Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Northeast Washington Educational Service District No. 101

For the period September 1, 2018 through August 31, 2019

Published May 29, 2020

Report No. 1026373

Office of the Washington State Auditor
Pat McCarthy

May 29, 2020

Board of Directors
Northeast Washington Educational Service District No. 101
Spokane, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Northeast Washington Educational Service District No. 101'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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Northeast Washington Educational Service District No. 101
September 1, 2018 through August 31, 2019

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of Northeast Washington Educational Service District No. 101 are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

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

Internal Control over Financial Reporting:

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

CFDA No.	Program or Cluster Title
17.274	YouthBuild
84.184	School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities – National Programs)
93.959	Block Grants for Prevention and Treatment of Substance Abuse

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

The District did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2019-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Northeast Washington Educational Service District No. 101
September 1, 2018 through August 31, 2019

2019-001 The District did not have effective internal controls in place to ensure accurate and reliable financial reporting.

Background

District Board members, state and federal agencies, and the public rely on the information included in the financial statements to make decisions. District management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting.

The District prepares its financial statements in accordance with generally accepted accounting principles (GAAP). These financial statements are complex and the reporting requirements change frequently.

Government Auditing Standards requires auditors to communicate material weaknesses in internal controls, defined below in the Applicable Laws and Regulations section, as a finding.

Description of Condition

Financial statement preparation

Our audit noted the following deficiencies in internal controls over financial reporting that, when taken together, represent a material weakness and adversely affect the District's ability to produce accurate and reliable financial statements:

- District personnel responsible for financial reporting did not dedicate the necessary time and resources to ensure it prepared the financial statements, notes and schedules in accordance with GAAP.
- Although the District had a procedure to perform a final review of the financial statements, notes and required schedules, the review was not effective or adequate to detect and correct errors before the audit.

Compensated absences fund

The District created, and participates in, a compensated absences claim servicing pool for the purpose of reimbursing member districts for payments of accrued sick, annual and/or personal holiday leave for annual cash out, long-term medical leave, retirement or death of employees. Each member district has an interlocal cooperative agreement to participate in the pool and contributes monthly assessments to the pool. The District is the fiscal agent for the pool and reports it as a fiduciary fund (Compensated Absences Fund) in its financial statements.

In prior years, the District evaluated the fund to determine the appropriate fund type in accordance with GAAP and reported it as a trust fund. For fiscal year 2019, the District changed the fund type to an agency fund without performing a new evaluation. The District's internal controls were not effective to evaluate the fund to determine the proper fund type for reporting in the financial statements.

Cause of Condition

The District experienced turnover in key positions responsible for preparing and reviewing the financial statements and did not adequately train personnel about GAAP reporting. District personnel were not aware of the evaluation performed in a prior year to determine the reporting of the Compensated Absences Fund and did not fully understand financial reporting and presentation requirements. This prevented the District from establishing and maintaining necessary controls to ensure it accurately prepared the financial statements in accordance with GAAP.

Effect of Condition

The District's financial statements, notes and schedules contained the following errors that management did not detect:

- Unsupported presentation change for its Compensated Absences Fund because the District did not perform a new evaluation to support the change in fund type. Based on the audit results and the prior evaluation, the District decided to revise its financial statements and report this fund as trust fund.
- Overstatement of cash and cash equivalents and accounts payable in the Compensated Absences Fund by $79,005 because the District reported activity throughout the year rather than at year-end. This misstatement is material to the fund.
- Overstatement of net investment in capital assets and understatement of unrestricted net position by $1.37 million in the Operating Fund because the District did not include capital related debt in the calculation of the net investment in capital assets balance. This misstatement is material to the fund.
- Overstatement of restricted net position and understatement of unrestricted net position by $1.37 million in the Operating Fund because the District restricted outstanding debt service payments when these amounts are

already reported in liabilities and should be included in the net investment in capital assets calculation. This misstatement is material to the fund.

- Overstatement of capital assets by $122,300 in the Operating Fund because the District capitalized items that did not meet its capitalization policy
- Overstatement of claims reserves incurred but not reported (IBNR) by $1,246,054 and open claims reserves by $468,384 in the Worker's Compensation Fund because the District did not report the amounts provided to them in the actuarial report. The claims reserves IBNR misstatement is material to the fund.
- Incorrect classification of pension expense of ($913,987), other post-employment benefits (OPEB) expense of $408,455 and change in compensated absences of ($110,485) as separately reported balances in the Operating Fund when they should be reported with payroll related balances
- Incorrect classification of depreciation expense of $248,002 as general operations and administration expense in the Operating Fund
- Understatement of pension expense by $1,430,783 in the notes to financial statements, which is material
- Omission of the lease disclosure from the notes to financial statements
- Material footing errors in the capital assets and long-term liabilities note disclosures

We also identified other, less-significant errors in the financial statements, notes to financial statements, required supplementary information and Schedule of Expenditures of Federal Awards (SEFA) provided for audit. Management corrected all misstatements.

Recommendations

We recommend District management establish and follow internal controls over financial reporting to ensure its financial statements, notes and schedules are prepared in accordance with GAAP. Specifically, the District should:

- Ensure employees responsible for financial statement preparation and final review receive training about GAAP reporting requirements
- Conduct an effective, independent financial statement review that ensures the financial statements, notes and schedules are accurately prepared
- Perform an evaluation and document its determination of fiduciary fund reporting before changing the fund presentation in the financial statements

District's Response

The District will provide additional GAAP reporting training to employees responsible for the preparation and review of the district financial statements. District will also have staff attend annual WFOA GAAP trainings to ensure the district stays current on the latest changes to GAAP reporting.

Auditor's Remarks

We appreciate the District's commitment to resolve this finding and thank the District for its communication, cooperation and assistance during the audit. We will review this condition during our next audit.

Applicable Laws and Regulations

Government Auditing Standards, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of law, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants (AICPA) defines significant deficiencies and material weaknesses, and auditor communication requirements in its *Codification of Statements on Auditing Standards,* section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraphs 7 and 11.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Northeast Washington Educational Service District No. 101
September 1, 2018 through August 31, 2019

This schedule presents the status of federal findings reported in prior audit periods.

<table>
<tr><td colspan="2">Audit Period: September 1, 2017 through August 31, 2018</td><td>Report Ref. No.: 1023887</td><td>Finding Ref. No.: 2018-001</td></tr>
<tr><td colspan="4">Finding Caption:
The District did not have effective internal controls in place to ensure accurate and reliable financial reporting and compliance with material agreement provisions.</td></tr>
<tr><td colspan="4">Background:
The District created, and participates in, a compensated absences claim servicing pool for the purpose of reimbursing member districts for payments of accrued sick, annual and/or personal holiday leave for annual cash out, long-term medical leave, retirement or death of employees. Each member district has an inter-local cooperative agreement to participate in the pool and contributes monthly assessments to the pool. The District's internal controls were not effective to ensure its payment of claims did not exceed its contributions to the pool, causing it to violate the agreement and bylaws. Additionally, the District did not remove its own activity from the fund and include it in the Operating Fund before preparing its financial statements for reporting purposes.
The District did not perform accruals at year-end to ensure it records all accounting entries in the appropriate fiscal period and classifies the entries correctly in the financial statements. If the District identifies material errors from a prior period, it must perform an entry to report this activity as a prior-period adjustment in its financial statements and disclose the cause of the adjustment in its notes to financial statements.</td></tr>
<tr><td colspan="4">Status of Corrective Action: (check one)</td></tr>
<tr><td>☒ Fully Corrected</td><td>☐ Partially Corrected</td><td>☐ Not Corrected</td><td>☐ Finding is considered no longer valid</td></tr>
<tr><td colspan="4">Corrective Action Taken:
The District continues to monitor and adjust internal control processes as necessary and the aforementioned error has been corrected.</td></tr>
</table>

Audit Period: September 1, 2017 through August 31, 2018	**Report Ref. No.:** 1023887	**Finding Ref. No.:** 2018-002	**CFDA Number(s):** 17.274

Federal Program Name and Granting Agency: YouthBuild, Department of Labor	**Pass-Through Agency Name:** N/A

Finding Caption:

The District did not have adequate internal controls to ensure compliance with federal YouthBuild program requirements for earmarking and reporting.

Background:

Under federal regulations, the District's reimbursable administrative costs are limited to 10 percent of the grant award, equaling $110,000 for each award. Eligible administrative costs include payroll and non-payroll costs related to administrative tasks and indirect costs. The District did not have controls in place to evaluate and track non-payroll administrative costs or indirect costs to monitor compliance with the 10 percent earmark requirement.

Recipients of the YouthBuild program awards must report total administrative costs to the grantor, which is a separate line item on the quarterly financial report (QFR). Administrative costs include indirect costs plus payroll and non-payroll costs related to administrative tasks. The District did not have controls in place to ensure it reported non-payroll administrative costs and remaining indirect costs to the grantor on the QFR.

Status of Corrective Action: (check one)

☒ Fully Corrected	☐ Partially Corrected	☐ Not Corrected	☐ Finding is considered no longer valid

Corrective Action Taken:

The agency has added a modifier to our accounting system code structure to identify administrative costs. This action has allowed us to efficiently and accurately track administrative costs associated with the grant. We also sent our program manager, grant compliance specialist and business manager, who are all new to their respective positions within the last year, to the Department of Labor training in Las Vegas in June of 2019.

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Northeast Washington Educational Service District No. 101
September 1, 2018 through August 31, 2019

Board of Directors
Northeast Washington Educational Service District No. 101
Spokane, 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 Northeast Washington Educational Service District No. 101, as of and for the year ended August 31, 2019, 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 26, 2020.

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

As discussed in Note 13 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the District.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2019-001 to be a material weakness.

COMPLIANCE AND OTHER MATTERS

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

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

DISTRICT'S RESPONSE TO FINDINGS

The District's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

May 26, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Northeast Washington Educational Service District No. 101
September 1, 2018 through August 31, 2019

Board of Directors
Northeast Washington Educational Service District No. 101
Spokane, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Northeast Washington Educational Service District No. 101, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2019. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

Pat McCarthy

State Auditor

Olympia, WA

May 26, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Northeast Washington Educational Service District No. 101
September 1, 2018 through August 31, 2019

Board of Directors
Northeast Washington Educational Service District No. 101
Spokane, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Northeast Washington Educational Service District No. 101, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 22.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Northeast Washington Educational Service District No. 101, as of August 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 13 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the District. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

May 26, 2020

FINANCIAL SECTION

Northeast Washington Educational Service District No. 101
September 1, 2018 through August 31, 2019

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY AND OTHER INFORMATION

Educational Service District #101
STATEMENT OF NET POSITION - ALL FUNDS
31-Aug-19

	NOTE REF	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	1	$ 5,000.00	$ 318,878.00	$ 205,601.00	$ 529,479.00
Investments	1,2	$ 4,038,494.00	$ 9,057,624.00	$ 2,092,203.00	$ 15,188,321.00
Accounts Receivable (net of uncollectible allowance)	1	$ 1,537,225.00	$ 174,845.00	$ 9,477.00	$ 1,721,547.00
Prepaid	1	$ 40,429.00			$ 40,429.00
Restricted Assets		$ 2,234.00			$ 2,234.00
TOTAL CURRENT ASSETS		$ 5,623,382.00	$ 9,551,347.00	$ 2,307,281.00	$ 17,482,010.00
NONCURRENT ASSETS	3				
Land and Land Improvements		$ 500,000.00			$ 500,000.00
Building		$ 6,736,455.00			$ 6,736,455.00
Improvements Other than Buildings		$ 292,361.00			$ 292,361.00
Equipment		$ 543,845.00			$ 543,845.00
Less: Accumulated Depreciation		$ (2,328,585.00)			$ (2,328,585.00)
Net Capital Assets		$ 5,744,076.00	$ -	$ -	$ 5,744,076.00
Investment in Joint Venture	12	$ (92,915.00)			$ (92,915.00)
TOTAL NONCURRENT ASSETS		$ 5,651,161.00	$ -	$ -	$ 5,651,161.00
TOTAL ASSETS		$ 11,274,543.00	$ 9,551,347.00	$ 2,307,281.00	$ 23,133,171.00
DEFERRED OUTFLOWS OF RESOURCES					
Deferred OutFlows Related to Pensions		$ 952,616.00			$ 952,616.00
Deferred OutFlows Related to OPEB		$ 1,270,649.00			$ 1,270,649.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1	$ 2,223,265.00	$ -	$ -	$ 2,223,265.00
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	1	$ 391,460.00	$ 314,913.00	$ 993.00	$ 707,366.00
Accrued Interest Payable	1	$ 19,186.00			$ 19,186.00
Payroll Deductions & Taxes Payable		$ 3,372.00			$ 3,372.00
Compensated Absences	4	$ 180,000.00			$ 180,000.00
OPEB Liability	4	$ 196,561.00			$ 196,561.00
Bonds Payable	4	$ 135,000.00			$ 135,000.00
IBNR	8		$ 1,038,946.00		$ 1,038,946.00
Open Claims			$ 416,525.00	$ 29,116.00	$ 445,641.00
Unallocated Loss Adjustment Expenses			$ 243,000.00		$ 243,000.00
Future L&I Assessments			$ 463,561.00		$ 463,561.00
Unearned Revenue	1	$ 2,535.00			$ 2,535.00
Other Liabilities and Credits	1	$ 535.00			$ 535.00
TOTAL CURRENT LIABILITIES		$ 928,649.00	$ 2,476,945.00	$ 30,109.00	$ 3,435,703.00
NONCURRENT LIABILITIES					
Compensated Absences	1,11	$ 576,158.00			$ 576,158.00
IBNR	8		$ 1,441,034.00		$ 1,441,034.00
Open Claims			$ 388,825.00	$ 657.00	$ 389,482.00
Unallocated Loss Adjustment Expenses				$ 5,500.00	$ 5,500.00
Net Pension Liability	6	$ 3,927,122.00			$ 3,927,122.00
Total OPEB Liability	7	$ 6,969,263.00			$ 6,969,263.00
Bonds Payable	4	$ 1,235,000.00			$ 1,235,000.00
TOTAL NONCURRENT LIABILITIES		$ 12,707,543.00	$ 1,829,859.00	$ 6,157.00	$ 14,543,559.00
TOTAL LIABILITIES		$ 13,636,192.00	$ 4,306,804.00	$ 36,266.00	$ 17,979,262.00
DEFERRED INFLOWS OF RESOURCES					
Deferred InFlows Related to Pensions	6	$ 1,394,260.00			$ 1,394,260.00
Deferred InFlows Related to OPEB	7	$ 283,751.00			$ 283,751.00
TOTAL DEFERRED INFLOWS OF RESOURCES		$ 1,678,011.00	$ -	$ -	$ 1,678,011.00
NET POSITION					
Net Investment in Capital Assets		$ 4,374,076.00	$ -	$ -	$ 4,374,076.00
Restricted for Support Programs		$ 2,120,503.00			$ 2,120,503.00
Restricted for Risk Pool Net Position	10		$ 5,244,543.00	$ 2,271,015.00	$ 7,515,558.00
Restricted for Other Items		$ 344,695.00			$ 344,695.00
Unrestricted		$ (8,655,669.00)		$ -	$ (8,655,669.00)
TOTAL NET POSITION		$ (1,816,395.00)	$ 5,244,543.00	$ 2,271,015.00	$ 5,699,163.00

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

Educational Service District #101
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2019

	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
OPERATING REVENUES				
Local Sources	$ 4,541,778.00			$ 4,541,778.00
State Sources	$ 5,361,295.00			$ 5,361,295.00
Allotment	$ 1,011,285.00			$ 1,011,285.00
Federal Sources	$ 4,299,822.00			$ 4,299,822.00
Cooperative Programs	$ 5,375,598.00			$ 5,375,598.00
Other Programs	$ 489,603.00			$ 489,603.00
Member Assessments/Contributions		$ 3,954,562.00	$ 265,492.00	$ 4,220,054.00
Supplemental Member Assessments		$ 1,506,598.00		$ 1,506,598.00
TOTAL OPERATING REVENUE	$ 21,079,381.00	$ 5,461,160.00	$ 265,492.00	$ 26,806,033.00
OPERATING EXPENSES				
General Operations and Administration	$ 2,204,662.00	$ 1,003,606.00	$ 18,371.00	$ 3,226,639.00
Instructional Support Programs	$ 11,896,102.00			$ 11,896,102.00
Non Instructional Support Programs	$ 6,681,435.00			$ 6,681,435.00
Paid on Current Losses		$ 2,061,193.00	$ 69,451.00	$ 2,130,644.00
Change in Loss Reserves		$ (306,846.00)	$ (184.00)	$ (307,030.00)
Change in Unallocated Loss Reserves		$ (2,000.00)		$ (2,000.00)
Excess/Reinsurance Premiums		$ 134,418.00		$ 134,418.00
Professional Fees		$ 61,462.00	$ 16,545.00	$ 78,007.00
Labor & Industries Assessments		$ 563,744.00		$ 563,744.00
Depreciation/Depletion	$ 261,743.00			$ 261,743.00
Other Operating Expenses		$ 1,506,598.00		$ 1,506,598.00
TOTAL OPERATING EXPENSES	$ 21,043,942.00	$ 5,022,175.00	$ 104,183.00	$ 26,170,300.00
OPERATING INCOME (LOSS)	$ 35,439.00	$ 438,985.00	$ 161,309.00	$ 635,733.00
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	$ 109,168.00	$ 191,537.00	$ 44,360.00	$ 345,065.00
Interest Expense and Related Charges	$ (47,295.00)			$ (47,295.00)
Change in Joint Venture	$ 8,776.00			$ 8,776.00
TOTAL NONOPERATING REVENUES (EXPENSES)	$ 70,649.00	$ 191,537.00	$ 44,360.00	$ 306,546.00
INCOME (LOSS) BEFORE OTHER ITEMS	$ 106,088.00	$ 630,522.00	$ 205,669.00	$ 942,279.00
INCREASE (DECREASE) IN NET POSITION	$ 106,088.00	$ 630,522.00	$ 205,669.00	$ 942,279.00
NET POSITION - BEGINNING BALANCE	$ (1,922,483.00)	$ 4,614,020.97	$ 2,065,346.00	$ 4,756,883.97
NET POSITION - ENDING BALANCE	$ (1,816,395.00)	$ 5,244,542.97	$ 2,271,015.00	$ 5,699,162.97

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

Educational Service District #101
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2019

	OPERATING	WORKERS COMPENSATION FUND	UNEMPLOYMENT FUND	TOTAL ALL FUNDS
CASH FLOW FROM OPERATING ACTIVITIES				
Cash Received from Customers	$ 10,414,756.00			$ 10,414,756.00
Cash Received from State and Federal Sources	$ 10,672,402.00			$ 10,672,402.00
Cash Received from Members		$ 5,443,960.54	$ 238,866.00	$ 5,682,826.54
Payments to Suppliers for Goods and Services	$ (6,051,722.00)	$ (958,578.73)	$ 18,371.00	$ (6,991,929.73)
Payments to Employees for Services	$ (10,855,780.00)			$ (10,855,780.00)
Cash Paid for Benefits/Claims	$ (3,891,543.00)	$ (2,061,193.39)	$ (69,451.00)	$ (6,022,187.39)
Internal Activity - Payments to Other Funds	$ (10,000.00)			$ (10,000.00)
Cash Paid for Reinsurance		$ (134,418.00)		$ (134,418.00)
Cash Paid for Labor and Industries Assessments		$ (2,070,342.11)		$ (2,070,342.11)
Cash Paid for Professional Services		$ (61,462.00)	$ (16,545.00)	$ (78,007.00)
Other Receipts (Payments)	$ 1,000.00			$ 1,000.00
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 279,113.00	$ 157,966.31	$ 171,241.00	$ 608,320.31
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	$ -	$ -	$ -	$ -
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	$ (1,673,885.00)			$ (1,673,885.00)
Principal and Interest Paid on Capital Debt	$ (177,295.00)			$ (177,295.00)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	$ (1,851,180.00)	$ -	$ -	$ (1,851,180.00)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends Received	$ 109,168.00	$ 191,537.21	$ 44,360.00	$ 345,065.21
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	$ 109,168.00	$ 191,537.21	$ 44,360.00	$ 345,065.21
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (1,462,899.00)	$ 349,503.52	$ 215,601.00	$ (897,794.48)
CASH AND CASH EQUIVALENTS - BEGINNING	$ 5,506,392.80	$ 9,026,998.56	$ 2,082,203.00	$ 16,615,594.36
PRIOR PERIOD ADJUSTMENT				$ -
CASH AND CASH EQUIVALENTS - ENDING	$ 4,043,493.80	$ 9,376,502.08	$ 2,297,804.00	$ 15,717,799.88

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
OPERATING NET INCOME	$ 35,439.00	$ 438,985.00	$ 161,309.00	$ 635,733.00
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	$ 261,743.00			$ 261,743.00
Change in Assets and Liabilities	$ (5,510.00)			$ (5,510.00)
Receivables, Net	$ 615,983.00	$ (17,199.46)	$ 9,123.00	$ 607,906.54
Prepaids	$ (8,167.00)			$ (8,167.00)
Inventories				$ -
Accounts and Other Payables	$ (423,228.00)	$ 45,027.27	$ 993.00	$ (377,207.73)
Unearned Revenue	$ 266,402.00			$ 266,402.00
Compensated Absences	$ 13,054.00			$ 13,054.00
Pension Expense from change in Net Pension Liability				$ -
Change in Deferred Outflows	$ (309,753.00)			$ (309,753.00)
Change in Deferred Inflows	$ 239,119.00			$ 239,119.00
Change in Net Pension Liability	$ (814,424.00)			$ (814,424.00)
OPEB Expense from change in Net OPEB Liability-				$ -
Change in Deferred Outflows	$ (1,270,649.00)			$ (1,270,649.00)
Change in Deferred Inflows	$ (54,567.00)			$ (54,567.00)
Change in Net OPEB Liability	$ 1,733,671.00			$ 1,733,671.00
Open Claims - Current		$ 40,610.00		$ 40,610.00
Open Claims - Non-current		$ (353,821.00)	$ (629.00)	$ (354,450.00)
IBNR-Current		$ 12,336.00	$ (5,055.00)	$ 7,281.00
IBNR-Prior Year		$ 81,723.00	$ 5,500.00	$ 87,223.00
Future L&I Assessments		$ (87,694.00)		$ (87,694.00)
Provision for Unallocated Loss Adjustment		$ (2,000.00)		$ (2,000.00)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 279,113.00	$ 157,966.81	$ 171,241.00	$ 608,320.81
	$ 1,082,734.00			
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
Joint Venture (WSIPC)	$ 8,776.00			$ 8,776.00

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

Educational Service District #101
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
August 31, 2019

		COMPENSATED ABSENCES
ASSETS		
Cash and Cash Equivalents	$	-
Investments	$	395,446.98
Accounts Receivable		
Assets Used in Operations		
TOTAL ASSETS	$	395,446.98
LIABILITIES		
Accounts Payable	$	26,316.69
Claims from participant accounts		
TOTAL LIABILITIES	$	26,316.69
NET POSITION		
Held in Trust for Benefits and Other Purposes	$	369,130.29
TOTAL NET POSITION	$	369,130.29

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

Educational Service District #101
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

	COMPENSATED ABSENCES
ADDITIONS	
Contributions	
Employer	
Members	
Total Contributions	-
Investment Earnings	
Interest	8,566.85
Net Increase (Decrease) in the Fair Value of Investments	
Total Investment Earnings	8,566.85
Other Additions	
TOTAL ADDITIONS	8,566.85
DEDUCTIONS	
Distribution to Pool Participants	105,321.51
Refunds of Contributions	
Administrative Expenses	
Other Payments in Accordance with Trust Agreement	
TOTAL DEDUCTIONS	105,321.51
CHANGE IN NET POSITION	(96,754.66)
NET POSITION - BEGINNING	465,884.95
PRIOR PERIOD ADJUSTMENT	
NET POSITION - ENDING	369,130.29

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Educational Service District No. 101 (“the District”) were developed under authority of the Office of Superintendent of Public Instruction. Except where noted as exceptions, the rules of generally accepted accounting principles (GAAP) are the basis for accounting and financial reporting in the District. The following summary of the more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

Reporting Entity

Educational Service District No. 101 is one of nine municipal corporations of the state of Washington organized pursuant to Title 28A *Revised Code of Washington* (RCW) for the purpose of (1) providing cooperative and informational services to local school districts; (2) assisting the state superintendent of public instruction and the state board of education in the performance of their respective statutory or constitutional duties; and (3) providing services to school districts to assure equal educational opportunities.

The District serves *59* school districts in *seven* counties. Oversight responsibility for the District's operations is vested with the Board of Directors who are elected by the school directors of the educational service district, one from each of seven educational service district board-member districts. Management of the District is appointed by and accountable to the Board of Directors. Fiscal responsibility, including budget authority, the power to operate cooperatives, set fees for services, and issue debt consistent with the provisions of state statutes, rests with the Board. For financial reporting purposes, the District’s financial statements include all fund entities that are controlled by the District's Board of Directors and managed by the administrative staff, unless noted hereafter.

Basis of Accounting and Reporting

The District’s accounting policies, as reflected in the accompanying financial statements, conform to the *Accounting Manual for Educational Service Districts*, prescribed by the Office of Superintendent of Public Instruction (OSPI). This manual allows for a practice that differs from generally accepted accounting principles in the following manner: (1) The Management Discussion and Analysis is not required.

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 District reports the following major proprietary funds:

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

The *Unemployment Insurance* fund accounts for the collection of premium 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. Operating expenses for proprietary funds include the cost of providing services, administrative expenses, depreciation on capital assets, and gain or loss on sale of assets used for operations. Grants used to finance operations and expenses not related to the provision of District services are reported as non-operating revenues and expenses as well as interest and investment income, interest expense, lease income from properties or equipment, and changes in joint ventures.

In addition, the District reports the following fund types:

Fiduciary Fund:

The *Compensated Absences Pool Fund* accounts for assets held by the District to provide a funding mechanism for members to pay for the cash-out of liabilities for compensated absences when employees of member districts leave service or retire.

The District has prepared an annual program report to OSPI in a format issued separately. These reports require specific information, the format of which may differ from statements prepared on the basis of generally accepted accounting principles.

Assets, Liabilities, and Equity

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

The Spokane County Treasurer is the ex-officio treasurer for the District. In this capacity, the Spokane County Treasurer receives daily deposits and transacts investments on behalf of the District. On August 31, 2019, the Spokane County Treasurer was holding $15,188,321 in short-term residual investments of surplus cash, reported at fair value (see Note 2), and $395,447 on the statement of fiduciary net position. The District also had an additional $310,005 held in a sweep account that is shared with the Spokane County Treasurer. The sweep amount have not been recorded by the Spokane County Treasurer but does represent cash amounts that are considered deposits in transit. As such, they are included in the amount reported as cash and cash equivalents in the statement of net position. The operating fund also keeps $100.00 in petty cash and a $4,900.00 revolving fund checking account held at U.S. Bank. These amounts are also classified on the statement of net position as cash and cash equivalents.

For the purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents. Investments held by the Spokane County Treasurer are considered highly liquid as they are accessible on a daily basis, equivalent to a cash account. The Treasurer bears the risk of maturity in the pool.

Receivables

For the operating fund, accounts and contracts receivable represent the value of goods and services provided and invoiced to clients at fiscal year-end. For remaining proprietary and agency funds, the amounts represent balances due from clients within thirty days of invoice dates.

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

Prepaid Items

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

Capital Assets and Depreciation – See Note 3

Compensated Absences Pool Fund-See Note 11

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

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

The balance reported in the Statement of Net Position as of August 31, 2019, represents the aggregate amount of vacation and sick leave payable for all eligible employees of the District. The District only reports the balance of the liabilities that are not fully funded by the Compensated Absences Pool Fund in the statement of net position.

Investment in Joint Venture – See Note 12

Long-Term Debt – See Note 4

Unearned Revenue

Unearned revenue consists of balances acquired by the District from award funders in advance of meeting eligibility requirements and subject to meeting those eligibility requirements as of fiscal year-end. Eligibility requirements are expected to be met within 12–18 months.

Deferred Outflows and Deferred Inflows

Accounting principles for pensions under GASB Statement No. 68 (see Note 6) requires the District to recognize deferred inflows and outflows on the Statement of Net Position related to the proportionate share of the Washington State Department of Retirement System's deferred income or expense items, to be recognized over a number of years, for changes in experience, assumptions, proportion, contributions, and investment earnings.

Accounting principles for other post-retirement employee benefits (OPEB) under GASB Statement No. 75 (see Note 7) requires the District to recognize deferred inflows and outflows on the Statement of Net Position related to the single-employer plan administered under the Washington Health Care Authority's deferred income or expense items, to be recognized over a number of years, for changes in experience, assumptions, proportion, contributions, and investment earnings.

Operating and Non-operating Revenues and Expenses
In conformance with the *Accounting Manual for Educational Service Districts*, Operating Revenues are defined as revenues generated directly from program activity 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; and
- Earnings on permanent fund investments if restricted to a program specifically identified in the agreement.
- Current year pension liability expense from changes in net pension liability (see Note 6) or changes in OPEB liability (see Note 7).

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

Non-operating revenues and expenditures include interest earnings on investments not restricted to program benefit, interest expense on debt, other asset and financing activities, and changes from investments in joint ventures.

Note 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

As of August 31, 2019, the District had the following investments:

Investment	Maturity	Fair Value
Spokane County Investment Pool		
Operating Fund	$4,038,494	$4,038,494
Workers' Compensation Fund	$9,057,624	$9,057,624
Unemployment Fund	$2,092,203	$2,092,203
Subtotal	$15,188,321	$15,188,321
Compensated Absences Fund – Fiduciary	$395,447	$395,447
Total Investments	$15,583,768	$15,583,768

Credit Risk

The Spokane County Investment Pool (SCIP) is considered extremely low risk. The pool's portfolio is made up of high quality, highly liquid securities, and its relatively short average maturity reduces the pool's price sensitivity to market interest rate fluctuations. The Pool reduces credit risk by purchasing securities rated at the highest quality by credit rating organizations at the time of purchase. The Pool does not contain any structured investment vehicles or collateralized debt obligations.

As of the most recent report date, fair value of the Pool equaled amortized cost. It is the policy of the Pool to permit participants to withdraw their investments on a daily basis; therefore the District's investment balance in the Pool is equal to fair value. Fair value is measured using quoted prices in active markets for identical assets that the pool can access at the measurement date (Level 1 Inputs). Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.

The Pool has a strong degree of asset diversification to minimize risk and maintain adequate rates of return. As of August 31, 2019, the distribution of investments of the Pool was as follows:

Investment Type	% of Pool based on Fair Value
US Treasury Obligations	32.8 %
US Agencies	46.7 %
Washington State Local Government Investment Pool	16.8 %
Commercial Paper	1.5%
Corporate Bonds	1.0%
Municipal Bonds	1.2%

Source: Government Portfolio Advisors – Spokane Investment Fund 8/31/2019

The pool is not insured or guaranteed by any government; therefore, maintenance of principal is not fully insured. The SCIP does not have a credit rating. As of August 31, 2019, NAV per share was $0.985.

The pool is managed and operated by the Spokane County Treasurer, State of Washington The SCIP publishes an annual report, which is on the Internet at the Treasurer's website http://spokanecounty.org. As of the most recent report date, fair value equaled amortized cost. It is the policy of the SCIP to permit participants to withdraw their investments on a daily basis; therefore, the District's investment balance in the pool is equal to fair value.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, the District would not be able to recover the value of the investment or collateral securities. As a small percentage of the Spokane County Investment Pool's balance is invested in the Local Government Investment Pool (LGIP), a small percentage of the District's investment is exposed to custodial credit risk because the investments held by the LGIP are not insured or guaranteed by any government. The exact amount of the District's investment is not measurable and the District considers it immaterial to the financial statements. The District does not have a policy for custodial credit risk.

Concentration of Credit Risk

The District does not have investments in any one issuer that represents five percent or more of total investments. The SCIP investment policy mitigates concentration credit risk by limiting the percentage of the portfolio invested with any one issuer.

Interest Rate Risk

As of August 31, 2019, the SCIP's average maturity was 1.22 years. As a means of limiting its exposure to rising interest rates, securities purchased in the pool must have a final maturity, or weighted average life, no longer than five years. While the pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The pool distributes earnings monthly using an amortized cost methodology.

Note 3: CAPITAL ASSETS AND DEPRECIATION

Capital assets, which include property, facilities, and large equipment, are capitalized at total acquisition cost, provided such cost exceeds $50,000 and has an expected useful life of more than 5 years. Property, facilities, and large equipment that are purchased using Federal money are subject to inventory reporting if the acquisition cost is over $5,000. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives, based on the month placed in service:

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

Major expenses for capital assets, including capital leases and major repairs that extend the useful life of an asset are capitalized. Assets under the capitalization threshold, maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

Capital assets activity for the fiscal year ended August 31, 2019, was as follows:

	Beginning Balance 9/1/2018	Increases	Decreases	Ending Balance 8/31/2019
Capital assets not depreciated:				
Land	$500,000	$	$	$500,000
Construction in Progress	$2,748,161	$1,237,869	$3,986,030	$ 0
Total capital assets not being depreciated	$3,248,161	$1,237,869	$3,986,030	$500,000
Depreciable capital assets:				
Buildings & Improvements	$3,062,013	$3,674,442		$6,736,455
Improvements other than buildings	$292,361			$292,361
Equipment	$381,323	$168,482	$5,960	$543,845
Other				
Total depreciable capital assets	$3,735,697	$3,842,924	$5,960	$7,572,661

	Beginning Balance 9/1/2018	Increases	Decreases	Ending Balance 8/31/2019
Less accumulated depreciation for:				
Buildings & Improvements	$1,633,074	$206,473		$1,839,547
Improvements other than buildings	$152,028	$11,691		$163,722
Equipment	$287,251	$44,025	$5,960	$325,316
Other				
Total accumulated depreciation	$2,072,353	$262,192	$5,960	$2,328,585
Total depreciable assets, net	$1,663,344	$3,580,732		$5,244,076
Total assets, net	$4,911,505	$4,818,601	$3,986,030	$5,744,076

Construction Commitments

The District has completed the Talbott Event Center construction project as of August 31, 2019.

Note 4: LONG–TERM DEBT AND OTHER OBLIGATIONS

Long-Term Debt

The District issued general obligation bonds and other debt instruments to finance the construction of Talbott Event Center. The following is a summary of changes in long-term debt of the District for the fiscal year(s) ended August 31, 2019:

Purpose	Balance at Sept. 1, 2018	Increases	Decreases	Balance at Aug. 31, 2019	Due within One Year
General Obligation Bonds	$1,500,000		$130,000	$1,370,000	$135,000
Total	$1,500,000		$130,000	$1,370,000	$135,000

Debt service requirements on long-term debt as of August 31, 2019, are as follows:

	Bonds		
Years Ending August 31	Principal	Interest	Total
2020	$135,000	$44,723	$179,723
2021	$140,000	$40,200	$180,200
2022	$140,000	$35,510	$175,510
2023	$145,000	$30,820	$175,820
2024	$150,000	$25,879	$175,879
2025–2028	$660,000	$50,920	$710,920
Total	$1,370,000	$228,052	$1,598,052

Changes in Long-Term Debt and Other Obligations

During the fiscal year ended August 31, 2019, the following changes occurred in long-term debt and other obligations:

	Beg 9/1/2018	Additions	Reductions	End 8/31/2019	Due one year
Bonds Payable	$1,500,000		$130,000	$1,370,000	$135,000
Compensated Absences (unfunded portion-Note 1)	$645,674	$286,483	$175,999	$756,158	$180,000
Workers' Comp Claim Reserves - IBNR	$2,385,921	$94,059		$2,479,980	$1,038,946
Workers' Comp Claim Reserves – Open Claims	$1,118,561	$155,183	$468,394	$805,350	$416,525
Workers' Comp Claim Reserves - ULAE	$245,000		$2,000	$243,000	$243,000
Workers' Comp Claim Reserves – Future L&I Assessments	$551,255		$87,694	$463,561	$463,561
Unemployment Fund Claim Reserves- Open Claims	$35,457		$5,684	$29,773	$29,116
Unemployment Fund Claim Reserves- ULAE		$5,500		$5,500	
Net Pension Liability (NPL) (Note 6)	$4,741,546	$31,155	$845,582	$3,927,119	
NPL TRS 1	$878,220		$194,270	$683,950	
NPL TRS 2/3	$137,566	$31,155		$168,721	

NPL SERS 2/3	$1,059,652		$267,133	$792,519	
NPL PERS 1	$2,666,108		$384,179	$2,281,929	
Total OPEB Liability (Note 7)	$5,432,153	$1,733,671		$7,165,824	$196,561
Total Long-Term Liabilities	$16,655,567	$2,306,051	$1,715,353	$17,246,265	$2,708,209

NOTE 5: LEASES

Operating Leases

The district leases office buildings under long-term lease agreements. All leases are considered operating leases for accounting purposes. Total cost for such leases was $71,155 for the year ended August 31, 2019.

The future minimum lease payments for long-term leases are as follows:

Fiscal Year Ending August 31	Amount Paid as of August 31, 2019
2019	$71,155
2020	$71,255
2021 thereafter	$60,599

Changes in Lease Liabilities

During the fiscal year ended August 31, 2019, the following changes occurred in lease liabilities:

	Beginning Balance 9/1/2018	Additions	Reductions	Ending Balance 8/31/2019	Due Within One Year
Operating Leases	$203,009	$	$71,155	$131,854	$71,255
Total Lease Liabilities	$203,009	$	$71,155	$131,854	$71,255

Note 6: PENSION PLANS

General Information

The District is required to provide retirement benefits for substantially all qualifying employees through the Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington. GASB No. 68 Accounting and Financial Reporting for Pensions requires, among other provisions, that the District recognize its proportionate share of the DRS plans' status. The District has no independent ability to fund or satisfy pension liabilities outside of Washington State's legislatively adopted contribution rates. Assessments now and in the future are made based on the legislatively-mandated rates and are paid by the District on salaries and wages, as earned, in future years.

The Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, prepares a stand-alone comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each pension plan. The pension plan's basic financial statement is accounted for using the accrual basis of accounting. The measurement date of the pension plans is June 30. 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 the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of pension plans administered by DRS and additions to/deductions from the plans' net position have been determined on the same basis as they are reported by the plans.

Detailed information about the pension plans' fiduciary net position is available in the separately issued DRS CAFR. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, P.O. Box 48380, Olympia, WA 98504-8380; or online at http://www.drs.wa.gov./administrations/annual-report.

Membership Participation

Substantially all of the ESD 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 participation by retirement plan as of June 30, 2019, was as follows:

Plan	Retirees and Beneficiaries Receiving Benefits	Inactive Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members
PERS 1	45,792	401	1,535
SERS 2	10,072	6,175	28,494
SERS 3	10,007	8,983	35,746
TRS 1	32,645	120	349
TRS 2	5,874	2,779	21,788
TRS 3	13,745	8,675	55,733

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 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 Department of Labor and Industries.

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

The benefit is reduced by a factor that varies according to age, for each year before age 65. TRS Plan 2/3 members who have 30 or more years of service credit, were hired prior to May 1, 2013, and are at least 55 years old, can retire under one of two provisions: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

TRS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.
TRS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.
PERS Plan 1 provides retirement, disability and death benefits. PERS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

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

SERS 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 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. The methods used to determine the contribution requirements are established under chapters 41.40, 41.32, and 41.35 RCW for PERS, TRS and SERS respectively. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The employer and employee contribution rates for the various plans are effective as of the dates shown in the table. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2018 and 2019 are listed below:

Pension Rates			
	7/1/19 Rate	9/1/18 Rate	
PERS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	12.86%	12.83%	
Pension Rates			
	9/1/19 Rate	9/1/18 Rate	
TRS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	15.51%	15.41%	
TRS 2			
Member Contribution Rate	7.77%	7.06%	
Employer Contribution Rate	15.51%	15.41%	
TRS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	15.51%	15.41%	**
SERS 2			
Member Contribution Rate	8.25%	7.27%	

Pension Rates			
Employer Contribution Rate	13.19%	13.58%	
SERS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.19%	13.58%	**
Note: The DRS administrative rate of .0018 is included in the employer rate.			
*** = Variable from 5% to 15% based on rate selected by the member.**			
**** = Defined benefit portion only.**			

The Collective Net Pension Liability

The collective net pension liabilities for the pension plans the ESDs participated in are reported in the following tables showing in thousands.

The Net Pension Liability as of June 30, 2019:				
Dollars in Thousands	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total Pension Liability	$11,696,634	$6,352,843	$8,355,496	$16,545,194
Plan fiduciary net position	($7,851,279)	($6,118,345)	($5,879,693)	($15,942,660)
Participating employers' net pension liability	$3,845,355	$234,498	$2,475,803	$602,534
Plan fiduciary net position as a percentage of the total pension liability	67.12%	96.31%	70.37%	96.36%

The ESD’s Proportionate Share of the Net Pension Liability (NPL)

At June 30, 2019, the ESD reported a total liability of $3,927,119 for its proportionate shares of the individual plans’ collective net pension liability. The district’s proportionate share of the collective net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2019, the district’s proportionate share of each plan’s net pension liability is reported below:

June 30, 2019	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District’s Annual Contributions	$425,510	$676,489	$137,195	$146,362
Proportionate Share of the Net Pension Liability	$2,281,929	$792,519	$683,951	$168,721

At June 30, 2019, the ESD’ percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior year is illustrated below:

Allocation Percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.059342%	0.337964%	0.027625%	0.028002%
Prior year proportionate share of the Net Pension Liability	0.059697%	0.354325%	0.030070%	0.030562%
Net difference percentage	-0.000355%	-0.016361%	-0.002445%	-0.002561%

Actuarial Assumptions

Capital Market Assumptions (CMAs) and expected rates of return by asset class provided by the Washington State Investment Board. The Office of the State Actuary relied on the CMAs in the selection of the long-term expected rate of return for reporting purposes.

The total pension liabilities for TRS 1, TRS 2/3, PERS 1 and SERS 2/3 were determined by actuarial valuation as of June 30, 2018, with the results rolled forward to June 30, 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.75% total economic inflation, 3.50% salary inflation
Salary increases	In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.40%

Mortality Rates

Mortality rates used in the plans were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the *2007–2012 Experience Study Report and the 2017 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best-estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the Washington State Investment Board (WSIB). Those expected returns make up one component of WSIB's CMAs. 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 long-term expected rate of return of 7.40% percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen-year period, becomes amplified over a fifty-year measurement period.

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, 2019, are summarized in the following table:

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.40 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.50 percent long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, 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 of 7.40 percent on pension plan investments was applied to determine the total pension liability.

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

The Pension Plans reported collective Deferred Outflows of Resources and collective Deferred Inflows of Resources related to the individual plans. At August 31, 2019, the ESD reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

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	$	($152,452)
Changes in assumptions or other inputs	$	$
Changes in proportion and differences between contributions and proportionate share of contributions	$	$
Contributions subsequent to the measurement date	$73,050	$
TOTAL	$73,050	($152,452)
SERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$498,693	
Net difference between projected and actual		($673,014)

earnings on pension plan investments		
Changes in assumptions or other inputs	$24,258	($168,324)
Changes in proportion and differences between contributions and proportionate share of contributions	$8,888	($118,060)
Contributions subsequent to the measurement date	$115,607	$
TOTAL	$647,446	($959,399)
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		($52,454)
Changes in assumptions or other inputs		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	$24,882	
TOTAL	$24,882	(52,454)
TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources

Difference between expected and actual experiences	$117,314	($5,429)
Net difference between projected and actual earnings on pension plan investments		($145,665)
Changes in assumptions or other inputs	$63,607	($44,829)
Changes in proportion and differences between contributions and proportionate share of contributions		($34,033)
Contributions subsequent to the measurement date	$26,328	$
TOTAL	$207,249	($229,956)

$239,866 reported as Deferred Outflows of Resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2019.

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

Year ended August 31	PERS 1	SERS 2/3	TRS 1	TRS 2/3
2020	(33,655)	(118,857)	(10,767)	(28,477)
2021	(79,718)	(258,476)	(28,160)	(57,121)
2022	(28,448)	(69,243)	(9,902)	(15,289)
2023	(10,631)	(28,358)	(3,625)	(287)
2024	-	37,424	-	11,995
Thereafter	-	9,951	-	40,145

Pension Expense

The ESD recognizes a pension expense for its proportionate share of the collective pension expense. This is determined by using the district's proportionate share of the collective net pension liability. For the year ending August 31, 2019, the ESD recognized a total pension expense as follows:

	Pension Expense
PERS 1	$90,470
SERS 2/3	$379,262
TRS 1	$(41,922)
TRS 2/3	$88,824
TOTAL	$516,634

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

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

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1 NPL	$4,815,609,000	$3,845,355,000	$3,003,532,000
Allocation Percentage	0.059342%	0.059342%	0.059342%
Proportionate Share of Collective NPL	$ 2,857,702	$ 2,281,929	$ 1,782,370
SERS 2/3 NPL	$1,141,883,000	$234,498,000	($513,722,000)
Allocation Percentage	0.337964%	0.337964%	0.337964%
Proportionate Share of Collective NPL	$ 3,859,153	$ 792,519	$ (1,736,195)
TRS 1 NPL	$3,164,358,000	$2,475,803,000	$1,878,531,000
Allocation Percentage	0.027625%	0.027625%	0.027625%
Proportionate Share of Collective NPL	$ 874,167	$ 683,951	$ 518,952
TRS 2/3 NPL	$3,283,747,000	$602,534,000	($1,577,475,000)
Allocation Percentage	0.028002%	0.028002%	0.028002%
Proportionate Share of Collective NPL	$ 919,512	$ 168,721	$ (441,723)

Note 7: OTHER POST EMPLOYMENT BENEFIT PLANS

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

403(b) Plan – Tax Sheltered Annuity (TSA)
The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under the elective deferral (employee contribution method). The District complies with IRS regulations that require school districts to have written plans to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by OMNI, a third party administrator. The plan assets are assets of District employees, not the District, and are therefore not reflected in these financial statements.

Employee access to medical benefits is through the Washington State Health Care Authority (HCA).

Other Post-Employment Benefit Plans Other than Pension Plans

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

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

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

Valuation Date, Measurement Date and Reporting Date

The "valuation date" is July 1, 2018. This is the date as of which the census data is gathered and the actuarial valuation is performed. The "measurement date" is August 31, 2019. This is the date as of which the Total OPEB Liability is determined. Generally accepted accounting principles for OPEB allows a lag of up to one year between the measurement date and the reporting date. No adjustment is required between the measurement date and the reporting date. The "reporting date" is the District's fiscal year end of August 31, 2019.

General Description

Employers participating in the PEBB plan include the Washington state general government agencies, higher education institutions, K-12 school and educational service districts and political subdivisions. Additionally, the 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 ESDs contribute the same rate which is set annually as an amount per pro-rated FTE under RCW 28A.400.410. Employers do not have the ability to contribute additionally to funding against future liabilities or impact funding progress on the actuarially determined liability of the HCA OPEB plan.

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

Employees Covered by benefit terms

District employees are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plan 2 or 3 of TRS or SERS (see Note 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 July 1, 2018, the following employees were covered by benefit terms:

Retirees or dependents currently receiving benefit payments	95
Active employees who may qualify for benefits upon retirement	160

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

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

Actuarial Assumptions and Other Inputs
The Total OPEB Liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement dates, unless otherwise specified.

Inflation. The inflation rate of 2.75% was developed by the Office of the State Actuary for PEBB[1] and was applied to the measurement dates ending August 31, 2018 and 2019.

Salary increases. Salary assumptions reflect the assumptions used in the actuarial valuations for Washington State School Employees' Retirement System (SERS) and Teacher Retirement System (TRS) [2]. Projected payroll increases have been assumed to be 3.5% which equals 0.75% real wage growth above inflation. Projected annual merit and longevity increases for SERS range from 6.60% for 0 years of service to 0.10% for 20 years of service. Projected annual merit and longevity increases for TRS range from 5.10% for 0 years of service to 0.10% for 25 years of service.

Discount Rate. The discount rate used to measure the Total OPEB Liability, as required by generally accepted accounting principles for the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method, was based on the yield or index rate for 20-year Tax-Exempt General Obligation Municipal bonds with an average rating of AA/Aa or higher (*Bond Buyer General* Obligation 20-bond municipal index for bonds that mature in 20 years). Discount rate assumptions were 3.96% and 2.97% for the measurement dates of August 31, 2018 and 2019, respectively.

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

- Service retirement assumptions for plans 2 and 3 were used, which vary based on hire date and years of service.
- The assumed rates of disability under SERS and TRS plans 2 and 3 are less than 0.1% for ages 50 and below and continue to be low after that; demographic assumptions assume a 0% disability rate for all ages.
- Mortality assumptions for SERS were used (RP-2000 base mortality table, adjusted by -1 year for both males and females, with generational mortality adjustments using projection scale BB).

Healthcare Cost Trends. Healthcare cost trends used in the actuarial valuation were developed for use in the July 1, 2018 OPEB valuation for the PEBB program[1], to be performed by the Office of the State Actuary. These assumptions are summarized below and refer to the amount by which medical costs are anticipated to exceed costs for the year ending 2019:

Year Ending June 30,	Pre-65 Retiree Premiums & Claims	Post-65 Retiree Claims	Post-65 Retiree Premiums
2019	6.8%	3.6%	2.8%
2020-2095	6.3% to 4.5%	7.6% to 4.7%	12.5% to 4.7%

Dental costs trends are assumed to increase 1.1% to 4.0% for the year 2019-2026 and beyond.

Healthcare cost trends reflect the impact of the excise tax for high cost or "Cadillac" health plans for 2022 and beyond, consistent with the current tax code in effect.

Premium Levels. Assumed annual medical retiree contributions as of July 1, 2018, used in the actuarial valuation are displayed below. These represent a weighted average of 2018 PEBB retiree contributions by medical plan, based on overall PEBB current retiree medical plan election. Contribution assumptions exclude fees charged as a direct pass-through to participating retirees.

	Employee or Spouse	
	Non-Medicare	Medicare
Weighted average based on current PEBB retirees	$8,052.58	$3,180.06

The July 1, 2018 assumed annual dental retiree contributions for employee or spouse is $547.17, representing a weighted average of 2018 PEBB retiree contributions by dental plan, based on overall PEBB current retiree dental plan elections.

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

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

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

Claims Cost Assumptions

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

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

The explicit subsidies are monthly amounts paid per post-65 retirees and spouses. As of the valuation date, the explicit subsidy for post-65 retirees and spouses is the lessor of $150 or 50% of the monthly premiums. As of January 1, 2019, the subsidy was increased to $168 per month, and as of January 1, 2020, the subsidy will be increased to $183 per month. In 2019, retirees and spouses pay the premium minus $168 when the premium is over $336 per month and pay half the premium when the premium is lower than $336.

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

Total OPEB Liability

The District's Total OPEB Liability of $5,432,153 and $7,165,823 was measured for the years ending August 31, 2018 and 2019, respectively, and was determined by an actuarial valuation date of July 1, 2018 This is the date as of which the census data is gathered and the actuarial valuation is performed. The Measurement Date is August 31, 2019. This is the date as of which the total OPEB liability is determined. Note that GASB 75 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 August 31, 2019. This is the employer's fiscal year ending date.

Significant Changes

The explicit subsidy will be increased to $183 per month effective January 1, 2020. We have reflected this as an economic/demographic loss during the September 1, 2018 - August 31, 2019 period, and the impact of the change is reflected in the total OPEB liability as of August 31, 2019.

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rates below, and then projected to the measurement dates. There have been no significant changes between the valuation date and fiscal year ends. If there were significant changes, an additional analysis or valuation might be required.

Valuation Date	July 1, 2018	July 1, 2018
Measurement Date	August 31, 2018	August 31, 2019
Discount Rate	3.96%	2.97%
20 Yr. Tax-Exempt Municipal Bond Yield	3.96%	2.97%

GASB 75 requires the discount rate used to measure the Total OPEB Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method) to be a yield or index rate for 20- year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in Total OPEB Liability
The increase (decrease) in the Total OPEB Liability is detailed in the table below for the fiscal year ending August 31, 2019:

TOTAL OPEB LIABILTY	2018	2019
Total OPEB liability, beginning balance: August 31	$5,557,696	$5,432,153
Service cost	$256,597	$234,108
Interest on total OPEB liability	$200,776	$220,530
Effect of plan changes	$ -	
Effect of economic/demographic gains or (losses)		$503,078
Effect of assumption changes or inputs	$(392,885)	$972,515
Expected benefit payments	$(190,031)	$(196,561)
Total OPEB liability, ending balance	$5,432,153	$ 7,165,823

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

Sensitivity of the Total OPEB Liability to changes in the discount rate. The following presents the total OPEB liability of the employer, calculated using the discount rate of 2.97%,as well as what the employer's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.97%) or 1 percentage point higher (3.97%) than the current rate.

	1% Decrease 1.97%	Discount Rate 2.97%	1% Increase 3.97%
Total OPEB Liability, August 31, 2019	$8,513,069	$7,165,823	$6,105,945

Sensitivity of the Total OPEB Liability to changes in the healthcare cost trend rates. The following presents the Total OPEB Liability of the District, calculated using the current healthcare cost trend rates as well as what the District's Total OPEB Liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability, August 31, 2019	$5,954,446	$7,165,823	$8,756,557

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

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

For the year ending	August 31, 2019
Service cost	$234,108
Interest on Total OPEB Liability	$220,530
Effect of plan changes	-
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains/losses	$69,872
Recognition of assumption changes or inputs	$80,505
OPEB Expense	**$605,016**

The District reported deferred inflows and outflows of resources as of the August 31, 2019 Measurement Date as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ -	$433,206
Changes of assumptions or inputs	$(283,751)	$837,443
Payments made subsequent to the Measurement Date	NA	NA
Total	$ (283,751)	$ 1,270,649

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

Measurement Period Ending August 31:	
2020	$150,377
2021	$150,377
2022	$150,377
2023	$150,377
2024	$150,377
Thereafter	$235,013

Note 8: SHARED RISK POOL DISCLOSURES

Workers' Compensation Pool

The Workers' Compensation Pool is organized pursuant to Title 51.14 RCW for the purpose of managing workers' compensation payroll taxes, employee claims, and safety programs. Membership is established by execution of an agreement between the District and each local school district. The District is also a member of the Pool.

The Pool provides industrial injury accident insurance coverage for its membership. The Pool is fully funded by its member participants. Member contributions are calculated based on the members' hours worked. The Pool retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts. The Pool acquires insurance from unrelated underwriters. The Pool's per-occurrence retention limit is $450,000 and the annual aggregate retention is $5,008,083. Since the Pool is a cooperative program, there is a joint liability among participating members.

For fiscal year 2019, there are 60 members in the Pool including 59 participating school districts. A Board comprised of one designated representative from each participating member and a seven member Executive Board governs the Pool. The District is responsible for conducting the business affairs of the Pool. At August 31, 2019, the amount of claims totaled $3,991,901. This liability is the Districts best estimate based on available information. Changes in the reported liability since August 31, 2019, resulted in the following:

	Beginning Balance 9/1/2018	Current Year Claims and Changes in Estimates	Ending Balance 8/31/2019
Unpaid	$1,118,561	($313,211)	$805,350
Incurred but not Reported	$2,385,921	$94,059	$2,479,980
Future L&I Assessments	$551,255	($87,694)	$463,561
Estimated Unallocated Loss Adjustment	$245,000	($2,000)	$243,000

Unemployment Compensation Insurance Pool

The Unemployment Compensation Pool is organized pursuant to Title 50.44 RCW for the purpose of managing unemployment compensation payroll taxes and employee claims. Membership is established by execution of an agreement between the District and each local school district. The District is also a member of the Pool.

The Pool provides unemployment compensation coverage for members of the Pool arising from previous employees. The Pool is fully funded by its member participants. Member districts pay a percentage of their employee's wages. These contributions plus investment earnings pays for unemployment claims and for the administration of the Pool. There is provision that members can be additionally assessed if the Pool needs additional funding.

For fiscal year 2019, there are 49 members in the Pool including 48 participating school districts. A Board comprised of one designated representative from each participating member and a seven member Executive Board governs the Pool. The District is responsible for conducting the business affairs of the Pool. At August 31, 2019, the amount of liabilities totaled $35,273. This liability is the District's best estimate based on available information. Changes in the reported liability since August 31, 2019, resulted in the following:

	Beginning Balance 9/1/2018	Current Year Claims and Changes in Estimates	Ending Balance 8/31/2019
Claims Reserves & ULAE	$35,457	($184)	$35,273

Note 9: RISK MANAGEMENT

The district is a member of the Washington Schools Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool 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 Inter-local Cooperation Act. The Pool was formed in 1986 when educational service districts and school districts in the state of Washington joined together by signing the Cooperative Risk Management Pool Account Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Over 90 school and educational service districts have joined the Pool.

The Pool allows members to jointly purchase insurance coverage, establish a plan of self-insurance, and provide related services, such as risk management. The Pool provides the following coverages for its members: property, liability, vehicle, public official liability, crime, employment practices, errors and omissions, equipment breakdown, network security, terrorism, and stop gap liability.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance from unrelated underwriters that are subject to a per-occurrence self-insured retention of $1 million risk shared by the Pool. Members are responsible for varied deductibles for both liability and property claims. Reinsurance or Excess carriers cover losses over $1 million to the maximum limits of each policy. Since the Pool is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the Pool for a minimum of three years and must give notice three years before terminating participation. The Cooperative Risk Management Pool Account Agreement is renewed automatically each year after the initial three-year period, 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 of the third following year. Even after termination, a member is still responsible for their share of contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Cooperative Risk Management Pool Account Agreement. The pool is fully funded by its member participants. In the event of a loss the district will submit a claim to the pool as losses occur. The District paid $38,192 to the pool and had no claims for the fiscal year ended August 31, 2019. Settled claims resulting from this risk have not exceeded insurance coverage in any of the past three fiscal years.

The Pool is governed by a board of directors which is comprised of one designated representative from each participating member. An executive board is elected at the annual meeting and is responsible for overseeing the business affairs of the Pool.

NorthEast Washington ESD 101

Total Insured Value for FY 2018-19	$ 10,875,100
Fully accrued contribution for FY 2018-19	$ 33,685
Washington Schools Risk Management Pool	
Purpose	To provide risk sharing and related services to member school districts
Participants	80 school districts, 7 inter-local companies and 7 educational service districts.
Governing Board	17 member Executive Board
FY 2018-19 Confidence Level	90%
Condensed Financial Information	
	August 31, 2019*
Total Assets	$ 82,090,562
Total Liabilities	$ 60,772,495
Ending Net Position	$ 21,318,067
Total Revenues	$ 56,128,690
Total expenses	$ (58,535,566)
OPERATING INCOME/(LOSS)	$ (2,406,876)
Non-Operating Income/(Expense)	$ 2,854,911
CHANGE IN NET POSITION	$ 448,035
*Unaudited	

NorthEast Washington ESD 101 WCT	
Fully accrued contribution for FY 2018-19	$ 4,477
Washington Schools Risk Management Pool	
Purpose	To provide risk sharing and related services to member school districts
Participants	80 school districts, 7 inter-local companies and 7 educational service districts.
Governing Board	17 member Executive Board
FY 2018-19 Confidence Level	90%
Condensed Financial Information	
	August 31, 2019*
Total Assets	$ 82,090,562
Total Liabilities	$ 60,772,495
Ending Net Position	$ 21,318,067
Total Revenues	$ 56,128,690
Total expenses	$ (58,535,566)
OPERATING INCOME/(LOSS)	$ (2,406,876)
Non-Operating Income/(Expense)	$ 2,854,911
CHANGE IN NET POSITION	$ 448,035
*Unaudited	

Note 10: NET POSITION, RESTRICTED

The District's Statement of Net Position reports $2,120,503 of net assets restricted for support programs as follows as of August 31, 2019:

Support Program	Amount
Instructional Support	$1,163,975
Non-Instructional Support	$956,528
Total Restricted for Support Programs	$2,120,503

Note 11: COMPENSATED ABSENCES

Compensated Absences Pool Fund

The Compensated Absences Pool Fund is organized under the provisions of Chapter 39.34 Inter-local 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. The District is also a member of the Fund.

For fiscal year 2019, there are *four* members in the Pool 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 expenditures. Coverage is on an "occurrence" basis. Expenditures of leave taken during employment continue to be recorded when paid.

The District contributes to the Compensated Absences Pool Fund for liabilities relating to sick leave and vacation leave cash outs. As of August 31, 2019, the District's total compensated absences balance in the pool was $2,234. The District considers these liabilities fully funded and therefore does not report them in the statement of net position.

Changes for the fiscal year are summarized below.

		Balance at 8/31/2019
Beginning Long-term Liability		$680,806
Beginning Pool Balance	$(108,251)	
Payments to Pool	$284,196	
Interest	$2,287	
Withdrawals from Pool	($175,999)	
Less Ending Pool Balance		$2,234
Increase (Decrease) to Estimates of Long-term Liability		$77,586
Ending Unfunded Liability		$756,158

Note 12: INVESTMENT IN JOINT VENTURE

Washington School Information Processing Cooperative

The District is a member of the Washington Information Processing Cooperative (WSIPC). The WSIPC Board of Directors consists of a member of each the nine Educational Service Districts (ESDs) in the state. ESD 123 is the Fiscal Agent of the Joint Venture and answers directly to the WSIPC Board of Directors on financial matters.

WSIPC adopted GASB 68 at the year ended August 31, 2015. GASB 68 requires participating entities in the State Department of Retirement System (DRS) to recognize their proportionate share of the individual plans' net pension liability and related component measures that are reported on the DRS comprehensive annual financial report (CAFR) each year. WSIPC's financial statements include the proportionate share of the net pension liability associated with Public Employees' Retirement System (PERS) plans.

WSIPC implemented GASB 75 at the year ended August 31, 2018 to recognize the unfunded OPEB (Postemployment Benefit Plans Other than Pensions) liability on WSIPC's financial statements. 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 ESDs.

Condensed financial information of the Joint Venture for the fiscal year ended August 31, 2019, is as follows:

Statement of Net Position	Amount
Assets & Deferred Outflows	
Current Assets	$6,341,989
Noncurrent Assets	1,811,056
Deferred Outflows of Resources - Pensions	709,558
Deferred Outflows of Resources - OPEB	807,689
Total Assets & Deferred Outflows	**$9,670,292**
Liabilities, Deferred Inflows & Joint Venture Capital	
Current Liabilities	$698,488
Noncurrent Liabilities	451,419
Net Pension Liability	3,133,685
Total OPEB Liability	4,205,218
Deferred Inflows of Resources - Pensions	1,823,235
Deferred Inflows of Resources - OPEB	194,481
Net Position - Investment in Joint Venture	(836,234)
Total Liabilities, Deferred Inflows & Joint Venture Investment	**$9,670,292**
Statement of Revenues, Expenses and Changes in Net Position	
Operating Revenues	$24,036,009
Less Operating Expenses	23,957,020
Increase/(Decrease) in Net Position	**78,989**

WSIPC employees participate in the Washington state retirement system and report net pension liability under requirements of Government Accounting Standards Board Statement No. 68 Accounting and Financial Reporting for Pensions consistent with disclosures in Note 6 to these financial statements. Further, other post-employment insurance benefits (OPEB) for WSIPC employees is provided through the Washington Health Care Authority and the net OPEB liability is reported under GASB No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, consistent with disclosures found in Note 7 to these statements.

The District's share of the total Investment in the joint venture is $(92,915) and is reported on the Statement of Net Position as a noncurrent asset. There were no contributions to, or distributions from the joint venture during 2019. The change in net position from fiscal year 2018 to 2019 is $8776 has been reported on the Statement of Revenues, Expenses and Changes in Fund Net Position as non-operating revenue.

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

Note 13: SUBSEQUENT EVENT DISCLOSURE

On February 29, 2020, the Governor of the State of Washington, Jay Inslee, declared a state of emergency, making state funding available to reimburse the District for increased costs associated with the pandemic. Subsequent to this declaration, precautionary measures were implemented statewide to slow the spread of the virus including closure of schools, colleges and universities, cancellation of large events and limits on gathering size. On March 22, President Donald J. Trump signed an emergency declaration providing federal assistance to the State of Washington. Due to the uncertainty of the progression of COVID-19, the effect on our Statement of Net Position and Statement of Activities is not estimable. Additionally, the amount of federal and state funding to be received by the District related to the pandemic is not determinable.

REQUIRED SUPPLEMENTAL INFORMATION (RSI)

RSI for Property–Casualty Cooperatives–Pools and Workers Compensation Pools:

Part 1 – Ten-Year Claims Development Information

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

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

NE WA WORKERS' COMPENSATION COOPERATIVE										
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
1. Required contribution & investment revenue:										
Earned	2,757,744	2,704,925	2,627,908	3,009,425	3,253,778	3,575,470	3,563,579	3,732,868	4,085,360	4,146,099
Ceded	110,890	119,693	110,192	105,455	122,626	130,443	132,358	139,672	130,228	134,418
Net Earned	2,646,854	2,585,232	2,517,716	2,903,970	3,131,152	3,445,027	3,431,221	3,593,196	3,955,132	4,011,681
2. Unallocated expenses (ESD Admin)	614,478	667,182	663,892	673,690	739,616	730,354	580,386	884,442	909,147	1,003,606
3. Estimated claims & expenses end of policy Year:										
Incurred	1,692,978	1,486,595	1,807,435	1,983,634	1,697,949	1,887,523	2,182,445	2,287,708	3,297,045	2,327,086
Ceded *	42,978	36,595	57,435	48,634	47,949	37,523	92,445	112,708	697,045	42,086
Net incurred	1,650,000	1,450,000	1,750,000	1,935,000	1,650,000	1,850,000	2,090,000	2,175,000	2,600,000	2,285,000
4. Net paid (cumulative) as of:										
End of policy year	594,087	526,012	674,972	865,143	703,904	742,608	838,926	853,947	1,197,475	829,529
One year later	922,527	867,024	1,262,145	1,645,583	1,284,233	1,245,046	1,604,176	1,768,132	1,983,708	
Two years later	1,046,570	952,140	1,417,829	2,137,520	1,526,818	1,464,339	1,816,405	2,145,880		
Three years later	1,149,462	1,008,972	1,530,453	2,292,925	1,585,239	1,604,275	1,956,526			
Four years later	1,265,286	1,032,206	1,589,669	2,372,657	1,605,375	1,654,147				
Five years later	1,325,508	1,047,747	1,748,295	2,373,070	1,626,070					
Six years later	1,374,284	1,052,416	1,783,565	2,377,284						
Seven years later	1,377,356	1,060,043	1,831,419							
Eight years later	1,377,514	1,064,335								
Nine years later	1,386,120									
5. Reestimated net ceded claims and expenses *	6,352	6,251	6,761	6,750	8,872	12,569	15,230	19,272	1,283,836	42,086
6. Reestimated net incurred claims & expenses:										
End of policy year	1,650,000	1,450,000	1,750,000	1,935,000	1,650,000	1,850,000	2,090,000	2,175,000	2,600,000	2,285,000
One year later	1,350,000	1,300,000	1,725,000	2,200,000	1,905,000	1,800,000	2,325,000	2,550,000	2,650,000	
Two years later	1,375,000	1,225,000	1,800,000	2,550,000	1,915,000	1,830,000	2,215,000	2,450,000		
Three years later	1,400,000	1,185,000	1,870,000	2,525,000	1,790,000	1,875,000	2,140,000			
Four years later	1,425,000	1,145,000	1,865,000	2,515,000	1,755,000	1,860,000				
Five years later	1,425,000	1,130,000	1,965,000	2,480,000	1,710,000					
Six years later	1,430,000	1,110,000	2,015,000	2,440,000						
Seven years later	1,415,000	1,100,000	2,030,000							
Eight years later	1,405,000	1,090,000								
Nine years later	1,398,000									
7. Increase (decrease) in estimated net incurred										
claims & expenses from end of policy year	-252,000	-360,000	280,000	505,000	60,000	10,000	50,000	275,000	50,000	0
	-15.30%	-24.80%	15.40%	26.10%	3.60%	0.50%	2.40%	12.60%	1.90%	0.00%
* Estimates were not done for years prior To '09-'10										

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

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

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30

PERS 1					
Last 10 Fiscal Years*					
	2015	2016	2017	2018	2019
District's Proportion of the net pension liability (percentage)	0.052415%	0.057427%	0.061396%	0.059697%	0.059342%
District's proportionate share of the net pension liability (amount)	$2,741,808	$3,084,112	$2,913,302	$2,666,108	$2,281,929
District's covered payroll	$5,909,426	$6,973,733	$7,654,278	$7,947,300	$8,242,844
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	46.40%	44.22%	38.06%	33.55%	27.68%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%

SERS 2/3					
Last 10 Fiscal Years*					
	2015	2016	2017	2018	2019
District's Proportion of the net pension liability (percentage)	0.337542%	0.368120%	0.371366%	0.354325%	0.337964%
District's proportionate share of the net pension liability (amount)	$1,370,931	$2,417,693	$1,832,596	$1,059,652	$792,519
District's covered payroll	$5,810,288	$6,883,859	$7,586,782	$7,887,333	$8,180,042
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	23.59%	35.12%	24.16%	13.43%	9.69%
Plan fiduciary net position as a percentage of the total pension liability	90.92%	86.52%	90.79%	94.77%	96.31%

TRS 1					
Last 10 Fiscal Years*					
	2015	2016	2017	2018	2019
District's Proportion of the net pension liability (percentage)	0.030458%	0.030587%	0.031079%	0.030070%	0.027625%
District's proportionate share of the net pension liability (amount)	$964,945	$1,044,313	$939,590	$878,220	$683,951
District's covered payroll	$1,504,278	$1,618,336	$1,745,671	$1,804,872	$1,869,248
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	64.15%	64.53%	53.82%	48.66%	36.59%
Plan fiduciary net position as a percentage of the total pension liability	65.70%	62.07%	65.58%	66.52%	70.37%

TRS 2/3					
Last 10 Fiscal Years*					
	2015	2016	2017	2018	2019
District's Proportion of the net pension liability (percentage)	0.032147%	0.031956%	0.031838%	0.030562%	0.028002%

District's proportionate share of the net pension liability (amount)	$271,255	$438,845	$293,851	$137,566	$168,721
District's covered payroll	$1,504,278	$1,618,336	$1,745,671	$1,804,872	$1,869,248
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll	18.03%	27.12%	16.83%	7.62%	9.03%
Plan fiduciary net position as a percentage of the total pension liability	92.48%	88.72%	93.14%	96.88%	96.36%

Part 3 – Schedule of District Contributions

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

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR FISCAL YEAR END AUGUST 31					
PERS 1					
Last 10 Fiscal Years*					
	2015	2016	2017	2018	2019
Contractually required contribution	$240,900	$325,668	$369,314	$399,032	$425,510
Contributions in relation to the contractually required contributions	$240,900	$325,668	$369,314	$399,032	$425,510
Contribution deficiency (excess)					
District's covered payroll	$6,137,196	$7,238,619	$7,744,107	$8,021,932	$9,689,330
Contribution as a percentage of covered payroll	3.93%	4.50%	4.77%	4.97%	4.39%

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR FISCAL YEAR END AUGUST 31					
SERS 2/3					
Last 10 Fiscal Years*					
	2015	2016	2017	2018	2019
Contractually required contribution	$328,164	$440,398	$503,004	$619,858	$676,489
Contributions in relation to the contractually	$328,164	$440,398	$503,004	$619,858	$676,489

required contributions					
Contribution deficiency (excess)					
District's covered payroll	$6,047,285	$7,146,640	$7,685,722	$7,960,490	$9,615,835
Contribution as a percentage of covered payroll	5.43%	6.16%	6.54%	7.79%	7.04%

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR FISCAL YEAR END AUGUST 31					
TRS 1					
Last 10 Fiscal Years*					
	2015	2016	2017	2018	2019
Contractually required contribution	$68,157	$92,959	$108,755	$125,059	$137,195
Contributions in relation to the contractually required contributions	$68,157	$92,959	$108,755	$125,059	$137,195
Contribution deficiency (excess)					
District's covered payroll	$1,527,140	$1,632,324	$1,772,782	$1,841,378	$2,204,249
Contribution as a percentage of covered payroll	4.46%	5.69%	6.13%	6.79%	6.22%

SCHEDULE OF DISTRICT CONTRIBUTIONS F OR FISCAL YEAR END AUGUST 31					

TRS 2/3					
Last 10 Fiscal Years*					
	2015	2016	2017	2018	2019
Contractually required contribution	$85,429	$104,304	$117,309	$135,875	$146,362
Contributions in relation to the contractually required contributions	$85,429	$104,304	$117,309	$135,875	$146,362
Contribution deficiency (excess)					
District's covered payroll	$1,527,140	$1,632,324	$1,772,782	$1,841,378	$2,204,249
Contribution as a percentage of covered payroll	5.59%	6.39%	6.62%	7.38%	6.64%

*GASB 68 was implemented for the fiscal year ended August 31, 2015. No information prior to August 31, 2015 is available.

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

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

Educational Service District No. 101			
REQUIRED SUPPLEMENTAL INFORMATION			
SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS			
AS OF AUGUST 31, 2019			
Last 10 Fiscal Years **			
TOTAL OPEB LIABILTY	**2019**	**2018**	
Service cost	$234,108	$256,597	
Interest on total OPEB liability	$220,530	$200,776	
Changes in benefit terms			
Effect of economic/demographic gains or (losses)	$503,078		
Effect of assumption changes or inputs	$972,515	-$392,885	
Expected benefit payments	-$196,561	-$190,031	
Net change in total OPEB liability	$1,733,670	-$125,543	
Total OPEB liability, beginning balance	$5,432,153	$5,557,696	
Total OPEB liability, ending balance	$7,165,823	$5,432,153	
Covered employee payroll	$11,893,579	$9,863,310	
Total OPEB liability as a % of covered payroll	60.25%	55.07%	

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

Northeast Washington Educational Service District No. 101
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Child and Adult Care Food Program	10.558	3408-60	17,277	-	17,277	-	3, 1
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	STOP School Violence	16.839	820012 5934	-	35,991	35,991	-	
WIOA Cluster								
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via Spokane Area Wkforce Dev Council)	WIOA Youth Activities	17.259	117016009 7602	127,470	-	127,470	-	
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via Spokane Area Wkforce Dev Council)	WIOA Youth Activities	17.259	117018003 7612	62,573	-	62,573	-	
			Total WIOA Cluster:	**190,043**	**-**	**190,043**	-	
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF	YouthBuild	17.274	YB277801560A 53 7635	-	861	861	-	
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF	YouthBuild	17.274	YB245761360A 53 7637	-	527,844	527,844	-	
			Total CFDA 17.274:	**-**	**528,705**	**528,705**	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	0260079, 0260090 1650	127,697	-	127,697	-	

The accompanying notes are an integral part of this schedule.

Northeast Washington Educational Service District No. 101
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	0222674 5906	56,948	-	56,948	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	0222557 5908	108,720	-	108,720	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	0222674 5913	59,881	-	59,881	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	0222556 5921	82,346	-	82,346	74,003	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	0222674 5932	54,579	-	54,579	-	
			Total CFDA 84.010:	**490,171**	**-**	**490,171**	74,003	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	0223092 5907	77,504	-	77,504	-	
Special Education Cluster (IDEA)								
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	0320262 1205	265,525	-	265,525	-	

The accompanying notes are an integral part of this schedule.

Northeast Washington Educational Service District No. 101
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	0381002 1208	22,698	-	22,698	-	
			Total CFDA 84.027:	**288,223**	**-**	**288,223**	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	0380312, '0380301 1206	35,327	-	35,327	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	0327421 1207	25,066	-	25,066	-	
			Total CFDA 84.173:	**60,393**	**-**	**60,393**	-	
			Total Special Education Cluster (IDEA):	**348,616**	**-**	**348,616**	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via Dept of Social & Health Services)	Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	1761-92170 1210	146,340	-	146,340	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via Spokane Area Wkforce Dev Council)	Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	117016016 7608	4,300	-	4,300	-	
			Total CFDA 84.126:	**150,640**	**-**	**150,640**	-	

The accompanying notes are an integral part of this schedule.

Northeast Washington Educational Service District No. 101
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via Department of Early Learning)	Special Education-Grants for Infants and Families	84.181	18-1201 3450	116,325	-	116,325	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)	84.184	S184M140066 2040	-	758,257	758,257	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via ESD 112)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	7006000141 2010	4,038	-	4,038	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA OSPI)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	0999201 2015	127	-	127	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA OSPI)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	0900101 2016	2,731	-	2,731	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA OSPI)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	0999090 2017	146,661	-	146,661	-	

The accompanying notes are an integral part of this schedule.

Northeast Washington Educational Service District No. 101
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Dept of Social & Health Services)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1765-97538 PFS 2045.2069	83,423	-	83,423	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via ESD 112)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	099093 2017	331	-	331	-	
			Total CFDA 93.243:	**237,311**	**-**	**237,311**	-	
CDC NATIONAL CENTER FOR CHRONIC DISEASE PREVENTION AND HEALTH PROMOTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Drug-Free Communities Support Program Grants	93.276	1H79SP080619 -01 2020	-	80,718	80,718	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via ESD 105)	Every Student Succeeds Act/Preschool Development Grants	93.434	90TP001801 3451	2,288	-	2,288	-	
Medicaid Cluster								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA OSPI)	Medical Assistance Program	93.778	0560004, 0560006 2012	82,769	-	82,769	-	

The accompanying notes are an integral part of this schedule.

Northeast Washington Educational Service District No. 101
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Health Care Authority)	Medical Assistance Program	93.778	K2257 5942	1,957	-	1,957	-	3
			Total Medicaid Cluster:	**84,726**	**-**	**84,726**	**-**	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA OSPI)	Opioid STR	93.788	0996804 2015	56,175	-	56,175	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA OSPI)	Opioid STR	93.788	0999057 2015	12,000	-	12,000	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Dept of Social & Health Services)	Opioid STR	93.788	1765-97538 SOR 2045.2070	144,536	-	144,536	-	
			Total CFDA 93.788:	**212,711**	**-**	**212,711**	**-**	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA OSPI)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	0998202, 0998211 2014	557,455	-	557,455	-	

The accompanying notes are an integral part of this schedule.

Northeast Washington Educational Service District No. 101
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Dept of Social & Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1765-97538 SABG 2045	249,542	-	249,542	17,628	
			Total CFDA 93.959:	**806,997**	**-**	**806,997**	17,628	
Corporation for National and Community Service, CORPORATION FOR NATIONAL AND COMMUNITY SERVICE (via Serve Washington)	AmeriCorps	94.006	K2408 7611	277,267	-	277,267	-	2
			Total Federal Awards Expended:	**3,011,876**	**1,403,671**	**4,415,547**	**91,631**	

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1—BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Educational Service District 101 ("the District") financial statements. The District uses the accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2—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 district'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.

NOTE 3—UNIT COST CONTRACTS

Under certain programs the District receives a fixed amount for the activity, regardless of the district's expenditures. "Expenditures" for these programs are listed at the amount received from the grantor.

NOTE 4—FEDERAL INDIRECT RATE

The Educational Service District 101 used the federal restricted rate of 7.38% for the programs unless otherwise specified by a particular program. The District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NorthEast Washington Educational Service District 101

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Northeast Washington Educational Service District No. 101
September 1, 2018 through August 31, 2019

This schedule presents the corrective action planned by the District for findings reported in this report 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).

Finding ref number:	**Finding caption:**
2019-001	The District did not have effective internal controls in place to ensure accurate and reliable financial reporting.
Name, address, and telephone of District contact person: Kassidy Probert, Assistant Superintendent 4202 S. Regal Street Spokane, WA 99223 (509) 789-3564	
Corrective action the auditee plans to take in response to the finding: *The District will provide additional GAAP reporting training to employees responsible for the preparation and review of the district financial statements. District will also have staff attend annual WFOA GAAP trainings to ensure the district stays current on the latest changes to GAAP reporting.*	
Anticipated date to complete the corrective action: 8/31/2020	

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

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Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov