



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Educational Service District No. 113

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

Published May 30, 2023

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

May 30, 2023

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

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Educational Service District No. 113 September 1, 2021 through August 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Educational Service District No. 113 are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
84.283	Comprehensive Centers
84.425	COVID-19 – Education Stabilization Fund
93.600	Head Start Cluster – Head Start
93.600	Head Start Cluster – COVID-19 – Head Start

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

The District 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. 113 September 1, 2021 through August 31, 2022

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of Educational Service District No. 113, as of and for the year ended August 31, 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 May 23, 2023.

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.

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

Pat McCarthy, State Auditor

Olympia, WA

May 23, 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. 113 September 1, 2021 through August 31, 2022

Board of Directors
Educational Service District No. 113
Tumwater, 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. 113, 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, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

May 23, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Educational Service District No. 113 September 1, 2021 through August 31, 2022

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Educational Service District No. 113, as of and for the year ended August 31, 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 and the aggregate remaining fund information of Educational Service District No. 113, 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.

Matter 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 was 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 management's discussion and analysis and 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.

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

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 the Workers' Compensation Trust Administration and the Workers' Compensation Insurance Fund Statistical Information 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 May 23, 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

May 23, 2023

FINANCIAL SECTION

Educational Service District No. 113 September 1, 2021 through August 31, 2022

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2022
Statement of Revenues, Expenses and Changes in Fund Net Position – 2022
Statement of Cash Flows – 2022
Statement of Fiduciary Net Position – 2022
Statement of Changes in Fiduciary Net Position – 2022
Notes to Financial Statements – 2022

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Proportionate Share of the Net Pension Liability (Asset) – PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2022
Schedules of Employer Contributions – PERS 1, SERS 2/3, TRS 1, TRS 2/3 – 2022
Schedules of Changes in Total OPEB Liability and Related Ratios – PEBB – 2022
Ten Year Claims Development Information – Worker's Compensation Trust – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Workers' Compensation Trust Administration – 2022
Workers' Compensation Insurance Fund Statistical Information – 2022
Schedule of Expenditures of Federal Awards – 2022
Notes to the Schedule of Expenditures of Federal Awards – 2022

Educational Service District #113
STATEMENT OF NET POSITION - ALL FUNDS
AUGUST 31, 2022

	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	12,788,818	29,274,600	4,228,332	46,291,749
Accounts Receivable (net of uncollectible allowance)	3,915,950	505,841	91,406	4,513,197
Lease Receivables	14,993			14,993
TOTAL CURRENT ASSETS	16,719,760	29,780,441	4,319,738	50,819,940
NONCURRENT ASSETS				
Investments_				-
Capital Assets				
Land	1,801,872			1,801,872
Building	10,882,040			10,882,040
Equipment	2,919,487			2,919,487
Leased Assets and L/H Improvements	1,077,034			1,077,034
Less: Accumulated Depreciation	(5,770,046)			(5,770,046)
Net Capital Assets	10,910,387	-	-	10,910,387
Net Cash/Investments Held for Compensated A	934,125			934,125
Investment in Joint Venture	270,233			270,233
Net Pension Asset	1,525,303			1,525,303
Lease Receivables	14,543			14,543
TOTAL NONCURRENT ASSETS	13,654,592	-	-	13,654,592
TOTAL ASSETS	30,374,352	29,780,441	4,319,738	64,474,531
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Loss on Refunding				-
Deferred OutFlows Related to Pensions	4,255,375			4,255,375
Deferred OutFlows Related to OPEB	3,283,933			3,283,933
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,539,308	-	-	7,539,308
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	1,140,445	435,165	47,421	1,623,031
Accrued Salaries	222,675			222,675

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

Educational Service District #113
STATEMENT OF NET POSITION - ALL FUNDS
AUGUST 31, 2022

	WORKERS		TOTAL ALL
	OPERATING	COMPENSATION FUND	FUNDS
Payroll Deductions & Taxes Payable	34,005		34,005
Public Employees' Retirement System	325,623		325,623
Deferred Compensation	400		400
Compensated Absences	306,197		306,197
Total OPEB Liability - Current Portion	955,984		955,984
Leases Payable	172,373		172,373
Claim Reserves			
IBNR		901,407	962,912
Open Claims		1,035,401	1,035,401
Unallocated Loss Adjustment Expenses		345,000	354,000
Future L&I Assessments		516,000	516,000
Deposits	287,109		287,109
TOTAL CURRENT LIABILITIES	3,444,811	3,232,973	6,795,710
NONCURRENT LIABILITIES			
Compensated Absences_	1,014,800		1,014,800
Claim Reserves_			
IBNR_		1,267,682	1,268,158
Open Claims_		1,047,510	1,047,510
Net Pension Liability_	3,489,494		3,489,494
Total OPEB Liability_	9,667,253		9,667,253
Leases Payable_	741,980		741,980
TOTAL NONCURRENT LIABILITIES	14,913,526	2,315,192	17,229,194
TOTAL LIABILITIES	18,358,337	5,548,165	24,024,904
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Leases	28,747		28,747
Deferred InFlows Related to Pensions	3,570,290		3,570,290
Deferred InFlows Related to OPEB	4,530,250		4,530,250
TOTAL DEFERRED INFLOWS OF RESOURCES	8,129,287	-	8,129,287
NET POSITION			
Net Investment in Capital Assets	10,910,387	-	10,910,387

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

Educational Service District #113
STATEMENT OF NET POSITION - ALL FUNDS
AUGUST 31, 2022

	OPERATING	WORKERS		UNEMPLOYMENT	TOTAL ALL
		COMPENSATION	FUND	FUND	FUNDS
Restricted	3,390,660	-	-	-	3,390,660
Unrestricted	(2,875,012)	24,232,276		4,201,336	25,558,600
TOTAL NET POSITION	11,426,036	24,232,276		4,201,336	39,859,648

Educational Service District #113
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2022

	OPERATING	WORKERS COMPENSATIO N FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
OPERATING REVENUES				
Local Sources	689,917			689,917
State Sources	8,346,457			8,346,457
Allotment	1,228,218			1,228,218
Federal Sources	12,672,646			12,672,646
Cooperative Programs	8,105,725			8,105,725
Other Programs	12,454,719			12,454,719
Member Assessments/Contributions		7,096,183	1,406,844	8,503,027
TOTAL OPERATING REVENUE	43,497,682	7,096,183	1,406,844	52,000,709
OPERATING EXPENSES				
General Operations and Administration	3,480,648	1,107,161	39,804	4,627,613
Instructional Support Programs	28,424,825			28,424,825
Non Instructional Support Programs	8,852,698			8,852,698
Incurred Loss/Loss Adjustment Expenses				
Paid on Current Losses		3,079,951	271,066	3,351,018
Change in Loss Reserves		(296,000)	(133,064)	(429,064)
Unallocated Loss Adjustment Expenses				
Change in Unallocated Loss Reserves		(5,000)	(18,000)	(23,000)
Excess/Reinsurance Premiums		254,721		254,721
Labor & Industries Assessments		331,265		331,265
Depreciation	723,166			723,166
Other Operating Expenses		99,355	55,494	154,849
TOTAL OPERATING EXPENSES	41,481,337	4,571,454	215,300	46,268,091
OPERATING INCOME (LOSS)	2,016,345	2,524,729	1,191,544	5,732,618
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	79,206	181,074	23,166	283,446
Interest Expense and Related Charges	(34,792)			(34,792)
Lease Income	16,080			16,080
Gains (Losses) on Capital Asset Disposition	(3,638)			(3,638)
Change in Joint Venture	99,439			99,439
TOTAL NONOPERATING REVENUES (EXPENSES)	156,296	181,074	23,166	360,536
INCREASE (DECREASE) IN NET POSITION	2,172,642	2,705,802	1,214,710	6,093,154

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

Educational Service District #113
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2022

	OPERATING	WORKERS COMPENSATIO N FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
NET POSITION - BEGINNING BALANCE	9,253,394	21,526,474	2,986,626	33,766,493
NET POSITION - ENDING BALANCE	11,426,035	24,232,276	4,201,336	39,859,647

Educational Service District #113
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2022

	OPERATING	WORKERS COMPENSATIO N FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
CASH FLOW FROM OPERATING ACTIVITIES				
Cash Received from Customers	21,850,064			21,850,064
Cash Received from State and Federal Sources	21,722,071			21,722,071
Cash Received from Members		7,025,579	1,352,710	8,378,289
Payments to Suppliers for Goods and Services	(12,831,387)			(12,831,387)
Payments to Employees for Services	(28,248,472)			(28,248,472)
Cash Paid for Benefits/Claims		(3,081,732)	(260,830)	(3,342,562)
Internal Activity - Reimbursements from Other Funds	1,252,178	(1,157,127)	(95,051)	0
Cash Paid for Reinsurance		(244,555)		(244,555)
Cash Received for Labor and Industries Assessments		2,479,613		2,479,613
Cash Paid for Labor and Industries Assessments		(2,769,970)		(2,769,970)
Cash Paid for Other Operating Expense		(53,184)		(53,184)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	3,744,453	2,198,624	996,829	6,939,906
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	(1,658,005)			(1,658,005)
Principal and Interest Paid on Lease Financing	(195,199)			(195,199)
Lease Income	15,218			15,218
Other Receipts (Payments)_	300			300
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,837,686)	-	-	(1,837,686)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends Received	79,206	181,074	23,166	283,446
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	79,206	181,074	23,166	283,446
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,985,973	2,379,698	1,019,995	5,385,666

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

Educational Service District #113
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2022

	OPERATING	WORKERS COMPENSATIO N FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
CASH AND CASH EQUIVALENTS - BEGINNING	10,802,844	26,894,902	3,208,337	40,906,083
CASH AND CASH EQUIVALENTS - ENDING	12,788,818	29,274,600	4,228,332	46,291,749

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
OPERATING NET INCOME	2,016,345	2,524,729	1,191,544	5,732,618
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	723,166			723,166
Receivables, Net	67,863	(70,604)	(54,134)	(56,875)
Accounts and Other Payables	458,339	45,499	10,483	514,321
Accrued Expenses	63,656			63,656
Unearned Revenue	106,475			106,475
Pension Expense (Income) from change in Net Pension Liability (Asset)				
Change in Deferred Outflows	(1,600,353)			(1,600,353)
Change in Deferred Inflows	(6,884,104)			(6,884,104)
Change in Net Pension Liability (Asset)	7,711,471			7,711,471
OPEB Expense from change in Total OPEB Liability				
Change in Deferred Outflows_	789,595			789,595
Change in Deferred Inflows_	4,314,822			4,314,822
Change in Total OPEB Liability_	(4,022,822)			(4,022,822)
Other Changes for Insurance Funds				
Claims Reserve-Current		114,245	(131,418)	(17,173)
Claims Reserve-Prior Year		(309,198)	(1,646)	(310,844)
IBNR-Current		537,211		537,211
IBNR-Prior Year		(517,258)		(517,258)
Future L&I Assessments		(121,000)		(121,000)
Provision for Unallocated Loss Adjustment		(5,000)	(18,000)	(23,000)

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

Educational Service District #113
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2022

	WORKERS			TOTAL ALL FUNDS
	OPERATING	COMPENSATIO N FUND	UNEMPLOYMENT FUND	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES_	3,744,453	2,198,624	996,829	6,939,906

Educational Service District #113
STATEMENT OF FIDUCIARY NET POSITION
AUGUST 31, 2022

	CUSTODIAL FUNDS
ASSETS	
Cash and Cash Equivalents	528,395
Accounts Receivable	13
TOTAL ASSETS	528,408
LIABILITIES	
Accounts Payable and Other Liabilities	3,381
TOTAL LIABILITIES	3,381
NET POSITION	
Restricted for:	
Individuals, Organizations, and Other Governments	525,028
TOTAL NET POSITION	525,028

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

Educational Service District #113
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2022

	CUSTODIAL FUNDS
ADDITIONS	
Contributions	
Members	16,163
Total Contributions	16,163
Investment Earnings	
Interest	3,367
Net Increase (Decrease) in the Fair Value of Investments	
Total Investment Earnings	3,367
TOTAL ADDITIONS	19,530
DEDUCTIONS	
Distribution to Pool Participants	13,034
Administrative Expenses	1,036
TOTAL DEDUCTIONS	14,070
Net Increase (Decrease) in Fiduciary Net Position	5,460
NET POSITION - BEGINNING	519,568
NET POSITION - ENDING	525,028

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Educational Service District No. 113 (CR ESD 113) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accounting practices of CR ESD 113 are implemented under the oversight authority of 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

CR ESD 113 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.

CR ESD 113 serves 44 school districts and one state-tribal education compact school in Grays Harbor, Lewis, Mason, Pacific and Thurston counties. Oversight responsibility for CR ESD 113's operations is vested with the Board of Directors elected by the school directors of member districts. Management of CR ESD 113 is appointed by and accountable to the Board of Directors. Fiscal responsibility, including budget authority, the power to operate cooperatives, set fees for services, and issue debt consistent with the provisions of state statutes, rests with the Board. For financial reporting purposes, CR ESD 113's financial statements include all fund entities that are controlled by CR ESD 113's Board of Directors and managed by the administrative staff, unless noted hereafter.

CR ESD 113 is a separate legal entity and is fiscally independent from all other units of government. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. Management has reviewed operations, and based on the standards set by Governmental Accounting Standards Board (GASB), there were no component units of CR ESD 113.

Basis of Accounting and Reporting

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

The activities of CR ESD 113 rely significantly on fees and charges for support and are reported as enterprise funds. CR ESD 113 reports the following major enterprise funds:

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

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

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

Fiduciary Funds

CR ESD 113 reports the following custodial funds, which are used to account for assets held and administered by CR ESD 113 in a fiduciary capacity:

The *Compensated Absences Pool* custodial type fund accounts for assets held and administered by CR ESD 113 to provide a funding mechanism for members to pay for the cash-out of liabilities for compensated absences when employees of member districts leave service or retire. See Note 11 for more information.

The *Student Support* account is used to account for assets held by the CR ESD 113 to provide student support services to our programs from funds provided by donors. See Note 11 for more information.

Budget

Educational service districts in the state of Washington are required to adopt a budget for their Operating Fund, using the same basis of accounting as for financial statement presentation. An appropriation is an authorization for CR ESD 113 to incur expenses in the amounts specified in CR ESD 113'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 – See Note 2

For the purposes of the statement of cash flows, CR ESD 113 considers all highly liquid investments (including restricted assets) to be cash and cash equivalents. Investments held by the Thurston County Treasurer are considered highly liquid as they are accessible on a daily basis, equivalent to a cash account.

Receivables

Accounts and contracts receivable represent the value of goods and services provided and invoiced to clients as of fiscal year-end. The amounts represent balances due from clients, generally within thirty days of invoice dates. Uncollectible accounts are evaluated for write-off on an annual basis.

Capital Assets and Depreciation

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

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

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

Major expenses for capital assets, including 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.

Intangible Right-to-Use Leased Assets

CR ESD 113 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 CR ESD 113's financial position. CR ESD 113's capitalization threshold for recognition of intangible right-to-use leased assets is \$25,000. 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. See 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 paid 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 CR ESD 113.

CR ESD 113's liability for compensated absences is reported in the Operating Fund. As of August 31, 2022, CR ESD 113's total compensated absence balance was \$386,871.

Deferred Outflows and Deferred Inflows

Generally accepted accounting principles for pensions (see Note 6) require CR ESD 113 to recognize deferred inflows and outflows on the Statement of Net Position related to CR ESD 113'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) (see Note 7) require CR ESD 113 to recognize deferred inflows and outflows on the Statement of Net Position related to the single-employer plan administered by the Washington State Health Care Authority, to be recognized over several years, for changes in experience, assumptions, and timing of contributions.

Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Consistent with generally accepted accounting principles, net position is displayed in the following three categories which focus on the accessibility of the underlying assets: (1) Net Investment in Capital Assets, (2) Restricted Net Position, and (3) Unrestricted 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. Management or the Board of CR ESD 113 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 CR ESD 113'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 (see Note 6); and
- Current year OPEB expense (see Note 7).

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

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

Nonoperating revenues and expenses include interest earnings on investments not restricted to program benefit, interest expense on debt, other asset and financing activities including grants used to finance operations and expenses not related to the provision of 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 asset, 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, CR ESD 113 includes only the net pension asset.

Accounting and Reporting Changes

During the year ended August 31, 2022, CR ESD 113 adopted new accounting guidance by implementing the provisions of GASB Statement No. 87, Leases, which establishes criteria for identifying and reporting fiduciary activities.

The District implemented GASB Statement No. 87 Leases for the fiscal year ended August 31, 2022 with no significant impact on financial position or reporting.

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

All of CR ESD 113's bank balances are insured by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Statutes authorize 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 Thurston County Treasurer is the ex-officio treasurer for CR ESD 113. CR ESD 113 is a participant in the Thurston County Investment Pool (TCIP), an external investment pool managed and operated by the Office of the Thurston County Treasurer under authority of RCW 36.29, which authorizes county treasurers to invest funds of participants. In this capacity, the Thurston County Treasurer receives daily deposits and transacts investments on behalf of CR ESD 113 and invests all temporary cash surpluses. Interest on these investments is prorated to various funds by the Thurston County Treasurer based on segregated balance records.

The TCIP's investment policy is established in accordance with RCW 36.48.070. The Thurston County Treasurer's investment policy and annual report are available at <https://www.thurstoncountywa.gov/treasurer>.

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

TCIP does not impose liquidity fees or redemption gates on participant withdrawals. It is the policy of TCIP to permit participants to withdraw their investments on a daily basis; therefore, the District's investment balance in TCIP is equal to fair value. Fair value is measured using quoted prices in active markets for identical assets that TCIP can access at the measurement date (Level 1 Inputs). Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets. As of August 31, 2021, CR ESD 113 had cash balances and short-term residual investments of surplus cash as follows:

	Thurston County Treasurer	Fair Value
Cash on Hand, Bank Deposits	\$8,300	\$8,300
Thurston County Investment Pool	46,283,480	44,271,565
Thurston County Investment Pool – Custodial Funds	1,462,520	1,441,811
Total Cash, Cash Equivalents & Short- Term Investments	\$47,754,300	\$45,721,676

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

The Thurston County Treasurer bears the risk of maturity in the TCIP.

Credit Risk

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

The TCIP is not insured or guaranteed by any government; therefore, maintenance of principal is not fully insured. The TCIP does not have a credit rating. As of August 31, 2022, NAV per share was \$0.957429.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, CR ESD 113 would not be able to recover the value of the investment or collateral securities. CR ESD 113's total cash and investment position has no balances exposed to custodial credit risk. CR ESD 113 does not have a policy for custodial credit risk.

Concentration of Credit Risk

Credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. 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, TCIP's average maturity was 1.90 years. As a means of limiting its exposure to rising interest rates, securities purchased in TCIP must have a final maturity, or weighted average life, no longer than five years. While the TCIP'S market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. TCIP 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	Deductions	Ending Balance 8/31/22
Capital assets not depreciated:				
Land	\$1,500,000	\$301,872	\$	\$1,801,872
Total capital assets not depreciated	1,500,000	301,872		1,801,872

	Beginning Balance 9/1/21	Additions	Deductions	Ending Balance 8/31/22
Depreciable capital assets:				
Buildings	9,713,825	1,168,215		10,882,040
Equipment	2,758,463	187,918	26,893	2,919,487
Capital Lease	58,473		58,473	
Leased Assets		1,077,034		1,077,034
Total depreciable capital assets	12,530,760	2,433,167	85,366	14,878,561
Less accumulated depreciation for:				
Buildings	-3,399,839	-343,264		-3,743,103
Equipment	-1,656,861	-194,379	-21,515	-1,829,725
Capital Lease	-12,669		-12,669	
Leased Assets		-185,522		-185,522
Total accumulated depreciation and amortization	-5,069,369	-723,166	-34,184	-5,758,351
Total depreciable capital assets, net	7,461,391	1,710,001	51,183	9,120,210
Total capital assets, net	\$8,961,392	\$2,011,873	\$51,183	\$10,922,082

CR ESD 113 used cash reserves to purchase two new properties, Griffin Lane and 4th Avenue, which increased the value of buildings and land by \$1,470,087.

NOTE 4: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the fiscal year ended 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
Compensate d Absences (Note 1)	\$1,204,804	\$116,193		\$1,320,997	\$306,197
Leases (Note 5)		1,077,034	162,681	914,353	172,373
Net Pension Liability (NPL) (Note 6)	1,407,282	2,082,212		3,489,494	
Total OPEB Liability (Note 7)	14,646,059		4,022,822	10,623,237	955,984
Total Long- Term Liabilities	\$17,258,145	\$3,275,439	\$4,185,503	\$16,348,081	\$1,434,554

NOTE 5: LEASES

Lease of Capital Assets (intangible right to use assets by CR ESD 113)

CR ESD 113 is committed under various leases for facilities and office equipment. Under GASB 87, an implicit interest rate is calculated for each lease using the internal rate of return method. Leases that are over CR ESD 113's capitalization threshold of \$25,000 and longer than one year are recorded as right-to use assets and lease liabilities based on the present value of expected payments over the lease terms. CR ESD 113 is the lessee on six facility leases and one copier lease that qualify as right to use leases. The leasing arrangements are as follows:

Chehalis, LLC

CR ESD 113 leases 5,427 square feet in the Lewis County Mall located in Chehalis Washington. This facility is used to provide services to our Lewis County GRAVITY and Student Assistant Program. This lease runs through August 2023.

Gedora Leasing Company

This lease is for a building in Shelton, Washington that houses our Shelton Center Early Learning Program. The lease term is for 115 months including extensions that we believe will be exercised.

Mason County Transit Authority

Approximately 842 square feet is leased in Mason Transit Authority Community Transit Center Building in Shelton, Washington. The space is used to conduct our GRAVITY program for Mason County. The lease term is 44 months inclusive of extensions that we believe will be exercised.

Intercommunity Mercy Housing

This agreement is for a unit in a building located in Olympia, Washington that is used by our West Olympia Early Learning program. The lease term is 72 months inclusive of extensions that we believe will be exercised.

Olympic Region Clean Air Agency

A storage unit in Nationwide Plaza, located in Olympia, Washington is leased for use by our Early Learning Maintenance Staff. The lease term is 28 months and runs through December 2023.

Summit Pacific

Our Elma Early Learning program uses a building leased under this agreement located in Elma, Washington. The lease term is 83 months and ends July 2028.

Pacific Office Automation – Copier Lease

CR ESD 113 leases a copier for use at our Tye Building location. The lease term is 46 months. The implied interest rate of 5.303% was calculated using the lessor's supplied asset value at the beginning of the lease as the present value.

The underlying leased assets are as follows:

	Beginning Balance 9/1/2021	Additions	Deductions	Ending Balance 8/31/2022
Leased Land				
Leased Buildings		\$1,030,072		\$1,030,072
Leased Equipment		46,962		46,962
Total leased assets		1,077,034		1,077,034
Accum. Amort. Leased Bldgs.		(173,270)		(173,270)
Accum. Amort. Leased Equip.		(12,252)		(12,252)

Total Accumulated Amortization		\$(185,522)		\$(185,522)
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As of August 31, 2022, the principal and interest requirements to maturity are as follows:

Year ended August31	Principal	Interest	Total
2023	\$172,373	\$28,783	\$201,156
2024	137,988	23,154	161,142
2025	132,258	18,665	150,923
2026	118,298	14,849	133,147
2027	125,010	11,173	136,183
2028-2032	228,427	16,292	244,719
Total	\$914,354	\$112,916	\$1,027,270

Changes in lease liabilities are presented in Note 4.

Lease of Capital Assets (owned by CR ESD 113)

CR ESD 113 leases space to tenants in buildings not currently needed by CR ESD 113 for program service delivery (excess capacity). Lease income is classified as nonoperating revenue. A brief description of leasing arrangements is as follows:

Tenant Leases, Buildings: CR ESD 113 owns Tyee Building at 6005 Tyee Drive SW, Tumwater, WA totaling 47,297 square feet on the main floor. CR ESD 113 currently occupies 99.4% of the main floor footage; the remainder is under a lease occupancy agreement with Washington Association of School Administrators. Current lease has a termination date of 07/31/2024.

Lease income for the fiscal year ended August 31, 2022 is detailed below:

	Lease Income
Office Space in Tyee Building	\$16,080
Total Lease Income	\$ 16,080

NOTE 6: PENSION PLANS

State Sponsored Pension Plans

General Information

CR ESD 113 is required to provide retirement benefits for substantially all qualifying employees through the Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington. Generally accepted accounting principles require, among other provisions, that CR ESD 113 recognize its proportionate share of the DRS plans' funded status. CR ESD 113 has no independent ability to fund or satisfy pension liabilities outside of Washington State's legislatively adopted contribution rates. Assessments now and in the future are made based on the legislatively-mandated rates and are paid by CR ESD 113 on salaries and wages, as earned, in future years.

The following table represents the aggregate pension amounts for all plans of CR ESD 113 for fiscal year 2022:

Aggregate Pension Amounts—All Plans	
Pension Liabilities	\$ 3,489,494
Pension Assets	\$1,525,303
Deferred outflows of resources	\$4,255,375
Deferred inflows of resources	\$3,570,290
Pension expense	\$1,475,594

DRS, a department within the primary government of the state of Washington, issues a publicly available annual comprehensive financial report (ACFR) 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 CR ESD 113's full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by DRS: Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS).

Membership & Plan Benefits

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

TRS Plan Information

TRS was established in 1938, and its retirement provisions are contained in RCW 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	7.92%	6.00%	
PERS Plan 1 UAAL	4.87%		
Administrative Fee	0.18%		
Total	12.97%	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	8.15%	6.00%	
TRS Plan 1 UAAL	7.41%		
Administrative Fee	0.18%		
Total	15.74%	6.00%	
TRS Plan 2/3			
September 1, 2021 – August 31, 2022			

Pension Rates – Actual Contribution Rates			
	Employer	Employee	
TRS Plan 2/3	8.05%	8.05%	*/ **
TRS Plan 1 UAAL	6.19%		
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			

CR ESD 113'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	\$613,511	\$1,217,378	\$214,074	\$224,063

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

As of June 30, 2022, CR ESD 113 reported \$3,489,494 for its proportionate shares of the individual plans' collective net pension assets and \$(1,525,303) for its proportionate shares of the individual plans' collective net pension liability. 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, CR ESD 113's proportionate share of each plan's net pension (asset) liability is reported below:

June 30, 2022	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Proportionate Share of NPL	\$2,788,616	\$(1,452,940)	\$700,878	\$(72,363)

Changes to CR ESD 113's proportionate shares of the collective net pension (asset) liability are displayed below:

Change in Proportionate Shares of the (NPA)/NPL	Beginning Balance 9/1/2021	Additions	Reductions	Ending Balance 8/31/2022
Net Pension (Asset) Liability	\$(7,154,562)	\$5,629,259		\$(1,525,303)

Changes to CR ESD 113's proportionate shares of the collective net pension liability are displayed in the Schedule of Changes in Long Term Liabilities, Note 4.

As of June 30, 2022, CR ESD 113's proportionate share of the collective net pension (asset) liability and the change in the allocation percentage from the prior year is reported below:

Change in Proportionate Shares Allocation Percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of (NPA)/NPL	0.100153%	0.540830%	0.036853%	0.036772%
Prior year proportionate share of (NPA)/NPL	0.094387%	0.568890%	0.037812%	0.038068%
Net difference percentage	0.005765%	-0.028060%	-0.000960%	-0.001295%

Actuarial Assumptions

The total pension (assets) 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 2019 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.

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 (asset) or liability.

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

The table below presents CR ESD 113's proportionate share of the net pension (asset) or liability calculated using the discount rate of 7.00%, as well as what the net pension (asset) or liability would be if it were calculated using a discount rate that is one percentage point lower (8.00%) or one percentage point higher (6.00%) than the current rate. Amounts are calculated by plan using CR ESD 113's allocation percentage.

Sensitivity of (NPA)/NPL to Changes in the Discount Rate			
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
PERS 1 (NPA)/NPL	\$3,719,876,000	\$2,784,367,000	\$1,967,887,000
Allocation Percentage	0.100153%	0.100153%	0.100153%
Proportionate Share of Collective (NPA)/NPL	\$3,725,552	\$2,788,616	\$1,970,890
SERS 2/3 (NPA)/NPL	\$929,172,000	\$(268,650,000)	\$(1,255,926,000)
Allocation Percentage	0.540830%	0.540830%	0.540830%
Proportionate Share of Collective (NPA)/NPL	\$5,025,243	\$(1,452,940)	\$(6,792,428)
TRS 1 (NPA)/NPL	\$2,582,448,000	\$1,901,830,000	\$1,306,883,000
Allocation Percentage	0.036853%	0.036853%	0.036853%
Proportionate Share of Collective (NPA)/NPL	\$951,705	\$700,878	\$481,623
TRS 2/3 (NPA)/NPL	\$3,565,129,000	\$(196,786,000)	\$(3,255,167,000)
Allocation Percentage	0.036772%	0.036772%	0.036772%
Proportionate Share of Collective (NPA)/NPL	\$1,310,981	\$(72,363)	\$(1,197,001)

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, CR ESD 113 reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions		
PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences		
Net difference between projected and actual earnings on pension plan investments		\$(462,156)
Changes in assumptions or other inputs		
Changes in proportionate shares		
Contributions subsequent to the measurement date	\$110,316	
TOTAL	\$110,316	\$(462,156)
SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$1,201,302	
Net difference between projected and actual earnings on pension plan investments		\$(2,144,414)
Changes in assumptions or other inputs	1,642,978	(118,434)
Changes in proportionate shares	189,042	(231,051)
Contributions subsequent to the measurement date	230,706	
TOTAL	\$3,264,028	\$(2,493,899)
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		\$(125,589)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions		
Changes in assumptions or other inputs		
Changes in proportionate shares		
Contributions subsequent to the measurement date	\$35,998	
TOTAL	\$35,998	\$(125,589)
TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$360,555	\$(7,272)
Net difference between projected and actual earnings on pension plan investments		(382,731)
Changes in assumptions or other inputs	407,663	(44,337)
Changes in proportionate shares	29,999	(54,306)
Contributions subsequent to the measurement date	46,816	
TOTAL	\$845,033	\$(488,646)
COMBINED TOTAL	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$1,561,857	\$(7,272)
Net difference between projected and actual earnings on pension plan investments		(3,114,890)
Changes in assumptions or other inputs	2,050,641	(162,771)
Changes in proportionate shares	219,041	(285,357)
Contributions subsequent to the measurement date	423,836	
TOTAL	\$4,255,375	\$(3,570,290)

\$423,836 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 (asset) or liability for 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 ending August 31,	PERS 1	SERS 2/3	TRS 1	TRS 2/3
2023	\$(195,575)	\$(308,818)	\$(53,247)	\$(80,872)
2024	(177,632)	(225,558)	(48,412)	(64,743)
2025	(222,834)	(473,071)	(60,887)	(98,608)
2026	133,886	1,160,698	36,957	207,710
2027		351,697		84,434
Thereafter		\$34,474		\$261,649

Pension Expense

For the year ended August 31, 2022, CR ESD 113 recognized a total pension expense as follows:

Pension Expense	
PERS 1	\$1,443,915
SERS 2/3	(312,555)
TRS 1	379,594
TRS 2/3	(35,360)
Total Pension Expense	\$1,475,594

Schedules of Required Supplementary Information

Required supplementary information is presented in the required supplementary schedules for each plan CR ESD 113 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	\$10,623,237
Deferred outflows of resources	3,283,933
Deferred inflows of resources	(4,530,250)
OPEB expense	\$1,419,176

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 CR ESD 113’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. CR ESD 113's established contribution to PEBB for the retiree OPEB plan for the fiscal years ending August 31, 2022 and 2021 under the required formula was \$11,620 and \$11,632, respectively.

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

Employees Covered by Benefit Terms

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

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

Former members who are entitled to a deferred vested pension benefit are not eligible to receive medical and life insurance benefits after pension benefit commencement. Survivors of covered members who die are eligible for medical benefits. At June 30, 2022, the following employees were covered by benefit terms:

Retirees and dependents currently receiving benefit payments	145
Active employees who may qualify for benefits upon retirement	323

It is not possible to determine the number of inactive employees entitled to, but not yet receiving benefit payments. Retiring employees apply for benefits at their discretion, may be otherwise working and not eligible for benefits or be deceased. This data is not monitored by CR ESD 113, HCA or the state of Washington.

Election Assumptions

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

CR ESD 113's Total OPEB Liability of \$10,623,237 was measured for the year ended 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.

Changes in Actuarial Methods and Assumptions

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 expectation 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, 2021 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 2.35% for national inflation + 0.40% for the regional price inflation differential component + 0.50% real wage growth. 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 TRS ², modified for CR ESD 113.

- Service retirement assumptions for plans 2 and 3 were used, which vary based on hire date and years of service.
- The assumed rates of disability under SERS and TRS plans 2 and 3 are less than 0.2% for ages 49 and below and continue to be low after that; demographic assumptions assume a 0% disability rate for all ages.
- Public Plan headcount-weighted mortality tables projected forward using 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%	7.2% to 3.8%	7.5% to 3.8%

Dental costs trends are assumed to increase 1.1% to 4.0% for the year 2023-2074 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 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 Annual Comprehensive Financial Report (ACFR) for the Department of Retirement Systems at [Publications - Department of Retirement Systems \(wa.gov\)](#)

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 retirees and spouses will pay the premium

minus \$183 when the premium is over \$366 per month and pay half the premium when the premium is lower than \$366.

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 are 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 ended	August 31, 2022
Total OPEB Liability, beginning balance	\$14,646,059
Changes for the year:	
Service cost	955,984
Interest on Total OPEB Liability	330,291
Effect of plan changes	
Effect of economic/demographic gains or losses	(1,749,048)
Effect of assumptions changes or inputs	(3,222,468)
Expected benefit payments	(337,580)
Total OPEB Liability, ending balance	\$10,623,237

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

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

Expected benefit payments represent all benefits estimated to be payable through the PEBB OPEB plan to current active and inactive employees as a result of their past service and expected future service. This is the subsidy difference between the total cost of

benefits and the portion of the benefits paid by the retirees. Per employee health costs vary depending on age, number of dependents and expected morbidity.

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

The following presents CR ESD 113's Total OPEB Liability, calculated using the discount rate of 3.59%, as well as what CR ESD 113's Total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.59%) or one percentage point higher (4.59%) than the current rate:

As of August 31, 2022	1% Decrease 2.59%	Discount Rate 3.59%	1% Increase 4.59%
Total OPEB Liability	\$12,388,362	\$10,623,237	\$9,201,386

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

The following presents the Total OPEB Liability of CR ESD 113, calculated using the current healthcare cost trend rates as well as what CR ESD 113's Total OPEB Liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current trend rates.

As of August 31, 2022	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$9,039,685	\$10,623,237	\$12,661,110

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

CR ESD 113 recognized OPEB expense as follows:

For the year ended	August 31, 2022
Service cost	\$955,984
Interest on Total OPEB Liability	330,291
Effect of plan changes	
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of economic/demographic gains/losses	179,279
Recognition of assumption changes or inputs	(46,378)
OPEB Expense	\$1,419,176

CR ESD 113's deferred outflows and inflows of resources related to OPEB as of the August 31, 2022 Measurement Date are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,650,822	\$(1,543,278)
Changes of assumptions or inputs	1,633,111	(2,986,972)
Contributions made subsequent to the Measurement Date	NA	NA
Total	\$3,283,933	\$(4,530,250)

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

Measurement period ended August 31,	
2023	\$132,901
2024	132,903
2025	204,714
2026	(64,944)
2027	(215,718)
Thereafter	\$(1,436,173)

NOTE 8: RISK MANAGEMENT

Property and Casualty

CR ESD 113 is a member of United Schools Insurance Program. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1985, when 29 school districts in the state of Washington joined together by signing a Joint Purchasing Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Membership as of August 31, 2022 includes 157 school districts.

The program allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Wrongful Acts Liability, Miscellaneous Professional Liability, and Employee

Benefit Liability is on a claims-made basis. All other coverages are on an occurrence basis. The program provides the following forms of group purchased insurance coverage for its members: Property, General Liability, Automotive Liability, Wrongful Acts Liability, and Crime.

Liability insurance is subject to a self-insured retention of \$350,000. Members are responsible for a \$1,000 deductible for each claim (member deductibles may vary), while the program is responsible for the \$350,000 self-insured retention (SIR). Insurance carriers cover insured losses over \$351,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$350,000 SIR. The program also purchases a stop loss policy with an attachment point of \$3,198,245, as an additional layer of protection for its members.

Property insurance is subject to a per-occurrence SIR of \$350,000. Members are responsible for a \$1,000 deductible for each claim (member deductibles may vary), while the program is responsible for the \$351,000 SIR. Equipment Breakdown insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for a \$2,500 deductible each claim, while the program is responsible for the remaining \$7,500.

Privacy, Security, and Technology (Cyber) insurance is subject to a per-occurrence SIR of \$250,000. Members are responsible for a \$10,000 deductible for each claim, while the program is responsible for the remaining \$240,000.

Members contract to remain in the program for a minimum of one year and must give notice before August 31 to terminate participation the following September 1. The Interlocal Agreement is renewed automatically each year. Even after termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Joint Purchasing Agreement.

The program is fully funded by its member participants. Claims are filed by members with Clear Risk Solutions, which has been contracted to perform program administration, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending August 31, 2021, were \$1,726,508.

A board of directors, consisting of nine members, is selected by the membership from six areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. The board of directors has contracted with Clear Risk

Solutions to perform day-to-day administration of the program. This program has no employees.

Worker's Compensation

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

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

Members make an annual contribution to fund the Workers' Compensation Fund. Member contributions are calculated based on the members' hours worked. The Workers' Compensation Fund retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts. The Workers' Compensation Fund per-occurrence retention limit is \$450,000 and the annual aggregate retention is \$7,826,006. Since the Workers' Compensation Fund is a cooperative program, there is a joint liability among participating members.

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

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

Unemployment

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

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

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

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

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

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

NOTE 9: RISK POOL DISCLOSURES

Workers' Compensation Insurance Pool

CR ESD 113 operates a self-funding, claims control and risk management fund for worker's compensation liabilities of member school districts and educational service districts. The Workers' Compensation Pool, registered in Washington and doing business as The Workers' Compensation Insurance Fund, is organized pursuant to RCW 51.14 for the purpose of managing workers' compensation payroll taxes, employee

claims, and safety programs. An agreement to form a pooling arrangement was made pursuant to the provisions of RCW 39.34, the Interlocal Cooperation Act. The Workers' Compensation Insurance Fund was formed in 1983 to pool self-insured losses and jointly purchase insurance and administrative services. Forty-five districts have joined The Workers' Compensation Insurance Fund. CR ESD 113 is also a member of the The Workers' Compensation Insurance Fund (see Note 8) for a total of forty-six members.

Member Assessments, Unearned Member Assessments and Credits

Member assessments are collected in advance and recognized as revenue in the period for which insurance protection is provided. The assessment is calculated based on their employee's hours worked and the members experience rated contribution factor. Workers' Compensation self-insurers in Washington are charged quarterly by L&I based on the amount of self-insured loss payments made during the quarter. The Workers' Compensation Pool estimated outstanding self-insurer assessments as of August 31, 2022 are approximately \$516,000. This represents future administrative and second injury assessments related to the Workers' Compensation Pool August 31, 2021 unpaid claim estimate. The estimate made in the prior actuarial study was \$637,000. The estimated Workers' Compensation Pool future second injury fund assessment rate is based on a three-year average of the prior rates charged by L&I.

The interlocal governmental agreement provides for assessments to members based on actual claim experience. During fiscal year 2022, the Workers' Compensation Pool did not make a supplemental assessment.

Unpaid Claims

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

Reserve for Unallocated Loss Adjustment Expenses

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

Unpaid Claim Liabilities

The Workers' Compensation Insurance Fund establishes claims liabilities based on actuarially derived estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and claims that have

been incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount.

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

The Worker's Compensation Insurance Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. At August 31, 2022, the amount of liabilities totaled \$5,113,000. This liability is the District's best estimate based on available information. Changes in the aggregate liabilities may be found in the Required Supplementary Schedules to these financial statements.

The following represents changes in those liabilities for The Worker's Compensation Insurance Fund during the past two years:

	For the Year Ended August 31, 2022	For the Year Ended August 31, 2021
Unpaid claims and claim adjustment expenses at beginning of year	\$5,414,000	\$6,460,000
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	2,428,657	(255,935)
Changes in provision for ULAE	(5,000)	(65,000)
Increases (decreases) in provision for insured events of prior years	355,294	1,997,798
Total incurred claims and claim adjustment expenses	2,778,951	1,676,863
Payments:		

	For the Year Ended August 31, 2022	For the Year Ended August 31, 2021
Claims and claim adjustment expenses attributable to insured events of current year	1,563,191	764,647
Claims and claim adjustment expenses attributable to insured events of prior years	1,516,760	1,958,216
Total Payments	3,079,951	2,722,863
Total unpaid claims and claim adjustment expenses at end of year	\$5,113,000	\$5,414,000

Risk Financing Limits

The Worker's Compensation Insurance Fund retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by excess insurance contracts. For the fiscal year ending August 31, 2022, the Worker's Compensation Insurance Fund's per occurrence self-insured retention limit is \$450,000. There is no member deductible.

Reinsurance

The Worker's Compensation Insurance Fund maintains an excess insurance contract with an insurance carrier to provide coverage over the Worker's Compensation Insurance Fund'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 Worker's Compensation Insurance Fund as direct insurer of the risks reinsured. The Worker's Compensation Insurance Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

For the fiscal year ending August 31, 2022, Arthur J. Gallagher Risk Management Services provided an excess insurance policy with a self-insured retention of \$450,000 and an aggregated stop loss of \$7,826,006.

The Workers' Compensation Insurance Fund records liabilities net of reinsurance premiums based on operating practice with the reinsurer who pays all reinsurance claims directly. The Workers' Compensation Insurance Funds reinsurance premiums paid during the year were \$254,721. Reinsurance paid \$8,687 in claims during the year.

Exemption from Federal and State Taxes

Pursuant to revenue ruling number 90-74, income of municipal risk pools is excluded from gross income under IRC Section 115(1). RCW 51.14 exempts the Workers' Compensation Fund from insurance premium taxes, and business and occupation taxes imposed pursuant to RCW 82.04.

Unemployment Compensation Risk Pool

CR ESD 113 operates a self-funding, claims control and risk management fund for unemployment claim liabilities of member school districts and educational service districts. The Unemployment Compensation Pool is organized pursuant to RCW 50.44 for the purpose of managing unemployment compensation payroll taxes and employee claims and providing employer representation, as needed. An agreement to form a pooling arrangement was made pursuant to the provisions of RCW 39.34, the Interlocal Cooperation Act. The Unemployment Compensation Pool was formed in 1978 to pool self-insured losses and jointly purchase administrative services. Thirty-nine districts have joined the Unemployment Compensation Pool. CR ESD 113 is also a member of the Unemployment Compensation Pool (see Note 8) for a total of forty members.

Member Assessments, Unearned Member Assessments and Credits

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

The interlocal governmental agreement provides for assessments to members based on actual claim experience. The agreement further provides that assessments are made in the aggregate and may be held to credit against future assessments in circumstances of a surplus fund balance. During fiscal year 2022, the Unemployment Cooperative did not make a supplemental assessment for claims experience.

Unpaid Claims

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

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 State Employment Security Department. The change in the liability each year is reflected in current earnings.

Unpaid Claim Liabilities

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

The Unemployment Cooperative establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. As of August 31, 2022, the amount of liabilities totaled \$70,981. This liability is CR ESD 113's best estimate based on available information.

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

	For the Year Ended August 31, 2022	For the Year Ended August 31, 2021
Unpaid claims and claim adjustment expenses at beginning of year	\$256,219	\$1,630,697
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	138,002	1,253,616
Changes in provision for ULAE	(18,000)	(18,000)
Total incurred claims and claim adjustment expenses	120,002	1,235,616
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	226,614	1,704,668

	For the Year Ended August 31, 2022	For the Year Ended August 31, 2021
Claims and claim adjustment expenses attributable to insured events of prior years	34,174	905,426
Total Payments	260,788	2,610,094
Total unpaid claims and claim adjustment expenses at end of year	\$115,433	\$256,219

Risk Financing Limits

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

Exemption from Federal and State Taxes

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

NOTE 10: NET POSITION

Restricted Net Position

CR ESD 113's Statement of Net Position reports \$3,390,660 of restricted net position as of August 31, 2022:

Program Description	Restricted By	Amount
Capital Region Information Service Center	Contractual Agreement	\$489,613
Lewis County Special Education Cooperative	Contractual Agreement	642,495
Early Learning Transportation Depreciation	RCW 28A.160.130	316,560
Early Childhood Education and Assistance Program	Enabling Legislation	146,456
Net Pension Asset	WA State Department of Retirement	1,525,303
Equity in Joint Venture	WSIPC Agreement	270,233

Program Description	Restricted By	Amount
Total Restricted Net Position		\$3,390,660

Joint Venture

CR ESD 113 is a member of a joint venture for the provision of information processing services. CR ESD 113's interest in the joint venture of \$270,233 is reported as a restricted position on the Statement of Net Position. See Note 12 for further disclosure regarding the joint venture.

Unrestricted Net Position

CR ESD 113's Statement of Net Position reports \$(2,875,012) of unrestricted net position as of August 31, 2022:

Unrestricted Net Position	Amount
Facility Reserves	\$2,640,645
Student Assistance Programs	2,068,575
Teaching & Learning Services	883,638
GRAVITY Education	882,197
Nursing Services	719,825
Regional Math / Science Services	604,333
Equipment & Technology Replacement	380,705
Special Education Services	355,875
Digital Learning	329,800
Transportation Depreciation	316,560
Olympic Academy	294,826
Network Services Coop	293,485
Research Department	274,896
Safety	263,235
Transportation Planning	261,064
Education Advocate	238,350
EdJobs NW	221,882
Early Childhood	210,047
Business Support Services	163,610
Other Program Reserves	782,275
GASB 68 Pension	(2,804,409)
GASB 75 OPEB	(11,869,554)
Compensated Absences Pool Equity	(386,871)
Total Unrestricted Net Position	\$(2,875,012)

NOTE 11: CUSTODIAL FUNDS

Compensated Absences

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

For fiscal year ending August 31, 2022, there are four members in the Fund including three participating school districts. The Fund allows members to accumulate dedicated funds for payment of leave related to sick leave and vacation leave buy out at retirement and certain other instances. Payroll contributions are made to the Fund at the time leave is earned to reserve assets for expenses. Coverage is on an "occurrence" basis. Leave taken by current employees is recorded as an expense when paid.

Trust and Agency

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

NOTE 12: INVESTMENT IN JOINT VENTURE

Washington School Information Processing Cooperative (WSIPC)

CR ESD 113 is a member of WSIPC. The WSIPC Board of Directors consists of a member from 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.

CR ESD 113'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.

CR ESD 113 contributed \$1,672,217 to the joint venture during fiscal year and there were no distributions in fiscal year 2022. During fiscal year ending August 31, 2021, CR ESD 113 paid \$1,675,876 to WSIPC in fees for cooperative services rendered.

The total investment in the joint venture, includes WSIPC's share of the net pension or liability for participation in Washington's Department of Retirement System pension plans. CR ESD 113's share of net investment in the joint venture is impacted by the components of the pension (asset) or liability by \$1,630,828. WSIPC employees participate in the Washington State retirement system; WSIPC is required to recognize their proportionate share of the individual plans' net pension (asset) or liability and related component measures under generally accepted accounting principles. WSIPC's financial statements include the proportionate share of the net pension (asset) or liability associated with Public Employees' Retirement System (PERS) plans. General disclosures regarding the Washington State retirement system and pension accounting may be found in the DRS annual comprehensive financial report (obtained at: Washington State Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or online at <https://www.drs.wa.gov>). Specific disclosures for the PERS plan may be found in the notes to WSIPC's financial statements.

The total investment in the joint venture, includes WSIPC's share of the Total OPEB (other post-employment benefits) liability for post-retirement benefits provided through the Washington State Health Care Authority. CR ESD 113's share of net investment in the joint venture is impacted by the components of the Total OPEB Liability by \$4,917,113. WSIPC has implemented generally accepted accounting principles for OPEB. WSIPC's Total OPEB Liability and the related component measures were determined through an actuarial valuation consistent with the actuarial valuation method used by the nine member ESDs. General disclosures regarding the OPEB plan administered by the Washington State Health Care Authority for employer participants may be found at <http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>. Specific disclosures for WSIPC's plan participation may be found in the notes to WSIPC's financial statements.

The change in net position for CR ESD 113'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 or expense. The Net

Investment in Joint Venture balance in the Statement of Net Position is a restricted net position (see Note 11).

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

NOTE 13: CONTINGENCIES AND LITIGATIONS

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

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

NOTE 14: OTHER DISCLOSURES

Subsequent Events

CR ESD 113 purchased the 4th Avenue building on 8/1/2022 for \$997,362 using cash reserves. On 9/30/2022, CR ESD 113 obtained a mortgage through Olympia Federal Savings on the 4th Avenue building of \$800,000. Repayment will be made using ESD funds and/or leased revenue.

REQUIRED SUPPLEMENTAL INFORMATION

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

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

PERS 1	2015	2016	2017	2018	2019	2020	2021	2022
District's proportion of the net pension liability (percentage)	0.094772%	0.094848%	0.097611%	0.101660%	0.102702%	0.085687%	0.094387%	0.100153%
District's proportionate share of the net pension liability (asset)	4,957,456	5,093,799	4,631,718	4,540,166	3,949,270	3,025,200	1,152,692	2,788,616
District's covered-employee payroll ***	10,712,778	11,479,391	12,265,906	13,617,635	14,401,977	12,848,281	14,518,804	15,359,565
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	46.28%	44.37%	37.76%	33.34%	27.42%	23.55%	7.94%	18.16%
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	2015	2016	2017	2018	2019	2020	2021	2022
District's proportion of the net pension liability (percentage)	0.613125%	0.615719%	0.598574%	0.622018%	0.595028%	0.490392%	0.568890%	0.540830%
District's proportionate share of the net pension liability (asset)	2,490,214	4,043,840	2,953,812	1,860,221	1,395,328	2,608,709	(6,108,153)	(1,452,940)
District's covered-employee payroll	10,554,201	11,391,617	12,230,142	13,604,786	14,401,977	12,848,281	14,518,804	15,359,565
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	23.59%	35.50%	24.15%	13.67%	9.69%	20.30%	-42.07%	-9.46%
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	2015	2016	2017	2018	2019	2020	2021	2022
District's proportion of the net pension liability (percentage)	0.046211%	0.043081%	0.040736%	0.043080%	0.037763%	0.034419%	0.037812%	0.036853%
District's proportionate share of the net pension liability (asset)	1,464,041	1,470,887	1,231,570	1,258,203	934,944	829,083	254,590	700,878
District's covered-employee payroll ****	2,282,021	2,217,363	2,288,140	2,547,879	2,546,176	2,503,310	2,826,657	2,912,789
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	64.16%	66.33%	53.82%	49.38%	36.72%	33.12%	9.01%	24.06%
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	2015	2016	2017	2018	2019	2020	2021	2022
District's proportion of the net pension liability (percentage)	0.048760%	0.044401%	0.041732%	0.043827%	0.038143%	0.034803%	0.038068%	0.036772%
District's proportionate share of the net pension liability (asset)	411,465	609,760	385,166	197,271	229,822	534,565	(1,046,409)	(72,363)
District's covered-employee payroll	2,282,021	2,217,363	2,288,140	2,547,879	2,546,176	2,503,310	2,826,657	2,912,789
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	18.03%	27.50%	16.83%	7.74%	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%	120.29%	100.86%

Notes to Schedules:

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

** 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 #113
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS, PENSION PLANS
AS OF AUGUST 31, *
Last 10 Fiscal Years **

PERS 1	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution	435,570	537,882	587,155	679,519	736,418	621,010	714,819	613,798
Contributions in relation to the contractually required contributions	435,570	537,882	587,155	679,519	736,418	621,010	714,819	613,798
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll ***	10,798,789	11,648,731	12,418,694	13,851,203	13,193,157	12,863,858	13,548,655	14,601,505
Contribution as a percentage of covered-employee payroll	4.03%	4.62%	4.73%	4.91%	5.58%	4.83%	5.28%	4.20%
SERS 2/3	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution	596,091	736,611	810,750	1,088,162	1,191,043	1,060,443	1,213,385	1,210,471
Contributions in relation to the contractually required contributions	596,091	736,611	810,750	1,088,162	1,191,043	1,060,443	1,213,385	1,210,471
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	10,653,066	11,572,336	12,345,393	13,846,394	13,193,157	12,863,858	13,548,655	14,601,505
Contribution as a percentage of covered-employee payroll	5.60%	6.37%	6.57%	7.86%	9.03%	8.24%	8.96%	8.29%
TERS 1	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution	103,410	130,930	142,551	179,169	187,542	180,753	210,348	189,110
Contributions in relation to the contractually required contributions	103,410	130,930	142,551	179,169	187,542	180,753	210,348	189,110
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll ****	2,285,138	2,217,478	2,298,368	2,551,936	2,346,129	2,527,519	2,613,589	2,773,014
Contribution as a percentage of covered-employee payroll	4.53%	5.90%	6.20%	7.02%	7.99%	7.15%	8.05%	6.82%
TERS 2/3	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution	129,587	144,927	153,763	194,846	199,365	202,497	231,959	235,202
Contributions in relation to the contractually required contributions	129,587	144,927	153,763	194,846	199,365	202,497	231,959	235,202
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	2,285,138	2,217,478	2,298,368	2,551,936	2,346,129	2,527,519	2,613,589	2,773,014
Contribution as a percentage of covered-employee payroll	5.67%	6.54%	6.69%	7.64%	8.50%	8.01%	8.88%	8.48%

Notes to Schedules:

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

** 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

Educational Service District No. 113
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 **

TOTAL OPEB LIABILITY	2018	2019	2020	2021	2022
Service cost	304,891	278,600	409,455	907,962	955,984
Interest on total OPEB liability	264,200	288,764	285,029	315,719	330,291
Changes in benefit terms					
Effect of economic/demographic gains or (losses)		654,340	2,245,106	-	(1,749,048)
Effect of assumption changes or inputs	(502,669)	1,233,248	1,624,776	147,545	(3,222,468)
Expected benefit payments	(272,876)	(277,862)	(283,291)	(334,327)	(337,580)
Net change in total OPEB liability	(206,454)	2,177,090	4,281,075	1,036,899	(4,022,821)
Total OPEB liability, beginning balance	7,357,448	7,150,995	9,328,085	13,609,160	14,646,059
Total OPEB liability, ending balance	7,150,994	9,328,085	13,609,160	14,646,059	10,623,238
Covered employee payroll	16,396,953	16,919,779	18,935,826	18,208,124	20,404,757
Total OPEB liability as a % of covered employee payroll	43.61%	55.13%	71.87%	80.44%	52.06%

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 113
REQUIRED SUPPLEMENTAL INFORMATION - TEN YEAR CLAIMS DEVELOPMENT INFORMATION
WORKER'S COMPENSATION TRUST
FOR THE FISCAL YEAR ENDED AUGUST 31, 2022

	Fiscal and Policy Year Ended									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1. Net earned required contributions	5,633,393.57	5,961,223.01	6,411,357.08	6,579,548.96	6,730,338.00	7,186,593.76	7,963,787.47	7,717,708.16	6,342,204.40	7,277,256.26
2. Unallocated expenses	2,231,758.83	2,157,588.66	1,928,876.68	2,076,826.63	2,196,700.00	2,214,920.28	2,397,523.43	2,183,360.70	1,874,047.94	1,736,897.36
3. Estimated incurred claims and	3,304,963.00	2,879,676.00	2,533,893.00	2,782,564.00	2,450,745.00	2,904,803.00	2,890,336.74	2,585,179.47	1,685,804.38	2,598,593.00
4. Paid (cumulative) as of:	Fiscal and Policy Year Ended									
End of policy year	1,432,721	1,422,640	1,112,829	1,385,027	1,280,122	1,592,771	1,521,287	1,388,328	764,648	1,563,192
One year later	2,764,077	2,721,087	2,054,149	2,550,091	2,215,473	2,706,684	2,577,632	2,149,052	1,659,656	
Two years later	3,299,040	3,419,665	2,630,521	3,011,369	2,598,790	2,935,900	3,362,001	2,422,800		
Three years later	3,604,119	3,743,269	2,867,595	3,283,197	2,707,922	3,150,275	3,534,782			
Four years later	3,688,884	3,846,167	3,056,888	3,345,629	2,729,210	3,197,066				
Five years later	3,724,823	3,930,591	3,064,653	3,440,058	2,721,506					
Six years later	3,752,702	4,045,127	3,065,078	3,456,290						
Seven years later	3,777,761	4,071,815	3,065,219							
Eight years later	3,780,793	4,221,719								
Nine years later	3,781,112									
	33,606,032	31,422,080	20,916,932	20,471,661	14,253,023	13,582,696	10,995,702	5,960,180	2,424,304	1,563,192
5. Reestimated incurred claims and	Fiscal and Policy Year Ended									
End of policy year	3,304,963	2,879,676	2,533,893	2,782,564	2,450,745	2,904,803	2,890,337	2,585,179	1,685,804	2,598,593
One year later	3,793,335	3,583,965	2,782,388	3,111,327	2,937,877	3,040,914	3,398,129	2,680,099	2,095,418	
Two years later	3,788,687	3,943,703	2,948,948	3,281,650	2,874,874	3,153,662	3,780,938	2,627,411		
Three years later	3,831,035	3,984,076	3,145,563	3,342,915	2,731,706	3,326,999	3,761,702			
Four years later	3,880,410	4,047,634	3,116,715	3,388,580	2,744,526	3,323,415				
Five years later	3,823,462	4,066,789	3,064,653	3,485,799	2,721,506					
Six years later	3,814,100	4,112,001	3,065,078	3,503,834						
Seven years later	3,780,442	4,231,143	3,065,219							
Eight years later	3,780,793	4,228,043								
Nine years later	3,781,112									
	37,578,339	35,077,030	23,722,457	22,896,669	16,461,234	15,749,793	13,831,106	7,892,689	3,781,222	2,598,593

ESD 113 WORKERS' COMPENSATION TRUST ADMINISTRATION

ADVISORY BOARD

The Trust is governed by an Advisory Board made up of one representative from each district. The member districts are:

Aberdeen School District No. 14005	Ocosta School District No. 14172
Adna School District No. 21226	Olympia School District No. 34111
Arlington School District No. 31016	Onalaska School District No. 21300
Boistfort School District No. 21234	Pe Ell School District No. 21301
Centralia School District No. 21401	Pioneer School District No. 23402
Chehalis School District No. 21302	Quinault School District No. 14097
Cosmopolis School District No. 14099	Rainier School District No. 34307
Elma School District No. 14068	Raymond School District No. 25116
Evaline School District No. 21036	Rochester School District No. 34401
Grapeview School District No. 23054	Satsop School District No. 14104
Griffin School District No. 34324	Shelton School District No. 23309
Hood Canal School District No. 23404	South Bend School District No. 25118
Hoquiam School District No. 14028	Southside School District No. 23042
Mary M Knight School District No. 23311	Taholah School District No. 14077
Mc Cleary School District No. 14065	Tenino School District No. 34402
Montesano School District No. 14066	Toledo School District No. 21237
Morton School District No. 21214	Tumwater School District No. 34033
Mossyrock School District No. 21206	White Pass School District No. 21303
Napavine School District No. 21014	Willapa Valley School District No. 25160
North Beach School District No. 14064	Winlock School District No. 21232
North River School District No. 25200	Wishkah Valley School District No. 14117
North Thurston School District No. 34003	Yelm School District No. 34002
Oakville School District No. 14400	ESD 113

EXECUTIVE COMMITTEE

Between the meetings of the Advisory Board, seven-member Executive Committee exercises the Advisory Board's power. The Executive Committee is elected by the Advisory Board to two-year, staggered terms and meets as necessary between September 1 and August 31. For the period September 1, 2021 through August 31, 2022, the Executive Committee members were:

<u>Name</u>	<u>District</u>
Mr. Mike Villareal	Hoquiam School District
Mr. Matthew Mallery	Mary M. Knight School District
Mr. Monty Sabin	North Thurston Public Schools
Ms. Jennifer Priddy	Olympia School District
Mr. Chris Rust	Toledo School District
Ms. Nancy Morris	Willapa Valley School District

ESD ADMINISTRATION

ESD 113 is the Trust Administrator whose duty is the operational management of the Trust. The ESD 113 Board of Directors reviews and approves all expenditures. The Trust's fiscal year is from September 1 through August 31.

Educational Service District 113
WORKERS' COMPENSATION INSURANCE FUND
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED AUGUST 31, 2022

This is a report of statistical information for school districts and educational service districts financing worker's compensation insurance benefits through an enterprise fund.

DISTRICT NAME	NUMBER OF EMPLOYEES COVERED 1/	NUMBER OF NEW CLAIMS FILED IN PERIOD 2/	AMOUNT PAID ON NEW CLAIMS FILED IN PERIOD	AMOUNT ON CLAIMS FILED PRIOR TO PERIOD
Aberdeen School District	584	17	27,669.86	36,016.61
Adna School District	114	-	-	-
Arlington School District	839	25	36,361.94	223,450.94
Boistfort School District	28	-	-	-
Centralia School District	553	33	80,499.00	(2,586.35)
Chehalis School District	529	12	62,503.79	50,051.08
Cosmopolis School District	41	1	956.08	-
Elma School District	271	9	17,213.60	67,661.37
Evaline School District	15	-	-	-
Grapeview School District	43	2	1,538.47	-
Griffin School District	124	4	26,787.65	827.11
Hood Canal School District	77	3	4,523.37	9,231.37
Hoquiam School District	298	12	12,132.85	37,411.75
M.M.Knight School District	51	-	-	-
McCleary School District	56	5	1,094.13	-
Montesano School District	232	5	5,575.31	74,785.70
Morton School District	75	2	1,640.76	-
Mossyrock School District	105	1	1,093.37	2,830.99
Napavine School District	133	2	1,626.07	37,795.70
No. Beach School District	161	7	34,157.82	20,797.73
No. River School District	28	-	-	672.30
No. Thurston School District	2,499	154	379,250.40	161,547.36
Oakville School District	60	1	-	9,569.40
Ocosta School District	110	4	10,421.65	15,521.04
Olympia School District	1,768	60	192,169.01	178,348.56
Onalaska School District	159	2	1,209.02	42,404.07
Pe Ell School District	68	2	3,380.24	72,928.58
Pioneer School District	114	3	3,072.72	4,784.69
Quinalt School District	42	-	-	144.14
Rainier School District	143	4	4,201.47	62,347.83
Raymond School District	116	7	55,814.40	2,285.66
Rochester School District	317	18	41,514.87	141,611.66
Satsop School District	11	-	-	-
Shelton School District	720	28	161,095.70	64,612.64
So Bend School District	142	1	1,147.37	3,704.75
Southside School District	36	-	-	-
Taholah School District	47	-	-	-
Tenino School District	195	6	25,328.02	3,914.69
Toledo School District	146	1	35,980.26	27.52
Tumwater School District	950	43	51,816.82	49,334.43
Vader(dissolved 8/31/07)	-	-	-	-
White Pass School District	85	4	2,632.99	3,667.45
Willapa School District	90	1	873.52	25,663.40
Winlock School District	136	3	20,580.60	25,353.28
Wishkah School District	54	1	-	(409.45)
Yelm School District	879	36	245,025.82	77,986.21
ESD 113	383	10	12,302.91	12,465.41
Total	13,627	529	\$ 1,563,191.86	\$ 1,516,759.62

1/ Average of four quarters.

2/ Claims with date of injury occurring during 2021-22

**Educational Service District No. 113
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 State of WA OSPI)	Child and Adult Care Food Program	10.558	WINS #159260	148,774	-	148,774	148,774	5
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Pacific County Public Health & Human Services)	Continuum of Care Program	14.267	#2021-22	7,839	-	7,839	7,839	5, 8
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via State of WA OSPI)	STOP School Violence	16.839	820030	4,096	-	4,096	4,096	7
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Title I Grants to Local Educational Agencies	84.010	260103 / 260114	295,243	-	295,243	295,243	4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Title I Grants to Local Educational Agencies	84.010	226046	17,290	-	17,290	17,290	4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Title I Grants to Local Educational Agencies	84.010	222703	97,833	-	97,833	97,833	4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Title I Grants to Local Educational Agencies	84.010	270332	92,867	-	92,867	92,867	4
Total ALN 84.010:				503,233	-	503,233	503,233	

The accompanying notes are an integral part of this schedule.

**Educational Service District No. 113
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 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		
Special Education Cluster (IDEA)								
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Special Education Grants to States	84.027	320321 / 320321	263,027	-	263,027	263,027	4
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Special Education Grants to States	84.027	328005 / 340601	58,977	-	58,977	58,977	4
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Special Education Grants to States	84.027	320311 / 320331	58,870	-	58,870	58,870	4
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Special Education Grants to States	84.027	328003 / 388023	60,428	-	60,428	60,428	7
			Total ALN 84.027:	441,302	-	441,302	441,302	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Special Education Preschool Grants	84.173	381142 / 388014	30,442	-	30,442	30,442	7
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Special Education Preschool Grants	84.173	381151 / 388095	16,000	-	16,000	16,000	4
			Total ALN 84.173:	46,442	-	46,442	46,442	

The accompanying notes are an integral part of this schedule.

**Educational Service District No. 113
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		ALN Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
		Total Special Education Cluster (IDEA):						
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	School Safety National Activities	84.184	510048	116,664	-	487,744	487,744	4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via Southeast Regional Resource Center)	Comprehensive Centers	84.283	N/A	874,838	-	874,838	874,838	5, 8
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Twenty-First Century Community Learning Centers	84.287	991453	174,047	-	174,047	174,047	4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Twenty-First Century Community Learning Centers	84.287	991716	167,340	-	167,340	167,340	4
		Total ALN 84.287:					341,387	
INSTITUTE OF EDUCATION SCIENCES, EDUCATION, DEPARTMENT OF (via University Of Washington)	Education Research, Development and Dissemination	84.305	UWSC12099	142,091	-	142,091	142,091	5
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	359001	9,554	-	9,554	9,554	4

The accompanying notes are an integral part of this schedule.

**Educational Service District No. 113
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 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		
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	COVID 19 - Education Stabilization Fund	84,425	140635	2,467	-	2,467	2,467	5
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	COVID 19 - Education Stabilization Fund	84,425	135511	1,004,265	-	1,004,265	1,004,265	5, 8
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	COVID 19 - Education Stabilization Fund	84,425	144131	15,095	-	15,095	15,095	5
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	COVID 19 - Education Stabilization Fund	84,425	141903	120,468	-	120,468	120,468	5
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via State of WA OSPI)	COVID 19 - Education Stabilization Fund	84,425	142201	297,357	-	297,357	297,357	5
Total ALN 84.425:				1,439,652	-	1,439,652	1,439,652	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Health Care Authority)	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	K3827-02 / K3827-03	389,178	-	389,178	389,178	4, 8
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Health Care Authority)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	K6048	4,604	-	4,604	4,604	4
Head Start Cluster								

The accompanying notes are an integral part of this schedule.

Educational Service District No. 113
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 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	COVID 19 - Head Start	93.600		-	19,029	19,029	-	5
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600		-	7,531,223	7,531,223	-	6, 8
Total Head Start Cluster:				-	7,550,252	7,550,252	-	
Medicaid Cluster								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Health Care Authority)	Medical Assistance Program	93.778	K1583	4,180	-	4,180	4,180	3, 8
Total Medicaid Cluster:				4,180	-	4,180	4,180	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of WA OSPI)	Opioid STR	93.788	K5474	126,492	-	126,492	126,492	4
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Health Care Authority)	Opioid STR	93.788	K5539	29,215	-	29,215	29,215	4
Total ALN 93.788:				155,707	-	155,707	155,707	

The accompanying notes are an integral part of this schedule.

**Educational Service District No. 113
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 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		
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via US Department of Health & Human Services)	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912	1DO4RH40243-01-00	124,398	-	124,398	124,398	4
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of WA OSPI)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	998219	284,674	-	284,674	284,674	4
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Health Care Authority)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K4216-02	29,118	-	29,118	29,118	4
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Health Care Authority)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K5474	36,622	-	36,622	36,622	4
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Health Care Authority)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K5539	18,041	-	18,041	18,041	4
Total ALN 93.959:				368,455	-	368,455	368,455	
Total Federal Awards Expended:				5,122,394	7,550,252	12,672,646	5,122,394	

The accompanying notes are an integral part of this schedule.



Capital Region ESD 113

Your goals, our reason

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2022

Note 1 - Basis of Accounting

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

Note 2 – Federal De Minimis Indirect Rate

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

Note 3 - Federal Indirect Rate

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

Note 4 - Federal Restricted Indirect Rate

ESD 113 claimed indirect costs under this grant using its federal restricted rate of 6.75% for September 2021 - August 2022.

Note 5 - Federal Indirect Rate

ESD 113 claimed indirect costs under this grant using its federal unrestricted rate of 10.33%.

Note 6 - Federal Indirect Rate

ESD 113 claimed indirect costs under this grant using its federal unrestricted rate of 13.23% for September 2021 - October 2021, 10.33% for November 2021 - August 2022.

Note 7 - Federal Indirect Rate

ESD 113 claimed indirect costs under this grant using its federal restricted rate of 7.15% September 2021 – October 2021, 6.75% November 2021 – August 2022.

Note 8 - Program Costs / Matching Contributions

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the ESD's local matching share, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in Title 2 U.S.Code of Federal Regulations Part 200, Uniform



Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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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