



Office of the Washington State Auditor

Pat McCarthy

Financial Statements and Federal Single Audit Report

Kennewick School District No. 17

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

Published April 20, 2020

Report No. 1026031





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

April 20, 2020

Board of Directors
Kennewick School District No. 17
Kennewick, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Kennewick School District No. 17's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Kennewick School District No. 17 **September 1, 2018 through August 31, 2019**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Kennewick School District No. 17 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 District’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.553	Child Nutrition Cluster – School Breakfast Program
10.555	Child Nutrition Cluster – National School Lunch Program
10.559	Child Nutrition Cluster – Summer Food Service Program for Children
10.558	Child and Adult Care Food Program

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**INDEPENDENT AUDITOR'S REPORT 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**

**Kennewick School District No. 17
September 1, 2018 through August 31, 2019**

Board of Directors
Kennewick School District No. 17
Kennewick, 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 Kennewick School District No. 17, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated March 31, 2020.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because, as described in Note 1, the *Accounting Manual for Public School Districts in the State of Washington* does not require the District to prepare the government-wide statements presenting the financial position and changes in financial position of its governmental activities as required by GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

As discussed in Note 18 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the District. Management's plans in response to this matter are also described in Note 18.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that

are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Pat McCarthy". The signature is written in black ink and is positioned above the printed name.

Pat McCarthy

State Auditor

Olympia, WA

March 31, 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**

**Kennewick School District No. 17
September 1, 2018 through August 31, 2019**

Board of Directors
Kennewick School District No. 17
Kennewick, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of Kennewick School District No. 17, 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.

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

Pat McCarthy

State Auditor

Olympia, WA

March 31, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Kennewick School District No. 17 **September 1, 2018 through August 31, 2019**

Board of Directors
Kennewick School District No. 17
Kennewick, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Kennewick School District No. 17, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 16.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual) described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 account 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.

Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)

As described in Note 1, the District has prepared these financial statements to meet the financial reporting requirements of state law using accounting practices prescribed by the Accounting Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The difference in these accounting practices is also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kennewick School District No. 17, as of August 31, 2019, and the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. GAAP requires presentation of government-wide financial statements to display the financial position and changes in financial position of its governmental activities.

As described in Note 1, the Accounting Manual does not require the District to prepare the government-wide financial statements, and consequently such amounts have not been determined or presented. We are therefore required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Kennewick School District No. 17, as of August 31, 2019, or the changes in financial position or cash flows thereof for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Matters of Emphasis

As discussed in Note 18 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the District. Management’s plans in response to this matter are also described in Note 18. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Long-Term Liabilities is presented for purposes of additional analysis, as required by the prescribed Accounting Manual. These schedules are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 March 31, 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 the internal control over financial reporting or on compliance. That report

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

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

Pat McCarthy

State Auditor

Olympia, WA

March 31, 2020

FINANCIAL SECTION

Kennewick School District No. 17 September 1, 2018 through August 31, 2019

FINANCIAL STATEMENTS

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Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2019
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Long-Term Liabilities – 2019
Schedule of Expenditures of Federal Awards – 2019
Notes to the Schedule of Expenditures of Federal Awards – 2019

Kennewick School District No. 017

Balance Sheet

Governmental Funds

August 31, 2019

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	39,802,896.26	1,404,884.80	6,210,124.38	28,834,637.72	1,291,827.48	0.00	77,544,370.64
Minus Warrants Outstanding	-5,181,117.69	-32,073.44	0.00	-3,206,646.86	-1,045,559.46	0.00	-9,465,397.45
Taxes Receivable	5,892,275.40		5,833,488.29	1,777,372.87	0.00	0.00	13,503,136.56
Due From Other Funds	0.00	0.00	0.00	333,592.95	0.00	0.00	333,592.95
Due From Other Governmental Units	1,269,773.85	0.00	0.00	0.00	0.00	0.00	1,269,773.85
Accounts Receivable	87,540.85	0.00	0.00	0.00	0.00	0.00	87,540.85
Interfund Loans Receivable	0.00			0.00	0.00	0.00	0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	458,093.57	0.00		0.00			458,093.57
Prepaid Items	0.00	0.00			0.00	0.00	0.00
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	42,329,462.24	1,372,811.36	12,043,612.67	27,738,956.68	246,268.02	0.00	83,731,110.97
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred Outflows of Resources - Other	0.00		0.00	0.00	0.00		0.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	42,329,462.24	1,372,811.36	12,043,612.67	27,738,956.68	246,268.02	0.00	83,731,110.97
LIABILITIES:							
Accounts Payable	1,535,026.85	0.00	0.00	0.00	0.00	0.00	1,535,026.85
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	0.00	0.00		0.00			0.00
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00

The accompanying notes are an integral part of this financial statement.

Kennewick School District No. 017

Balance Sheet

Governmental Funds

August 31, 2019

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Payroll Deductions and Taxes Payable	39,950.34	0.00	0.00	0.00			39,950.34
Due To Other Governmental Units	126,542.62	0.00	0.00	0.00	0.00	0.00	126,542.62
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	1,575,419.54						1,575,419.54
Due To Other Funds	333,592.95	0.00	0.00	0.00	0.00	0.00	333,592.95
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00	0.00	0.00	0.00		0.00
Unearned Revenue	0.00	0.00	0.00	0.00	0.00		0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			1,093.02				1,093.02
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
TOTAL LIABILITIES	3,610,532.30	0.00	1,093.02	0.00	0.00	0.00	3,611,625.32
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue	964,910.14	0.00	0.00	0.00	0.00		964,910.14
Unavailable Revenue - Taxes Receivable	5,892,275.40		5,833,488.29	1,777,372.87	0.00		13,503,136.56
TOTAL DEFERRED INFLOWS OF RESOURCES	6,857,185.54	0.00	5,833,488.29	1,777,372.87	0.00	0.00	14,468,046.70
FUND BALANCE:							
Nonspendable Fund Balance	458,093.57	0.00	0.00	0.00	0.00		458,093.57
Restricted Fund Balance	3,365,296.16	1,372,811.36	6,209,031.36	14,982,861.82	246,268.02		26,176,268.72
Committed Fund Balance	0.00	0.00	0.00	507,045.13	0.00		507,045.13
Assigned Fund Balance	19,338,354.67	0.00	0.00	10,471,676.86	0.00		29,810,031.53
Unassigned Fund Balance	8,700,000.00	0.00	0.00	0.00	0.00		8,700,000.00
TOTAL FUND BALANCE	31,861,744.40	1,372,811.36	6,209,031.36	25,961,583.81	246,268.02	0.00	65,651,438.95
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	42,329,462.24	1,372,811.36	12,043,612.67	27,738,956.68	246,268.02	0.00	83,731,110.97

The accompanying notes are an integral part of this financial statement.

Kennewick School District No. 017

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2019

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	22,215,198.81	1,760,835.62	12,721,395.14	4,600,141.79	15,824.62		41,313,395.98
State	212,356,531.71		0.00	19,310,834.78	740,498.39		232,407,864.88
Federal	18,585,051.59		0.00	0.00	0.00		18,585,051.59
Other	1,353,711.54			23,060.00	0.00	0.00	1,376,771.54
TOTAL REVENUES	254,510,493.65	1,760,835.62	12,721,395.14	23,934,036.57	756,323.01	0.00	293,683,083.99
EXPENDITURES:							
CURRENT:							
Regular Instruction	138,617,277.53						138,617,277.53
Special Education	27,482,792.94						27,482,792.94
Vocational Education	7,358,090.69						7,358,090.69
Skill Center	4,442,065.63						4,442,065.63
Compensatory Programs	21,632,661.68						21,632,661.68
Other Instructional Programs	3,027,267.36						3,027,267.36
Community Services	323,974.74						323,974.74
Support Services	44,402,161.15						44,402,161.15
Student Activities/Other		1,680,440.80				0.00	1,680,440.80
CAPITAL OUTLAY:							
Sites				1,777,453.10			1,777,453.10
Building				36,018,954.01			36,018,954.01
Equipment				3,619,653.99			3,619,653.99
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					1,045,559.46		1,045,559.46
Sales and Lease						0.00	0.00
Other	1,316,756.76						1,316,756.76
DEBT SERVICE:							
Principal	0.00		8,094,500.00	0.00	0.00		8,094,500.00
Interest and Other Charges	0.00		3,867,531.26	0.00	0.00		3,867,531.26
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	248,603,048.48	1,680,440.80	11,962,031.26	41,416,061.10	1,045,559.46	0.00	304,707,141.10
REVENUES OVER (UNDER) EXPENDITURES	5,907,445.17	80,394.82	759,363.88	-17,482,024.53	-289,236.45	0.00	-11,024,057.11
OTHER FINANCING SOURCES (USES):							

The accompanying notes are an integral part of this financial statement.

Kennewick School District No. 017

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2019

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		0.00	7,500,000.00	400,000.00		7,900,000.00
Transfers Out (GL 536)	-7,900,000.00		0.00	0.00	0.00	0.00	-7,900,000.00
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	-7,900,000.00		0.00	7,500,000.00	400,000.00	0.00	0.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-1,992,554.83	80,394.82	759,363.88	-9,982,024.53	110,763.55	0.00	-11,024,057.11
BEGINNING TOTAL FUND BALANCE	33,854,299.23	1,292,416.54	5,449,667.48	35,943,608.34	135,504.47	0.00	76,675,496.06
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	31,861,744.40	1,372,811.36	6,209,031.36	25,961,583.81	246,268.02	0.00	65,651,438.95

The accompanying notes are an integral part of this financial statement.

Statement Of Fiduciary Net Position

Fiduciary Funds

August 31, 2019

	Private Purpose Trust	Other Trust
ASSETS:		
Imprest Cash	13,026.97	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	0.00	5,915,276.87
Minus Warrants Outstanding	0.00	-39,611.61
Due From Other Funds	0.00	22,367.66
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	0.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	0.00
Capital Assets, Land	0.00	
Capital Assets, Buildings	0.00	
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	
Accum Depreciation, Equipment	0.00	0.00
TOTAL ASSETS	13,026.97	5,898,032.92
LIABILITIES:		
Accounts Payable	0.00	493,309.83
Due To Other Funds	0.00	0.00
TOTAL LIABILITIES	0.00	493,309.83
NET POSITION:		
Held In Trust For Intact Trust Principal	0.00	0.00
Held In Trust For Private Purposes	0.00	
Held In Trust For Pension Or Other Post-Employment Benefits		0.00
Held In Trust For Other Purposes	13,026.97	5,404,723.09
TOTAL NET POSITION	13,026.97	5,404,723.09

The accompanying notes are an integral part of this financial statement.

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For the Year Ended August 31, 2019

	Private Purpose Trust	Other Trust
ADDITIONS:		
Contributions:		
Private Donations	15,915.36	0.00
Employer		4,219,255.36
Members		0.00
Other	0.00	0.00
TOTAL CONTRIBUTIONS	15,915.36	4,219,255.36
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	0.00	102,263.60
Less Investment Expenses	0.00	0.00
Net Investment Income	0.00	102,263.60
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	15,915.36	4,321,518.96
DEDUCTIONS:		
Benefits		4,141,549.44
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	13,732.42	
Other	0.00	0.00
TOTAL DEDUCTIONS	13,732.42	4,141,549.44
Net Increase (Decrease)	2,182.94	179,969.52
Net Position--Prior Year August Beginning	10,844.03	5,224,753.57
Prior Year F-196 Manual Revision	0.00	0.00
Net Position - Total	10,844.03	5,224,753.57
Prior Year(s) Corrections or Restatements	0.00	0.00
NET POSITION--ENDING	13,026.97	5,404,723.09

The accompanying notes are an integral part of this financial statement.

Kennewick School District #17
Notes to the Financial Statements
September 1, 2018 Through August 31, 2019

Note 1: Summary of Significant Accounting Policies

The Kennewick School District is a municipal corporation organized pursuant to Title 28A of the Revised Code of Washington (RCW) for the purposes of providing public school services to students in grades K–12. Oversight responsibility for the District's operations is vested with the independently elected board of directors. Management of the District is appointed by and is accountable to the board of directors. Fiscal responsibility, including budget authority and the power to set fees, levy property taxes, and issue debt consistent with provisions of state statutes, also rests with the board of directors.

The District presents governmental fund financial statements and related notes on the modified accrual basis of accounting in accordance with the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor's Office and the Superintendent of Public Instruction by the authority of RCW 43.09.200, RCW 28A.505.140, RCW 28A.505.010(1) and RCW 28A.505.020. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- (1) Districtwide statements, as defined in GAAP, are not presented.
- (2) A Schedule of Long-Term Liabilities is presented as supplementary information.
- (3) Supplementary information required by GAAP is not presented.
- (4) Property Taxes collected after the end of the fiscal period are not considered available for revenue accrual as described below.

Fund Accounting

Financial transactions of the District are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. All funds are considered major funds. The various funds in the report are grouped into governmental (and fiduciary) funds as follows:

Governmental Funds

General Fund

This fund is used to account for all expendable financial resources, except for those that are required to be accounted for in another fund. In keeping with the principle of having as few funds as are necessary, activities such as food services, maintenance, data processing, printing, and student transportation are included in the General Fund.

Capital Projects Funds

These funds account for financial resources that are to be used for the construction or acquisition of major capital assets. There are two funds that are considered to be of the capital projects fund type: the Capital Projects Fund and the Transportation Vehicle Fund.

Capital Projects Fund. This fund is used to account for resources set aside for the acquisition and construction of major capital assets such as land and buildings.

Transportation Vehicle Fund. This fund is used to account for the purchase, major repair, rebuilding, and debt service expenditures that relate to pupil transportation equipment.

Debt Service Fund

This fund is used to account for the accumulation of resources for and the payment of matured general long-term debt principal and interest.

Special Revenue Fund

In Washington state, the only allowable special revenue fund for school Districts is the Associated Student Body (ASB) Fund. This fund is accounted for in the District's financial statements as the financial resources legally belong to the District. As a special revenue fund, amounts within the ASB Fund may only be used for those purposes that relate to the operation of the Associated Student Body of the District.

Fiduciary Funds

Fiduciary funds include pension and other employee benefit trust funds, private-purpose trust funds, and agency funds, and are used to account for assets that are held in trust by the District in a trustee and agency capacity. Effective September 1, 2007, the District began accounting for self-insured dental and self-insured workers' compensation programs within a fiduciary fund. Premiums are deposited into the fund. Dental and workers' compensation claims are paid from

the fund. In October 2017 the District became self-insured for unemployment claims. Unemployment claims are administered within the District Fiduciary Fund.

Private-Purpose Trust Fund

This fund is used to account for resources that are legally held in trust by the District. The trust agreement details whether principal and interest may both be spent, or whether only interest may be spent. Money from a Private-Purpose Trust Fund may not be used to support the District's programs, and may not be used to benefit individuals, private organizations, or other governments. Money is received from the Invest ED Foundation and is used to benefit student needs Grades 7-12.

Measurement focus, basis of accounting, and fund financial statement presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the amount of the transaction can be readily determined. Revenues are considered "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end. Property taxes receivable are measurable but not available and are, therefore, not accrued. Categorical program claims and interDistrict billings are measurable and available and are, therefore, accrued.

Expenditures are recorded in the period in which the benefit is received or when the goods or services are used. Unmatured principal and interest on long-term debt which are recorded when due. For federal grants, the recognition of expenditures is dependent on the District obligation date. (Obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.)

Budgets

Chapter 28A.505 RCW and Chapter 392-123 Washington Administrative Code (WAC) mandate school District budget policies and procedures. The board adopts annual appropriated budgets for all governmental funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Appropriations lapse at the end of the fiscal period.

Budgets are adopted on the same modified accrual basis as used for financial reporting. Fund balance is budgeted as available resources and, under statute, may not be negative, unless the District enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

The government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The District receives state funding for specific categorical education-related programs. Amounts that are received for these programs that are not used in the current fiscal year may be carried forward into the subsequent fiscal year, where they may be used only for the same purpose as they were originally received. When the District has such carryover, those funds are expended before any amounts received in the current year are expended.

Additionally, the District has other restrictions placed on its financial resources. When expenditures are recorded for purposes for which a restriction or commitment of fund balance is available, those funds that are restricted or committed to that purpose are considered first before any unrestricted or unassigned amounts are expended.

The government's fund balance classifications policies and procedures.

The District classifies ending fund balance for its governmental funds into five categories.

Nonspendable Fund Balance. The amounts reported as Nonspendable are resources of the District that are not in spendable format. They are either non-liquid resources such as inventory or prepaid items, or the resources are legally or contractually required to be maintained intact.

Restricted Fund Balance. Amounts that are reported as Restricted are those resources of the District that have had a legal restriction placed on their use either from statute, WAC, or other legal requirements that are beyond the control of the board of directors. Restricted fund balance includes anticipated recovery of revenues that have been received but are restricted as to their usage.

Committed Fund Balance. Amounts that are reported as Committed are those resources of the District that have had a limitation placed upon their usage by formal action of the District's board of directors. Commitments are made either through a formal adopted board resolution or are related to a school board policy. Commitments may only be changed when the resources are used for the intended purpose or the limitation is removed by a subsequent formal action of the board of directors.

Assigned Fund Balance. In the General Fund, amounts that are reported as Assigned are those resources that the District has set aside for specific purposes. These accounts reflect tentative management plans for future financial resource use such as the replacement of equipment or the assignment of resources for contingencies. Assignments reduce the amount reported as Unassigned Fund Balance, but may not reduce that balance below zero.

In other governmental funds, Assigned fund balance represents a positive ending spendable fund balance once all restrictions and commitments are considered. These resources are only available for expenditure in that fund and may not be used in any other fund without formal action by the District's board of directors and as allowed by statute.

The Executive Director of Business Operations or designee is the only person who has the authority to create Assignments of fund balance.

Unassigned Fund Balance. In the General Fund, amounts that are reported as Unassigned are those net spendable resources of the District that are not otherwise Restricted, Committed, or Assigned, and may be used for any purpose within the General Fund.

The board of directors has established a minimum fund balance policy for the general fund to provide for financial stability and contingencies within the District. The policy is as stated shall maintain "The unreserved/undesignated fund balance shall be maintained at a minimum of 3% and within a range of 3% to 5% of the general fund budget. Should the Board authorize use of the unreserved undesignated fund balance below the 3% level, the superintendent or designee, will prepare a financial plan identifying how the reserve will be returned to the 3% level". For the 2018–19 fiscal year, the amount Committed to this minimum fund balance policy is \$8,700,000, which is 3.4 % and is the amount reported as Unassigned Fund Balance on the financial statements.

In other governmental funds, Unassigned fund balance represents a deficit ending spendable fund balance once all restrictions and commitments are considered.

A negative Unassigned fund balance means that the legal restrictions and formal commitments of the District exceed its currently available resources.

Cash & Cash Equivalents

All of the District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables & Payables

All receivables are expected to be collected within one year.

Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. A portion of fund balance, representing inventory, is considered Nonspendable. Such reserves for inventory indicate that a portion of net current assets is set aside to replace or increase the

inventory. USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

Summary of Significant Accounting Policies Changes for 2018–2019

The District has implemented the provisions of GASB Statement No. 88 and presented information in the notes related to debt, direct borrowings and direct placements.

NOTE 2: Deposits & Investments

The Benton County Treasurer is the *ex officio* treasurer for the District and holds all accounts of the District. The District directs the County Treasurer to invest those financial resources of the District that the District has determined are not needed to meet the current financial obligations of the District.

All of the District's investments (except for investments of deferred compensation plans) during the year and at year-end were insured or registered and held by the District or its agent in the District's name.

Washington State statutes authorize the District to invest in the following types of securities:

- Certificates, notes, or bonds of the United States, its agencies, or any corporation wholly owned by the government of the United States,
- Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System,
- Bankers' acceptances purchased on the secondary market,
- Repurchase agreements for securities listed in the three items above, provided that the transaction is structured so that the public treasurer obtains control over the underlying securities,
- Investment deposits with qualified public depositories,
- Washington State Local Government Investment Pool, and
- County Treasurer Investment Pools.

The District's investments as of August 31, 2019, are as follows:

Type of Investment	Kennewick School District	Investment Held By Benton Co Treas as an Agent
County Treasurer's Investment Pool	\$ 0	\$115,693,304
Other	\$13,027	0
Total	\$13,027	\$115,693,304

The District's participation in the Benton County investment pool is voluntary and the pool is not rated by a nationally recognized statistical rating organization (NRSRO). The fair value of the District's investment in the pool is measured using a net asset value (NAV) as determined by the pool. The pool maintains a (duration/weighted average maturity) of \$384,628,283.

NOTE 3: Significant Contingent Liabilities

Litigation

Multiple students have filed suit against the District claiming the District failed to protect them from a former teacher who sexually molested them. Some claims have been resolved. Three of the remaining unresolved claims occurred during a timeline that is no longer covered by insurance due to the insurer dissolving operations. While final resolution of these three claims is not feasible to predict, in the opinion of administration, ultimate liability, if any, is not likely to materially affect the operations or the financial position of the District.

NOTE 4: Significant Effects of Subsequent Events

The District sold \$85 million of voter approved bonds in October 2019 to support the replacement of Kennewick High School, addition of classrooms to Kamiakin High School and Southridge High School, and completion of Amistad Elementary phase II.

Note 5: Pension Plans

General Information

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.

The District is reporting the net pension liability in the notes and on the Schedule of Long-term Liabilities calculated as the District's proportionate allocation percentage multiplied by the total plan collective net pension liability.

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

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 41.34 and 41.40 RCW for PERS, 41.34 and 41.35 RCW for SERS and 41.32 and 41.34 for TRS. 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%	
Employer Contribution Rate	13.19%	13.58%	
SERS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.19%	13.58%	**
<i>Note: The DRS administrative rate of .0018 is included in the employer rate.</i>			
* = 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 Districts participated in are reported in the following tables.

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

At June 30, 2019, the District reported a total liability of \$60,319,701 for its proportionate shares of the individual plans' collective net pension liability. Proportions of 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	Totals
District's Annual Contributions	\$1,663,460	\$2,645,288	\$7,786,948	\$8,223,734	\$20,319,430
Proportionate Share of the Net Pension Liability	\$8,920,822	\$3,099,001	\$38,819,835	\$9,480,043	\$60,319,701

At June 30, 2019, the District's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below:

Allocation percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.231990%	1.321547%	1.567969%	1.573362%
Prior year proportionate share of the Net Pension Liability	0.216453%	1.294802%	1.570847%	1.578835%
Net difference percentage	0.015536%	0.026745%	-0.002878%	-0.005473%

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% 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% 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:

TRS1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation Percentage	Long-term Expected Real Rate of Return
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%

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

Discount Rate

The discount rate used to measure the total pension liability was 7.40%. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.50% 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% 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% on pension plan investments was applied to determine the total pension liability.

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

The following table presents the Kennewick School District proportionate share of the collective net pension liability (NPL) 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 using the District's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability.

Source: DRS CAFR 6/30/2019

Sensitivity of the net pension liability to changes in the discount rate:			
Participating Plans for TRS, PERS, and SERS			
	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS1	\$4,815,609,000	\$3,845,355,000	\$3,003,532,000
%NPL	0.231990%	0.231990%	0.231990%
District's PERS1	\$11,171,709	\$8,920,822	\$6,967,880
SERS2/3	\$1,141,883,000	\$234,498,000	(\$513,722,000)
%NPL	1.321547%	1.321547%	1.321547%
District's SERS2/3	\$15,090,519	\$3,099,001	(\$6,789,077)
TRS1	\$3,164,358,000	\$2,475,803,000	\$1,878,531,000
%NPL	1.567969%	1.567969%	1.567969%
District's TRS1	\$49,616,167	\$38,819,835	\$29,454,793
TRS2/3	\$3,283,747,000	\$602,534,000	(\$1,577,475,000)
%NPL	1.573362%	1.573362%	1.573362%
District's TRS2/3	\$51,665,240	\$9,480,043	(\$24,819,398)

Note 6: Annual Other Post-Employment Benefit Cost & Net OPEB Obligations

The state, through the Health Care Authority (HCA), administers an agent multi-employer other post-employment benefit plan. The Public Employees Benefits Board (PEBB), created within 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. Programs include (medical, dental, life insurance and long-term disability insurance)

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), 74 of the state's K–12 school Districts and educational service Districts (ESDs), and 236 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 238 K–12 school Districts and ESDs. The District's retirees 493 are eligible to participate in the PEBB plan under this arrangement.

Eligibility

District members 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.

- Age of 65 with 5 years of service
- Age of 55 with 20 years of service

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.

Medical Benefits

Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 medical coverage for 2018.

Members not eligible for Medicare (or enrolled in Part A only)

<u>Descriptions</u>	<u>Type of Coverage</u>		
	<u>Employee</u>	<u>Employee & Spouse</u>	<u>Full Family</u>
Kaiser Permanente NW Classic	\$710.65	\$1,415.33	\$1,945.84
Kaiser Permanente NW CDHP	\$604.16	\$1,196.38	\$1,596.81
Kaiser Permanente WA Classic	\$733.39	\$1,460.80	\$2,006.37
Kaiser Permanente WA CDHP	\$600.44	\$1,189.46	\$1,587.47
Kaiser Permanente WA Sound Choice	\$603.21	\$1,200.44	\$1,648.37
Kaiser Permanente WA Value	\$656.25	\$1,306.54	\$1,974.25
UMP Classic	\$674.85	\$1,343.72	\$1,845.38
UMP CDHP	\$600.54	\$1,189.65	\$1,587.74
UMP Plus-Puget Sound High Value Network	\$618.07	\$1,230.18	\$1,689.25
UMP Plus-UW Medicine Accountable Care Network	\$618.07	\$1,230.18	\$1,689.25

Retirees enrolled in Medicare Parts A and B receive an explicit subsidy in the form of reduced premiums on Medicare supplemental plans. Retirees pay the following monthly rates.

Members enrolled in Part A and B of Medicare

<u>Descriptions</u>	<u>Type of Coverage</u>		
	<u>Employee</u>	<u>Employee & Spouse¹</u>	<u>Full Family¹</u>
Kaiser Permanente NW Senior Advantage	\$169.80	\$333.63	\$862.14
Kaiser Permanente WA Medicare Plan	\$167.91	\$329.85	N/A
Kaiser Permanente WA Classic	N/A	N/A	\$875.41
Kaiser Permanente WA Sound Choice	N/A	N/A	\$777.78
Kaiser Permanente WA Value	N/A	N/A	\$817.56
UMP Classic	\$313.09	\$620.20	\$1,121.86

Note 1-Employee, Spouse and Full Family with two Medicare eligible subscribers.

Funding Policy

The funding policy is based upon the pay-as-you go financing requirements.

According to state law, the Washington State Treasurer collects a fee from all school District entities which have employees that are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the state Health Care Authority. For the fiscal year 2018–19, the District was required to pay the HCA \$71.08 per month per full-time equivalent employee to support the program, for a total payment of \$1,617,087. This assessment to the District is set forth in the state's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

The District has no control over the benefits offered to retirees, the rates charged to retirees, nor the fee paid to the Health Care Authority. The District does not determine its annual required contribution nor the net other post-employment benefit obligation associated with this plan. Accordingly, these amounts are not shown on the financial statements.

Note 7: Commitments Under Leases**Lease Obligations and Conditional Sales Contract Obligations**

The District has no lease obligations and/or Conditional Sales Contract obligations as of August 31, 2019.

Note 8: Other Significant Commitments

Construction in progress is composed of:

Project	Project Authorization Amount	Expended FY2019	Expended as of 8/31/2019
Keewaydin	1,550,000	1,452,439	1,546,451
Amon Creek	23,400,000	608,833	23,280,048
Fureza	21,800,000	506,116	21,699,243
KEHS	112,000,000	7,038,559	9,105,997
Mid Columbia Partnership	7,550,543	3,425,391	7,536,031
Legacy	4,650,000	4,137,636	4,422,019
Tri Tech East	4,700,000	280,592	4,455,772
Tri Tech Growth	12,500,000	537,425	537,425
Amistad Elem Ph1	16,750,000	13,806,265	15,338,576
Amistad Elem Ph2	16,500,000	1,266,208	1,569,908
Total	\$221,400,543	\$33,059,464	\$89,491,470

Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. Encumbrances in the amount of \$1,530,028 within the General Fund were accrued August 31, 2019.

Note 9: Required Disclosures About Capital Assets

Capital Assets

	BALANCE 9/1/18	ADDITIONS	DELETIONS	BALANCE 8/31/19
LAND	\$ 19,048,401	1,125,199	-	\$ 20,173,600
BUILDINGS	727,908,272	27,323,500	-	755,231,772
TRANSPORTATION EQUIPMENT	10,561,221	1,045,559	(1,217,313)	10,389,467
OTHER EQUIP & MACHINERY	6,621,369	826,924	(60,445)	7,387,848
CONSTRUCTION IN PROGRESS	24,434,984	128,500,000	(33,237,235)	119,697,749
TOTAL	\$788,574,247	158,821,182	(34,514,993)	\$912,880,436

The District's buildings and contents are insured in the amount of \$755,231,772 for fiscal 2019. Values were increased from prior year based on using current cost per square foot to replace. In the opinion of the District's insurance consultant, this amount is sufficient to adequately fund replacement of the District's assets.

Note 10: Required Disclosures About Long-Term Liabilities

Long-Term Debt

The following is a summary of changes in long-term debt of the District for the fiscal year(s) ended August 31, 2019:

Governmental activities	Balance at Sept. 1, 2018	Increases	Decreases	Balance at Aug. 31, 2019	Due within One Year
General Obligation Bonds	106,630,000	0	7,420,000	99,210,000	8,290,000

Bond Maturity Schedule – General Obligation

Bond's	Bond Issued May 2009		Bond Issued July 2015		Refunded 2009 Bond March 2016		Total Bonds
Amount Issued	\$68,000,000		\$78,610,000		\$78,610,000		\$184,815,000
December 1, 2018	2,395,000	4.00%	5,025,000	5.00%			7,420,000
December 1, 2019			5,520,000	5.00%	2,770,000	5.00%	8,290,000
December 1, 2020			5,970,000	5.00%	2,965,000	4.00%	8,935,000
December 1, 2021			6,440,000	5.00%	3,205,000	4.00%	9,645,000
December 1, 2022			1,495,000	2.375%	3,455,000	4.00%	4,950,000
December 1, 2023			3,530,000	5.00%	3,635,000	4.00%	7,165,000
December 1, 2024			1,140,000	5.00%	3,915,000	4.00%	5,055,000
December 1, 2025			1,390,000	5.00%	4,100,000	4.00%	5,490,000
December 1, 2026			1,650,000	4.00%	4,315,000	4.00%	5,965,000
December 1, 2027			1,910,000	5.00%	4,545,000	4.00%	6,455,000
December 1, 2028					4,800,000	4.00%	4,800,000
December 1, 2029			5,200,000	5.00%			5,200,000
December 1, 2030			5,260,000	5.00%			5,260,000
December 1, 2031			5,500,000	5.00%			5,500,000
December 1, 2032			6,500,000	5.00%			6,500,000
December 1, 2033			5,000,000	5.00%			5,000,000
December 1, 2034			5,000,000	5.00%			5,000,000
As of August 31, 2019	\$0		\$61,505,000		\$37,705,000		\$99,210,000

Annual Requirements to Amortize Long-Term Debt August 31, 2019

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL
2020	8,290,000	4,175,106	12,465,106
2021	8,935,000	3,758,331	12,693,331
2022	9,645,000	3,293,831	12,938,831
2023	4,950,000	2,990,653	7,940,653
2024	7,165,000	2,749,475	9,914,475
2025	5,055,000	2,499,700	7,554,700
2026	5,490,000	2,335,675	7,825,675
2027	5,965,000	2,144,575	8,109,575
2028	6,455,000	1,930,925	8,385,925
2029	4,800,000	1,719,000	6,519,000
2030	5,200,000	1,493,000	6,693,000
2031	5,260,000	1,231,500	6,491,500
2032	5,500,000	962,500	6,462,500
2033	6,500,000	662,500	7,162,500
2034	5,000,000	375,000	5,375,000
2035	5,000,000	125,000	5,125,000
TOTAL	\$99,210,000	\$32,446,771	\$131,656,771

The following is a summary of general obligation long-term debt transactions of the District for the year ended August 31, 2019.

Long-Term Debt Payable at 9/1/18	\$106,630,000
New Issues and Refunding	-
Debt Retired and Defeased	\$ 7,420,000
Long-Term Debt Payable at 8/31/19	\$ 99,210,000

At August 31, 2019, the District had a balance of \$6,210,124 in the Debt Service Fund to service the General Obligation Bonds.

Note 11: Entity Risk Management Activities

Risk Management

The District is a member of the Schools Insurance Association of Washington. 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 contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1995, when 7 mid-sized school Districts in the State of Washington joined together by signing an Interlocal Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Presently, the SIAW pool has 37 member Districts.

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

The program acquires Liability insurance through their administrator, Clear Risk which is subject to a per-occurrence self-insured retention (SIR) of \$100,000. Members are responsible for the \$2,500 deductible for each claim (some member deductibles vary), while the program is responsible for the \$100,000, SIR. Insurance carriers cover insured losses over \$102,500 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the SIR. The program also purchases a Stop Loss Policy with an attachment point of \$3,562,902 which it fully funds in its annual budget.

Property insurance is subject to a per-occurrence self-insured retention of \$250,000. Members are responsible for a \$10,000 deductible amount for each claim (some member deductibles vary), while the program is responsible for the \$250,000 SIR. Insurance carriers cover insured losses over \$260,000 to the limits of each policy. Equipment breakdown insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the deductible amount of each claim.

Members contract to remain in the pool for one year and must give notice before December 31 before terminating participation the following September 1. Renewal of the Interlocal Agreement occurs automatically each year. Even after termination, a member is still responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The program is fully funded by its member participants. Claims are filed by members with Clear Risk Solutions, which has been contracted to perform program administration, claims

adjustment and administration and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ended August 31, 2019 were \$3,231,772.86.

A Board of directors of eight members is selected by the membership from the east and west side of the state and is responsible for conducting the business affairs of the program. The Board of directors has contracted with Clear Risk Solutions to perform day-to-day administration of the pool. This program has no employees.

Self-Funded Dental Plan

The District maintains a Self-funded Dental Plan as part of the District Fiduciary Fund. The Self-Funded Dental Plan is administered by the Kennewick School District Insurance Committee. The third party administrator is Assurant Employee Benefits. Premiums are deposited into the fund and claims are paid from the fund. The liability of the Self-Funded Dental Plan reported at August 31, 2019 including incurred but not reported claims, totals \$493,310. Plan assets total \$1,278,315 at August 31, 2019.

Self-Funded Industrial Insurance

The District has been self-insured since October 1, 2005, for industrial insurance. The District Self-Insured Industrial Insurance Program is administered through the District Fiduciary Fund. Cash collected through workers' compensation premiums is deposited into the fund and claims are paid from the fund. The estimated liability for claims from October 1, 2005, to August 31, 2019 is \$841,639. Total workers compensation premiums collected and available to pay estimated claims and future claims totals \$5,304,076 with \$3,950,272 held in the District Fiduciary fund and \$1,353,804 held in the General Fund.

The District has purchased both per occurrence and aggregated stop-loss reinsurance protection. The District maintains a per occurrence self-insurance retention limit \$600,000 and an aggregate excess limit of \$1,000,000 over its retention.

Unemployment

In October 2018 the District terminated membership in the Education Service District (ESD 123) Cooperative Unemployment Compensation Insurance Pool and became self-insured for unemployment claims. The amount of funds available to fund unemployment claims was \$647,078 at August 31, 2019.

Note 12: Property Taxes

Property tax revenues are collected as the result of special levies passed by the voters in the District. Taxes are levied on January 1. The taxpayer has the obligation of paying all taxes on April 30 or one-half then and one-half on October 31. Typically, slightly more than half of the collections are made on the April 30 date. The October 31 collection is not available in time to cover liabilities for the fiscal period ended August 31. Therefore, the fall portion of property taxes is not accrued as revenue. Instead, the property taxes due on October 31 are recorded as unavailable revenue.

Note 13: Joint Ventures & Jointly Governed Organizations

KCDA Purchasing Coop:

The District is a member of the King County Directors' Association, a purchasing cooperative of school Districts from throughout the state. The District's equity, in this cooperative, totaled \$120,575 as of December 31, 2018. The District has the right to withdraw its equity, subject to certain restrictions, over a period of up to fifteen years. During the 2018 school year, the District's purchases from this cooperative totaled \$3,148,684 as compared with \$1,930,918 during the 2017 school year.

DELTA High School/STEM:

In 2009 the District entered into an inter-cooperative agreement with Richland and Pasco School Districts to establish Delta High School. The school opened for the 2009/2010 school year offering students a Science, Technology, Engineering, and Mathematics (STEM) focused curriculum. The school enrollment is 400 students. Each of the three participating Districts is allotted a share of student seats to fill. Pasco School District serves as the host district and Educational Service District 123 serves as the fiscal agent for the program. Delta High School opened for the 2015-16 school year in a new school located in Pasco. The school was constructed with a contribution of state assistance and local funds.

Note 14: Fund Balance Classification Details

The District's financial statements include the following amounts presented in the aggregate.

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Inventory and Prepaid Items	458,094	-	-	-	-
For Other Items	-		14,653,850	-	-
For Fund Purpose	-	1,372,811	-	-	246,268
For Carryover of Restricted Revenues	996,418	-	-	-	-
For Skill Centers	2,368,878	-	329,012	-	-
For Debt Service	-	-	-	6,209,031	-
Committed from Levy Proceeds	-	-	507,045	-	-
Other Commitments	-	-	-	-	-
Contingencies	15,216,618	-	-	-	-
Other Capital Projects	2,900,000	-	-	-	-
Other Purposes	1,221,737	-	-	-	-
Fund Purposes	-	-	10,471,677	-	-
Unassigned Fund Balance	8,700,000	-	-	-	-
Total	\$31,861,744	\$1,372,811	\$25,961,584	\$6,209,031	\$246,268

Note 15: Post-Employment Benefit Plans Other Than Pension Plans—Both in Separately Issued Plan Financial Statements & Employer Statements

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 District retains a right of legal access to the plan assets (valued at market) until paid or made available to the employees, subject only to the claims of the District's general creditor.

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 two types of deferrals: elective deferrals (employee contribution) and non-elective contribution (employer matching).

The District complies with IRS regulations that require school Districts to have a written plan to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by a third party administrator. The plan assets are assets of the SD employees, not the school District, and are therefore not reflected on these financial statements.

Note 16: Termination Benefits

Compensated Absences

Employees earn sick leave at a rate of 10 or 12 days per year up to a maximum of one contract year.

Under the provisions of RCW 28A.400.210, sick leave accumulated by District employees is reimbursed at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buy out of an amount up to the maximum annual accumulation of 12 days. For buyout purposes employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year. These expenditures are recorded when paid. Vacation pay, including benefits, that is expected to be liquidated with expendable available financial resources is reported as expenditures when paid.

No unrecorded liability exists for other employee benefits.

Note 17: Other Disclosures

Skill Center

The District is the host District for the Tri-Tech Skills Center, a regional program designed to provide career and technical education opportunities to students in participating Districts. The purpose of a Skills Center is to enhance the career and technical education course offerings among Districts by avoiding unnecessary duplication of courses.

The Tri-Tech Skills Center was created through an agreement of the seven member Districts. The Skills Center is governed by an Administrative Council, comprised of the superintendents, or their appointed representatives, of all member Districts. The Skills Center administration is handled through a director, employed by the District.

As host District, the District has the following responsibilities:

1. Employ staff of the Skills Center.
2. Act as fiscal agent for the Skills Center and maintain separate accounts and fund balances for each fund. Financial operations of this facility are included in these financial statements in the amount of revenues totaling \$4,775,065 and expenditures totaling \$4,424,775. Comparable revenues and expenditures totaled \$4,257,978 and \$4,074,527 respectfully, during the preceding year.
3. Review and adopt the Skills Center budget as a part of the District's overall budget.
4. Provide such services as may be mutually agreed upon by the District and the Skills Center.

Sources of Funding

The Skills Center is primarily funded by state apportionment, based on the number of students who attend the Skills Center. Other sources of income include federal grants from the Carl D. Perkins program, tuition and fees, and payments from member Districts.

Capital Improvements

The District collects an annual fee from all participating Districts for the Capital Projects Maintenance Fund. These funds are used for the maintenance and related capital improvements of Skills Center facilities. Fees are collected from each member District in accordance with the interlocal agreement signed by all member Districts. Any amounts collected that have not been expended for capital purposes are recorded as a restriction of the District's Capital Projects Fund balance.

Unspent Funds

Any funds remaining at the end of the year from Skills Center operations are recorded as a restriction of the District's General Fund balance, and are to be used for financing future operations of the Skills Center. Member Districts do not have claim to any unspent funds of the Skills Center.

The following Districts are member Districts of the Skills Center: Kennewick, Pasco, Richland, Kiona-Benton, Columbia-Burbank, Finley and North Franklin.

In addition, the Walla Walla School District operates a branch campus of the Tri-Tech Skills Center. As a branch campus, the Walla Walla School District is allowed to claim its own students and receive direct Skills Center funding for those students. The statements of that District reflect the portion of total Skills Center operations that pertain to the operation of the branch campus alone.

NOTE 18: SUBSEQUENT EVENTS

COVID-19 Pandemic

In February 2020, Governor Inslee declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures include closing schools, canceling public events, limiting gathering sizes, and requiring people to stay home unless they are leaving for an essential function. On April 6, 2020, the Governor closed all public and private K–12 school buildings throughout the remainder of the 2019–20 school year. The school district, however, continues to operate; educating students using continuous learning models.

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

Kennewick School District No. 017
Schedule of Long-Term Liabilities
For the Year Ended August 31, 2019

Description	Beginning Outstanding Debt September 1, 2018	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2019	Amount Due Within One Year
Voted Debt					
Voted Bonds	106,630,000.00	0.00	7,420,000.00	99,210,000.00	8,290,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt and Liabilities					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Non-Cancellable Operating Leases	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	8,886,261.10	1,287,874.69	0.00	10,174,135.79	716,969.58
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
Other Liabilities					
Non-Voted Notes Not Recorded as Debt					
Net Pension Liabilities:	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities TRS 1	45,878,035.00	0.00	7,058,200.00	38,819,835.00	
Net Pension Liabilities TRS 2/3	7,106,559.00	2,373,484.00	0.00	9,480,043.00	
Net Pension Liabilities SERS 2/3	3,872,261.00	0.00	773,261.00	3,099,000.00	
Net Pension Liabilities PERS 1	9,666,867.00	0.00	746,045.00	8,920,822.00	
Total Long-Term Liabilities	182,039,983.10	3,661,358.69	15,997,506.00	169,703,835.79	9,006,969.58

Kennewick School District No. 17
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA SPI)	School Breakfast Program	10.553	N/A	1,729,473	-	1,729,473	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA SPI)	National School Lunch Program	10.555	N/A	492,352	-	492,352	-	2
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA SPI)	National School Lunch Program	10.555	N/A	4,714,504	-	4,714,504	-	
		Total CFDA 10.555:		5,206,856	-	5,206,856	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA SPI)	Summer Food Service Program for Children	10.559	N/A	130,287	-	130,287	-	
		Total Child Nutrition Cluster:		7,066,616	-	7,066,616	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA SPI)	Child and Adult Care Food Program	10.558	N/A	475,125	-	475,125	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA SPI)	Fresh Fruit and Vegetable Program	10.582	N/A	34,109	-	34,109	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA SPI)	Title I Grants to Local Educational Agencies	84.010	203050	4,566,756	-	4,566,756	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA SPI)	Title I Grants to Local Educational Agencies	84.010	222569	53,816	-	53,816	-	

The accompanying notes are an integral part of this schedule.

Kennewick School District No. 17
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Expenditures					Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA SPI)	Title I Grants to Local Educational Agencies	84.010	270000	55,000	-	55,000	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA SPI)	Title I Grants to Local Educational Agencies	84.010	270050	58,562	-	58,562	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA SPI)	Title I Grants to Local Educational Agencies	84.010	270507	20,757	-	20,757	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA SPI)	Title I Grants to Local Educational Agencies	84.010	270510	18,869	-	18,869	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA SPI)	Title I Grants to Local Educational Agencies	84.010	270727	18,999	-	18,999	-
Total CFDA 84.010:				4,792,759	-	4,792,759	-
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA SPI)	Migrant Education State Grant Program	84.011	282334	1,226,235	-	1,226,235	-
Special Education Cluster (IDEA)							
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA SPI)	Special Education Grants to States	84.027	306401	3,291,249	-	3,291,249	-

The accompanying notes are an integral part of this schedule.

Kennewick School District No. 17
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA SPI)	Special Education Grants to States	84.027	338133	5,624	-	5,624	-	
		Total CFDA 84.027:		3,296,873	-	3,296,873	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA SPI)	Special Education Preschool Grants	84.173	365888	58,160	-	58,160	-	
		Total Special Education Cluster (IDEA):		3,355,033	-	3,355,033	-	
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA SPI)	Career and Technical Education -- Basic Grants to States	84.048	173930	75,021	-	75,021	-	
		84.048	174205	105,663	-	105,663	-	
	Total CFDA 84.048:		180,684	180,684	-	180,684	-	
OFFICE OF POSTSECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WSU)	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	1,467	-	1,467	-	
		84.334	N/A	16,610	-	16,610	-	

The accompanying notes are an integral part of this schedule.

Kennewick School District No. 17
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Expenditures				Passed through to Subrecipients	Note
			Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF POSTSECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WSU)	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	13,409	-	13,409	-	
	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	446	-	446	-	
	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	7,808	-	7,808	-	
Total CFDA 84.334:				39,740	-	39,740	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA SPI)	English Language Acquisition State Grants	84.365	402703	417,228	-	417,228	-	
	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	524499	611,918	-	611,918	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA SPI)	Student Support and Academic Enrichment Program	84.424	430362	250,003	-	250,003	-	

The accompanying notes are an integral part of this schedule.

Kennewick School District No. 17
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			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA SPI)	Refugee and Entrant Assistance Discretionary Grants	93.576	N/A	45,000	-	45,000	-	
Medicaid Cluster								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via HCA)	Medical Assistance Program	93.778	N/A	135,600	-	135,600	-	
Total Medicaid Cluster:				135,600	-	135,600	-	
Total Federal Awards Expended:				18,630,050	-	18,630,050	-	

**Kennewick School
District**

**Notes to the Schedule of Expenditures of Federal Awards
For Fiscal Year Ending August 31, 2019**

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the Kennewick School District financial statements. The Kennewick School District uses the modified accrual basis of accounting.

Note 2 – Noncash Awards

The amount of commodities reported on the Schedule is the value of commodities received by the Kennewick School District during current year and priced as prescribed by the USDA.

Note 3 – Indirect Cost Rate

The Kennewick School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
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