)	\$ (147,545)
Less: Unearned member contributions	-	n/a
Total primary assets	\$ 7,511,373	
Total secondary assets		\$ 7,511,373
Compared to:		
Claim liabilities at expected level per actuary (sum of all claims liabilities)	\$ 1,499,967	
Claim liabilities at 80% confidence level per actuary		\$ 1,922,697
Solvency test results	MET	MET

Educational Service District No. 112
 NOTES TO 2021-2022 FINANCIAL STATEMENTS

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

NOTE 10: NET POSITION

Restricted Net Position

The District's Statement of Net Position reports \$9,881,366 of restricted net position as of August 31, 2022:

Program Description	Restricted By	Amount
Support Programs-		
Restricted for Transportation Equipment	Enabling legislation	\$ 438,536
Restricted for Instructional and Non-Instructional Programs	By contractual agreements and/or funder directive	2,062,915
Subtotal, Restricted for Support Programs		2,501,451
Joint Venture	By contractual agreement	270,233
Restricted for Washington State Pension, related to net pension assets (see Note 6)	Enabling legislation; assets in trust	7,109,682
Total Restricted Net Position		\$ 9,881,366

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 \$270,233 is reported as a restricted position on the Statement of Net Position. Refer to Note 11 for further disclosure regarding the joint venture.

Unrestricted Net Position

The District's Statement of Net Position reports \$26,698,335 of unrestricted net position as of August 31, 2022:

Unrestricted Net Position	Amount
Unrestricted for net position related to pensions	\$ (10,116,955)
Unrestricted for net position related to OPEB	(17,552,832)
General unrestricted, for support programs	27,441,283
General unrestricted, insurance risk pools	27,705,249
Total Unrestricted Net Position	\$ 27,476,745

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 \$270,233 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.

There were no contributions to, or distributions from, the joint venture in fiscal year 2022. During the fiscal year ending August 31, 2022, the District paid \$1,514,886 to WSIPC in fees for cooperative services rendered.

The total investment in the joint venture, includes WSIPC's share of the net pension asset 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 net of the components of the pension asset by \$84,641. WSIPC employees participate in the Washington State retirement system; WSIPC is required to recognize their proportionate share of the individual plans' net pension asset and related component measures under generally accepted accounting principles. WSIPC's financial statements include the proportionate share of the net pension asset 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 Total OPEB liabilities by \$(546,346). 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

Educational Service District No. 112
 NOTES TO 2021-2022 FINANCIAL STATEMENTS

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 2021 to 2022 is \$99,439 and has been reported on the Statement of Revenues, Expenses and Changes in Fund Net Position as nonoperating revenue. The Net Investment in Joint Venture balance in the Statement of Net Position is a restricted net position (refer to Note 10). Upon dissolution of the joint venture, the nine, member educational service districts 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.

Interfund balances are generally settled within thirty days; outstanding balances as of August 31, 2022 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, 2022 are as follows:

		Due From					
		Operating Fund	Workers Comp. Risk Fund	Unemployment Risk Fund	Property Casualty Risk Fund	Childcare Fund	Total
Due To	Operating Fund		\$ 104,978	\$ 41,140	\$ 55,891	\$ 217,060	\$ 419,070
	Workers Compensation Risk Fund	-		-	-	-	-
	Unemployment Risk Fund	--			-	-	-
	Property Casualty Risk Fund	-	-	-		-	-
	Childcare Fund	-	-	-	-		-
	Total	\$ -	\$ 104,978	\$ 41,140	\$ 55,891	\$ 217,060	\$ 419,070

NOTE 13: CONTINGENCIES AND LITIGATIONS

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

The District participates in many 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

Extraordinary Item– Sale of District Property

On December 29, 2021, the District executed sale of two buildings in its business park holdings and the related land parcels (acquired by the District in September 2015) to a current tenant of one of the buildings. The purchasing tenant assumed the lease of a tenant occupying the other purchased building. Proceeds from the sale of property totaled \$11,541,000. A summary of the real property purchased follows:

	6211 Building	2300 Building	Total Purchase
Original cost			
Land	\$ 801,779	\$ 731,552	\$ 1,533,331
Building	2,545,863	2,322,874	4,868,737
Accumulated Depreciation-Building	(806,190)	(735,577)	(1,541,767)
Book Value	\$ 2,541,452	\$ 2,318,849	\$ 4,860,301

The sale resulted in a net gain on sale of real property of \$6,680,698.

Educational Service District No. 112
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
 Washington State Health Care Authority OPEB Plan under PEBB
 FOR THE YEARS ENDED AUGUST 31, *
 Last 10 Fiscal Years **

	2018	2019	2020	2021	2022
TOTAL OPEB LIABILITY					
Service cost	\$ 923,519	\$ 843,752	\$ 1,241,597	\$ 1,890,103	\$ 1,989,474
Interest on total OPEB liability	339,947	391,909	429,162	417,777	458,302
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	942,411	(438,856)	-	-
Effect of assumption changes or inputs	(811,286)	2,155,918	2,857,148	236,725	(8,647,466)
Expected benefit payments	(154,710)	(167,206)	(189,805)	(205,099)	(230,726)
Net change in total OPEB liability	297,470	4,166,784	3,899,246	2,339,506	(6,430,416)
Total OPEB liability, beginning balance	8,838,270	9,135,740	13,302,524	17,201,770	19,541,276
Total OPEB liability, ending balance	<u>\$ 9,135,740</u>	<u>\$ 13,302,524</u>	<u>\$ 17,201,770</u>	<u>\$ 19,541,276</u>	<u>\$ 13,110,860</u>
Covered employee payroll	\$ 29,066,710	\$ 32,851,623	\$ 35,338,025	\$ 33,459,906	\$ 36,029,759
Total OPEB liability as a % of covered employee payroll	31.43%	40.49%	48.68%	58.40%	36.39%

Notes to Schedules:

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

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

Note 8 to the financial statements includes information regarding factors that may affect trends in the amounts reported in these schedules.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Educational Service District No. 112
REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

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

	2015	2016	2017	2018	2019	2020	2021	2022
PERS 1								
District's proportion of the net pension liability (percentage)	0.137831%	0.143675%	0.149520%	0.158295%	0.165156%	0.168259%	0.159047%	0.168048%
District's proportionate share of the net pension liability (asset)	\$ 7,209,842	\$ 7,716,035	\$ 7,094,839	\$ 7,069,486	\$ 6,350,834	\$ 5,940,469	\$ 1,942,334	\$ 4,679,064
District's covered-employee payroll ***	\$ 15,794,344	\$ 17,469,821	\$ 18,855,854	\$ 21,206,993	\$ 23,150,819	\$ 25,322,681	\$ 24,413,379	\$ 26,500,937
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	45.65%	44.17%	37.63%	33.34%	27.43%	23.46%	7.96%	17.66%
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%	76.56%
SERS 2/3								
District's proportion of the net pension liability (percentage)	0.914099%	0.947901%	0.922953%	0.972677%	0.956461%	0.966442%	0.956588%	0.927271%
District's proportionate share of the net pension liability (asset)	\$ 3,712,623	\$ 6,225,500	\$ 4,554,543	\$ 2,908,908	\$ 2,242,882	\$ 5,141,124	\$ (10,270,859)	\$ (2,491,113)
District's covered-employee payroll	\$ 15,735,528	\$ 17,466,143	\$ 18,855,854	\$ 21,206,993	\$ 23,150,819	\$ 25,322,681	\$ 24,413,379	\$ 26,491,687
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	23.59%	35.64%	24.15%	13.72%	9.69%	20.30%	-42.07%	-9.40%
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%	103.17%
TRS 1								
District's proportion of the net pension liability (percentage)	0.138752%	0.130032%	0.127971%	0.115316%	0.121908%	0.125051%	0.128977%	0.126277%
District's proportionate share of the net pension liability (asset)	\$ 4,395,869	\$ 4,439,600	\$ 3,868,896	\$ 3,367,899	\$ 3,018,197	\$ 3,012,206	\$ 868,400	\$ 2,401,576
District's covered-employee payroll ****	\$ 6,853,854	\$ 6,670,513	\$ 7,188,525	\$ 6,838,973	\$ 8,223,915	\$ 9,092,378	\$ 9,621,938	\$ 10,082,843
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	64.14%	66.56%	53.82%	49.25%	36.70%	33.13%	9.03%	23.82%
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%	78.24%
TRS 2/3								
District's proportion of the net pension liability (percentage)	0.146486%	0.133857%	0.131104%	0.117193%	0.123195%	0.126391%	0.129583%	0.127205%
District's proportionate share of the net pension liability (asset)	\$ 1,236,052	\$ 1,838,252	\$ 1,210,014	\$ 527,502	\$ 742,294	\$ 1,941,335	\$ (3,561,974)	\$ (250,322)
District's covered-employee payroll	\$ 6,853,854	\$ 6,670,513	\$ 7,188,525	\$ 6,835,629	\$ 8,223,915	\$ 9,092,378	\$ 9,621,938	\$ 10,082,843
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	18.03%	27.56%	16.83%	7.72%	9.03%	21.35%	-37.02%	-2.48%
Plan fiduciary net position as a percentage of the total pension liability	92.48%	88.72%	93.14%	96.88%	96.36%	91.72%	113.72%	100.86%

Notes to Schedules:

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

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

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

**** Covered employee payroll for TRS1 includes TRS 2/3 payroll.

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

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

	2015	2016	2017	2018	2019	2020	2021	2022
PERS 1								
Contractually required contribution	\$ 640,661	\$ 846,405	\$ 917,475	\$ 1,077,878	\$ 1,203,668	\$ 1,212,773	\$ 1,193,140	\$ 921,947
Contributions in relation to the contractually required contributions	\$ 640,661	\$ 846,405	\$ 917,475	\$ 1,077,878	\$ 1,203,668	\$ 1,212,773	\$ 1,193,140	\$ 921,947
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll ***	\$ 15,969,479	\$ 17,756,527	\$ 19,234,654	\$ 21,444,499	\$ 23,466,030	\$ 25,460,115	\$ 24,502,516	\$ 24,775,551
Contribution as a percentage of covered-employee payroll	4.01%	4.77%	4.77%	5.03%	5.13%	4.76%	4.87%	3.72%
SERS 2/3								
Contractually required contribution	\$ 898,415	\$ 1,176,549	\$ 1,275,234	\$ 1,770,782	\$ 1,940,597	\$ 2,100,495	\$ 2,021,458	\$ 1,922,699
Contributions in relation to the contractually required contributions	\$ 898,415	\$ 1,176,549	\$ 1,275,234	\$ 1,770,782	\$ 1,940,597	\$ 2,100,495	\$ 2,021,458	\$ 1,922,699
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 15,914,253	\$ 17,756,527	\$ 19,234,654	\$ 21,444,499	\$ 23,466,030	\$ 25,460,115	\$ 24,502,516	\$ 24,763,988
Contribution as a percentage of covered-employee payroll	5.65%	6.63%	6.63%	8.26%	8.27%	8.25%	8.25%	7.76%
TERS 1								
Contractually required contribution	\$ 311,276	\$ 415,493	\$ 450,372	\$ 489,400	\$ 629,422	\$ 658,494	\$ 719,488	\$ 580,280
Contributions in relation to the contractually required contributions	\$ 311,276	\$ 415,493	\$ 450,372	\$ 489,400	\$ 629,422	\$ 658,494	\$ 719,488	\$ 580,280
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll ****	\$ 6,895,412	\$ 6,683,711	\$ 7,229,225	\$ 6,819,506	\$ 8,515,510	\$ 9,161,385	\$ 9,718,226	\$ 9,305,474
Contribution as a percentage of covered-employee payroll	4.51%	6.22%	6.23%	7.18%	7.39%	7.19%	7.40%	6.24%
TERS 2/3								
Contractually required contribution	\$ 392,745	\$ 448,822	\$ 485,799	\$ 532,454	\$ 666,764	\$ 745,625	\$ 792,036	\$ 749,441
Contributions in relation to the contractually required contributions	\$ 392,745	\$ 448,822	\$ 485,799	\$ 532,454	\$ 666,764	\$ 745,625	\$ 792,036	\$ 749,441
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 6,895,412	\$ 6,683,711	\$ 7,229,225	\$ 6,816,162	\$ 8,515,510	\$ 9,161,385	\$ 9,718,226	\$ 9,305,474
Contribution as a percentage of covered-employee payroll	5.70%	6.72%	6.72%	7.81%	7.83%	8.14%	8.15%	8.05%

Notes to Schedules:

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

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

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

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

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

Educational Service District No. 112
REQUIRED SUPPLEMENTAL INFORMATION
SW WA WORKERS' COMPENSATION RISK FUND
CLAIMS DEVELOPMENT INFORMATION
AS OF THE YEAR ENDING AUGUST 31,*

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1. Required contribution & investment revenue:										
Earned	5,093,041	5,381,049	5,783,666	6,255,224	6,745,291	7,323,711	8,107,233	8,462,552	7,723,405	9,184,537
Ceded	113,521	130,143	144,738	147,245	159,256	161,327	169,465	164,006	170,840	163,407
Net Earned	4,979,520	5,250,906	5,638,928	6,107,979	6,586,035	7,162,384	7,937,768	8,298,546	7,552,565	9,021,130
2. Unallocated expenses (ESD Admin)	914,935	829,238	816,878	878,925	930,245	890,274	761,688	837,908	829,013	745,562
3. Estimated claims & expenses end of policy Year:										
Incurred	2,328,488	2,944,880	2,468,081	3,357,773	3,331,013	3,198,144	3,849,747	3,514,576	2,402,990	3,452,942
Ceded	53,488	44,880	43,081	107,773	131,013	98,144	49,747	114,576	52,990	52,942
Net incurred	2,275,000	2,900,000	2,425,000	3,250,000	3,200,000	3,100,000	3,800,000	3,400,000	2,350,000	3,400,000
4. Net paid (cumulative) as of:										
End of policy year	768,778	936,029	757,591	1,325,098	1,069,691	1,093,426	1,310,111	907,120	639,239	1,037,223
One year later	1,466,810	1,842,625	1,630,224	2,316,612	2,040,860	1,739,934	2,082,296	1,579,724	1,265,395	
Two years later	1,773,789	2,416,492	1,966,418	2,905,912	2,529,033	2,161,230	2,475,973	2,501,597		
Three years later	1,640,063	2,667,044	2,157,889	3,213,868	2,901,382	2,241,901	2,675,290			
Four years later	1,669,828	2,830,159	2,319,533	3,379,924	3,067,963	2,441,736				
Five years later	1,992,005	2,918,255	2,334,392	3,400,095	3,113,717					
Six years later	2,075,124	2,940,233	2,334,392	3,479,849						
Seven years later	2,118,265	2,956,414	2,337,838							
Eight years later	2,133,954	3,007,727								
Nine years later	2,147,434									
5. Reestimated net ceded claims and expenses *	311,495	7,528	10,434	11,829	13,512	164,598	18,035	327,756	29,206	52,942
6. Reestimated net incurred claims & expenses:										
End of policy year	2,275,000	2,900,000	2,425,000	3,250,000	3,200,000	3,100,000	3,800,000	3,400,000	2,350,000	3,400,000
One year later	2,450,000	2,950,000	2,375,000	3,500,000	3,450,000	2,700,000	3,150,000	3,100,000	2,000,000	
Two years later	2,300,000	2,950,000	2,600,000	3,800,000	3,250,000	2,875,000	3,075,000	3,200,000		
Three years later	2,425,000	2,975,000	2,510,000	3,715,000	3,315,000	2,650,000	3,250,000			
Four years later	2,200,000	3,100,000	2,480,000	3,640,000	3,250,000	2,760,000				
Five years later	2,085,000	3,015,000	2,400,000	3,605,000	3,350,000					
Six years later	2,130,000	2,995,000	2,375,000	3,550,000						
Seven years later	2,170,000	2,980,000	2,360,000							
Eight years later	2,150,000	3,045,000								
Nine years later	2,160,000									
7. Increase (decrease) in estimated net incurred claims & expenses from end of policy year	(115,000)	145,000	(65,000)	300,000	150,000	(340,000)	(550,000)	(200,000)	(350,000)	-
8. Increase (decrease) in estimated net incurred claims & expenses from end of policy year as a percentage of Net Incurred	-5.1%	5.0%	-2.7%	9.2%	4.7%	-11.0%	-14.5%	-5.9%	-14.9%	0.0%

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

Educational Service District No. 112
REQUIRED SUPPLEMENTARY INFORMATION

TEN YEAR CLAIMS DEVELOPMENT INFORMATION
SW WA WORKERS' COMPENSATION COOPERATIVE (THE COOPERATIVE)
SEPTEMBER 1, 2021 THROUGH AUGUST 31, 2022

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

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

Educational Service District No. 112
 REQUIRED SUPPLEMENTAL INFORMATION
 SW WA PROPERTY & CASUALTY RISK FUND (RISK MANAGEMENT)
 CLAIMS DEVELOPMENT INFORMATION
 AS OF THE YEAR ENDING AUGUST 31, *

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1. Required contribution & investment revenue:										
Earned	2,976,838	2,949,353	2,845,370	2,813,543	2,804,478	2,891,057	3,159,612	3,302,117	3,827,061	4,237,920
Ceded	1,281,592	1,378,879	1,011,515	1,074,516	1,004,318	1,413,199	1,420,996	1,443,468	1,844,289	2,425,960
Net Earned	1,695,246	1,570,474	1,833,855	1,739,027	1,800,160	1,477,858	1,738,616	1,858,649	1,982,772	1,811,960
2. Unallocated expenses	343,608	464,949	445,016	588,343	560,382	551,627	555,063	568,437	575,415	469,338
3. Estimated claims & expenses end of policy Year:										
Incurred	1,011,221	1,049,257	861,535	679,850	976,873	604,138	704,680	1,856,256	1,025,763	1,235,109
Ceded	412,823	283,604	182,393	181,563	165,980	123,633	181,827	489,978	223,100	262,641
Net Incurred	598,398	765,653	679,142	498,287	810,893	480,505	522,853	1,366,278	802,663	972,468
4. Net paid (cumulative) as of:										
End of policy year	181,780	290,204	381,620	230,280	426,057	309,350	236,122	373,146	289,222	419,337
One year later	274,480	539,519	466,872	382,203	847,463	454,686	449,954	644,078	609,704	
Two years later	516,638	604,991	593,521	379,963	890,623	564,352	910,340	968,028		
Three years later	516,159	675,566	619,616	379,003	1,082,888	700,188	895,721			
Four years later	546,874	783,516	649,092	377,513	1,410,451	700,188				
Five years later	546,624	846,957	649,092	382,458	1,410,451					
Six years later	546,747	846,957	671,700	380,553						
Seven years later	559,952	846,957	671,700							
Eight years later	561,135	846,957								
Nine years later	561,135									
5. Reestimated net ceded claims and expense	21,395	72,552	35,092	30,701	90,872	77,671	172,119	754,569	214,728	262,641
6. Reestimated net incurred claims & expenses:										
End of policy year	598,398	765,653	679,142	498,287	810,893	480,505	522,853	1,366,278	802,663	972,468
One year later	653,224	647,336	729,833	483,301	944,298	608,235	1,086,392	1,110,785	821,762	
Two years later	595,101	894,072	682,490	436,295	960,152	770,144	1,069,392	1,489,646		
Three years later	578,101	874,072	680,490	392,295	1,337,292	717,594	915,004			
Four years later	555,881	858,930	656,834	388,373	1,422,855	713,114				
Five years later	554,881	853,930	681,834	392,743	1,421,855					
Six years later	552,881	854,930	678,834	391,482						
Seven years later	675,861	852,930	678,834							
Eight years later	563,861	852,930								
Nine years later	563,861									
7. Increase (decrease) in estimated net incurred claims & expenses from end of policy year	(34,537)	87,277	(308)	(106,805)	610,962	232,609	392,151	123,368	19,099	-
8. Increase (decrease) in estimated net incurred claims & expenses from end of policy year as a percentage of Net Incurred	-5.8%	11.4%	0.0%	-21.4%	75.3%	48.4%	75.0%	9.0%	2.4%	0.0%

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

Educational Service District No. 112
REQUIRED SUPPLEMENTARY INFORMATION

TEN YEAR CLAIMS DEVELOPMENT INFORMATION
SW WA RISK MANAGEMENT INSURANCE COOPERATIVE (THE COOPERATIVE)
SEPTEMBER 1, 2021 THROUGH AUGUST 31, 2022

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

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

Educational Service District No. 112
REQUIRED SUPPLEMENTARY INFORMATION

RECONCILIATION OF CLAIMS LIABILITIES
SW WA WORKERS' COMPENSATION COOPERATIVE (THE COOPERATIVE)
SEPTEMBER 1, 2021 THROUGH AUGUST 31, 2022

The schedule of Claims Liabilities presented in Note 10 to the financial statements, for the Cooperative, disclosed the required information for the single contract type.

RECONCILIATION OF CLAIMS LIABILITIES
SW WA RISK MANAGEMENT INSURANCE COOPERATIVE (THE COOPERATIVE)
SEPTEMBER 1, 2021 THROUGH AUGUST 31, 2022

The schedule of Claims Liabilities presented in Note 10 to the financial statements, for the Cooperative, disclosed the required information for the single contract type.

**Educational Service District No. 112
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Child and Adult Care Food Program	10.558	159256	214,173	-	214,173	-	2, 5
CDBG - Entitlement Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Clark County, WA)	Community Development Block Grants/Entitlement Grants	14.218	LOAN 18BGI2	280,600	-	280,600	-	3, 7
Total CDBG - Entitlement Grants Cluster:				280,600	-	280,600	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	0260116, 0224764, 0222706	578,903	-	578,903	-	2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	0223142	60,872	-	60,872	-	2
Special Education Cluster (IDEA)								
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	0320324, 0320334, 0307563, 0338456	3,628,504	-	3,628,504	-	2
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Special Education Grants to States	84.027	COVID19 84.027X 0312179	521,406	-	521,406	-	2

The accompanying notes are an integral part of this schedule.

**Educational Service District No. 112
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN 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 OSPI)	Special Education Preschool Grants	84.173	Total ALN 84.027:	4,149,910	-	4,149,910	-	
			0381145,	209,705	-	209,705	-	2
			0388017,					
			0381154,					
			0388098,					
			0381162,					
0388104,								
0381116,								
0388038,								
0388093,								
0366929								
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Special Education Preschool Grants	84.173	COVID19	43,659	-	43,659	-	2
			84.173X					
			0371163					
Total ALN 84.173:				253,364	-	253,364	-	
Total Special Education Cluster (IDEA):				4,403,274	-	4,403,274	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA Department of Children, Youth & Families)	Special Education- Grants for Infants and Families	84.181	21-1152-06, 21- 1152-05	220,259	-	220,259	3,708	2, 3, 4
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA Department of Children, Youth & Families)	COVID 19 - Special Education-Grants for Infants and Families	84.181	COVID19	3,955	-	3,955	-	2, 3, 4
			84.181X 21- 1152-05					
Total ALN 84.181:				224,214	-	224,214	3,708	

The accompanying notes are an integral part of this schedule.

**Educational Service District No. 112
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Twenty-First Century Community Learning Centers	84.287	0991234	293,639	-	293,639	-	2
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education - State Personnel Development	84.323	0341001, 0341006	136,331	-	136,331	-	2
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	COVID19 84.425U 0141900, COVID19 84.425U 0135514	992,575	-	992,575	-	2
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	COVID19 84.425D 0142204, COVID19 84.425D 0144134	14,323	-	14,323	-	2
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	COVID19 84.425U JUV ARP ESSER	59,817	-	59,817	-	2, 5
			Total ALN 84.425:	1,066,715	-	1,066,715	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Health Care Authority)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	K3916-07	78,586	-	78,586	-	2, 3

The accompanying notes are an integral part of this schedule.

**Educational Service District No. 112
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CDC NATIONAL CENTER FOR CHRONIC DISEASE PREVENTION AND HEALTH PROMOTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Drug-Free Communities Support Program Grants	93.276	-	117,652	-	117,652	-	2, 3
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Department of Health)	National and State Tobacco Control Program	93.387	SCH26312, GVL27356-00	22,735	-	22,735	-	2, 3
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Department of Children, Youth & Families)	Every Student Succeeds Act/Preschool Development Grants	93.434	20-1264-02, 20- 1264-03, 23- 1110	340,520	-	340,520	-	2, 5
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Early Learning, Childcare Aware of Washington)	Every Student Succeeds Act/Preschool Development Grants	93.434	0-110-201123- 6100, 0-110- 201122-6100	8,475	-	8,475	-	2
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Department of Children, Youth & Families - First 5 Fundamentals)	Every Student Succeeds Act/Preschool Development Grants	93.434	F5F/DCYF 21- 1177, F5F/DCYF 22- 1238	4,637	-	4,637	-	2
CCDF Cluster			Total ALN 93.434:	353,632	-	353,632	-	

The accompanying notes are an integral part of this schedule.

**Educational Service District No. 112
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN 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 Learning, Childcare Aware of Washington)	Child Care and Development Block Grant	93.575	0-110-201122-6100-01	1,442,947	-	1,442,947	-	2, 3
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF Learning, Childcare Aware of Washington)	COVID 19 - Child Care and Development Block Grant	93.575	COVID19 93.575X CC STAB FIMDS	728,160	-	728,160	-	2, 5
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF Learning, Childcare Aware of Washington)	COVID 19 - Child Care and Development Block Grant	93.575	COVID19 93.575X CZTRIBE CCDDP	70,258	-	70,258	-	2
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF Learning, Childcare Aware of Washington)	COVID 19 - Child Care and Development Block Grant	93.575	COVID19 93.575X DCYF SPRING21 CRRSA	75,000	-	75,000	-	2, 5
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF Learning, Childcare Aware of Washington)	Child Care and Development Block Grant	93.575	22-1135, 22-1135-02	162,647	-	162,647	-	2
Head Start Cluster			Total CCDF Cluster:	2,479,012	-	2,479,012	-	

The accompanying notes are an integral part of this schedule.

**Educational Service District No. 112
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN 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	-	2,159,801	2,159,801	-	23	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	COVID 19 - Head Start	93.600	-	2,121	2,121	-	2, 3	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	COVID 19 - Head Start	93.600	-	94,503	94,503	-	2, 3	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	COVID 19 - Head Start	93.600	-	39,763	39,763	-	2, 3	
Total Head Start Cluster:				2,296,188	2,296,188	-		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Department of Health)	Opioid STR	93.788	GVS24751-03	35,250	35,250	-	2, 6	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Health Care Authority)	Opioid STR	93.788	K3916-07, K5473	291,388	291,388	-	2, 3	
Total Head Start Cluster:				2,296,188	2,296,188	-		

The accompanying notes are an integral part of this schedule.

**Educational Service District No. 112
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Health Care Authority)	Opioid STR	93.788	K5538; K4792	91,560	-	91,560	-	2
Total ALN 93.788:				418,198	-	418,198	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Beacon Health Options)	Block Grants for Community Mental Health Services	93.958	BEACON2122, BEACON2223	38,641	-	38,641	-	2
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Health Care Authority)	COVID 19 - Block Grants for Prevention and Treatment of Substance Abuse	93.959	COVID19 93.959X K5473, COVID19 93.959X K5473 2	165,810	-	165,810	-	2, 3
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Health Care Authority)	COVID 19 - Block Grants for Prevention and Treatment of Substance Abuse	93.959	COVID19 93.959X K5538	62,964	-	62,964	-	2, 3
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Health Care Authority)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K5473; K5473 2, K3916, K3916-07	966,535	-	966,535	-	2, 3

The accompanying notes are an integral part of this schedule.

**Educational Service District No. 112
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Beacon Health Options)	Block Grants for Prevention and Treatment of Substance Abuse	93-959	BEACON2122, BEACON2223	62,565	-	62,565	-	2
Total ALN 93.959:				1,257,874	-	1,257,874	-	
Total Federal Awards Expended:				11,907,399	2,413,840	14,321,239	3,708	

The accompanying notes are an integral part of this schedule.

Educational Service District No. 112
**NOTES TO THE STATEMENT OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2022**

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - FEDERAL INDIRECT COST RATE

The District did not qualify to elect use of the de minimis rate of 10%. The District generally used the Federal restricted rate approved by its cognizant agency of 7.15% for grants awarded July 1, 2020, 6.75% for grants awarded July 1, 2021, and 7.15% for grants awarded July 1, 2022. Total indirect costs: \$ 842,317

NOTE 3 - PROGRAM COSTS / MATCHING CONTRIBUTIONS

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

NOTE 4 - AMOUNTS AWARDED TO SUBRECIPIENTS

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

NOTE 5 - PERFORMANCE BASED CONTRACTS

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

NOTE 6 - FIXED AWARD CONTRACTS

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

NOTE 7 - FEDERAL LOAN PROGRAMS

Loans through Federal Entitlement Grants

The District was approved by Clark County, Washington to receive a CDBG zero-interest loan award for "Portable Acquisition and Installation". The restrictive period for the loan is twenty years and began upon completion of construction and fulfillment of final project reporting requirements. Construction was completed as of December 31, 2019 and final reporting requirements were met at that date. The balance of the loan outstanding as of August 31, 2022 is \$266,570. Payments are due every December 31st, starting December 31, 2020 through December 31, 2039. The table below summarizes loan activity for the year ending August 31, 2022.

ALN No.	Program Name	Original Balance of Federal Loan under restrictive period		New Loans Processed	Loan Payments Made	Ending Balance of Loan as of August 31, 2022
		\$				
14.218	CDBG Block Grants/Entitlement Grants	\$ 280,600	\$ 273,585	\$ -	\$ (7,015)	\$ 266,570

Educational Service District No. 112
OTHER INFORMATION

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

AS OF AUGUST 31, 2022

Battle Ground School District No. 119
Camas School District No. 117
Castle Rock School District No. 401
Centerville School District No. 215
Educational Service District No. 112
Evergreen School District No. 114
Glenwood School District No. 401
Green Mountain School District No. 103
Hockinson School District No. 008
Kalama School District No. 402
Kelso School District No. 458
Klickitat School District No. 402
LaCenter School District No. 101
Longview School District No.1 22
Lyle School District No. 406
Mill A School District No. 031
Mount Pleasant School District No. 029-93
Naselle-Grays River School District No. 155
Ocean Beach School District No. 101
Ridgefield School District No. 122
Roosevelt School District No. 403
Skamania School District No. 002
Stevenson-Carson School District No. 303
Toutle Lake School District No. 130
Trout Lake School District No. R-400
Wahkiakum School District No. 200
Washougal School District No. 112-6
White Salmon Valley School District No. 405-17
Wishram School District No. 094
Woodland School District No. 404

Educational Service District No. 112
OTHER INFORMATION

SW WA WORKERS' COMPENSATION RISK FUND
DES SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021

Excess Insurance	\$	159,752
Contracted Services:		
Third Party Administrator Fees		-
Actuarial		52,947
Audit Expenses		-
Brokerage Fees		11,088
Legal Fees		935
Other Consultant Fees		5,477
General Administrative Expenses:		
Personnel Services		666,007
Communication & Network		49,801
Supplies and Materials		10,171
Dues and Conferences		2,088
Retreat/Board Meetings		-
Training		1,217
Travel		397
Occupancy		38,135
Printing/Copier		1,839
Miscellaneous		-
Other:		
Claims Paid		1,955,093
Change in Claim Reserves		(606,072)
Labor & Industry Assessment		2,450,997
Right to Know		21,147
Safe Schools Online Training		28,260
Pension Expense from Change in Net Pension Liability		(93,358)
OPEB Expense from Change in Total OPEB Liability		12,218
Return to Work-District Reimbursement		33,648
Miscellaneous		16,231
		16,231
Total Operating Expenses	\$	4,818,018

Educational Service District No. 112
OTHER INFORMATION

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

AS OF AUGUST 31, 2022

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

Educational Service District No. 112
OTHER INFORMATION

SW PROPERTY & CASUALTY RISK FUND (RISK MANAGEMENT)
DES SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021

Excess Insurance	\$	1,844,289
Contracted Services:		
Third Party Administrator Fees		-
Actuarial		109,343
Audit Expenses		-
Brokerage Fees		-
Legal Fees		7,013
Other Consultant Fees		89
General Administrative Expenses:		
Personnel Services		392,600
Communication & Network		19,855
Supplies and Materials		1,574
Dues and Conferences		3,773
Retreat/Board Meetings		-
Training		11,585
Travel		1,257
Occupancy		23,814
Printing/Copier		2,125
Miscellaneous		89
Other:		
Claims Paid		1,538,059
Change in Claim Reserves		(1,282,675)
State Risk Manager Fee		7,325
Refund to Member Districts		-
Experienced Administrator Consultation		42,243
Pre-Loss Attorney Consultation		4,113
Pension Expense from Change in Net Pension Liability		(53,431)
OPEB Expense from Change in Total OPEB Liability		10,521
Miscellaneous		-
		-
Total Operating Expenses	\$	2,683,561

Educational Service District No. 112
OTHER INFORMATION

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

AS OF AUGUST 31, 2022

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

Educational Service District No. 112
OTHER INFORMATION

SW WA UNEMPLOYMENT COMPENSATION RISK FUND
DES SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021

Excess Insurance	\$	-
Contracted Services:		
Third Party Administrator Fees		-
Actuarial		63,220
Audit Expenses		-
Brokerage Fees		-
Legal Fees		-
Other Consultant Fees		5,477
General Administrative Expenses:		
Personnel Services		179,302
Communication & Network		8,374
Supplies and Materials		2,863
Dues and Conferences		1,056
Retreat/Board Meetings		-
Training		288
Travel		-
Occupancy		11,645
Printing/Copier		482
Miscellaneous		-
Other:		
Claims Paid		2,408,545
Change in Claim Reserves		(948,261)
Pension Expense from Change in Net Pension Liability		(25,939)
OPEB Expense from Change in Total OPEB Liability		18,416
Miscellaneous		215
Total Operating Expenses	\$	<u>1,725,683</u>

Educational Service District No. 112
 OTHER INFORMATION
 PRESENTING EFFECT OF LONG TERM OBLIGATIONS FOR FUNDING STATE-MANDATED AND ADMINISTERED RETIREMENT & OPEB BENEFIT PLANS
 AUGUST 31, 2022

	WORKERS		PROPERTY		TOTAL ALL FUNDS
	OPERATING FUND	COMPENSATION RISK FUND	UNEMPLOYMENT RISK FUND	CASUALTY RISK FUND	
NET POSITION, Excluding State-mandated retirement obligations-					
Unrestricted for Operations	\$ 26,846,635	\$ 10,107,111	\$ 11,516,351	\$ 6,081,788	\$ 55,146,533
Net Investment in Capital Assets	15,478,369				15,478,369
Restricted for Programs & Other Reserves	2,501,452				2,501,452
Restricted for Joint Venture	731,938				731,938
Subtotal, Net Position excluding State-mandated retirement obligations	45,558,394	10,107,111	11,516,351	6,081,788	73,858,292
Share of Net Pension Asset & Liability (see Notes below)					
Unrestricted for Operations	(9,891,710)	(95,622)	(24,426)	(55,266)	(10,116,955)
Restricted for Net Asset	6,935,880	73,609	18,885	42,702	7,109,682
Restricted for Joint Venture	84,641	-	-	-	84,641
Total OPEB Obligation (see Notes below)	(17,179,258)	(116,281)	(32,946)	(71,983)	(17,552,832)
Unrestricted for Operations	(546,346)	-	-	-	(546,346)
Restricted for Joint Venture					
NET POSITION, per statement balances, 8/31/2022	\$ 24,961,600	\$ 9,968,817	\$ 11,477,864	\$ 5,997,241	\$ 52,836,481

SCHEDULE OF EFFECT ON UNRESTRICTED NET POSITION, SHARE OF NET PENSION LIABILITY (NPL) FOR OPERATIONS

Cumulative Effect of NPL, Unrestricted Net Position, 8/31/2021	\$ (5,786,632)	\$ (73,624)	\$ (19,574)	\$ (44,027)	\$ (40,027)	\$ (5,963,884)
Current Year Share-Change in WA State DRS NPL	(4,105,079)	(21,998)	(4,853)	(11,239)	(9,903)	(4,153,071)
Cumulative Effect of NPL, Unrestricted Net Position, 8/31/2022	\$ (9,891,710)	\$ (95,622)	\$ (24,426)	\$ (55,266)	\$ (49,930)	\$ (10,116,955)

SCHEDULE OF EFFECT ON RESTRICTED NET POSITION, SHARE OF NET PENSION ASSET (NPA) FOR OPERATIONS

Cumulative Effect of NPA, Restricted Net Position, 8/31/2021	\$ 1,898,176	\$ 25,242	\$ 6,711	\$ 15,095	\$ 13,724	\$ 1,958,948
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Current Year Share-Change in WA State DRS NPA	5,037,704	48,367	12,174	27,607	24,882	5,150,734
Cumulative Effect of NPA, Restricted Net Position, 8/31/2022	\$ 6,935,880	\$ 73,609	\$ 18,885	\$ 42,702	\$ 38,606	\$ 7,109,682

SCHEDULE OF EFFECT ON UNRESTRICTED NET POSITION, TOTAL OPEB OBLIGATION

Cumulative Effect of Total OPEB Liability, Unrestricted Net Position, 8/31/21	\$ (15,270,549)	\$ (126,784)	\$ (43,153)	\$ (72,309)	\$ (151,779)	\$ (15,664,574)
Current Year Change in Total OPEB Obligation	(1,908,709)	10,503	10,207	325	(585)	(1,888,258)
Cumulative Effect of Total OPEB Liability, Unrestricted Net Position, 8/31/22	\$ (17,179,258)	\$ (116,281)	\$ (32,946)	\$ (71,983)	\$ (152,364)	\$ (17,552,833)

SCHEDULE OF EFFECT OF STATE-MANDATED & ADMINISTERED RETIREMENT & OPEB BENEFIT PLANS ON CHANGES IN NET POSITION

Increase (Decrease) in Net Position before share of current year activity for state-mandated & administered retirement & OPEB benefit plans	\$ 12,060,861	\$ 1,518,174	\$ 3,147,287	\$ 10,076	\$ 475,041	\$ 17,211,440
PENSIONS: Current Year Share of change in WA State DRS Net Pension Liability-						
District Operations	932,626	26,369	7,322	16,368	14,979	997,663
Joint Venture	84,641					84,641
OPEB: Current Year Share of change in state mandated participation in PEBO OPEB plans for Total OPEB Obligation-						
District Operations	(1,908,709)	10,503	10,207	325	(585)	(1,888,258)
Joint Venture	(546,346)					(546,346)
Increase (Decrease) in Net Position, per audited balances, current operations	\$ 10,623,073	\$ 1,555,046	\$ 3,164,816	\$ 26,769	\$ 489,435	\$ 15,859,138

Notes to Schedule:

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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