



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Kennewick School District No. 17

Benton County

For the period September 1, 2016 through August 31, 2017

Published May 31, 2018

Report No. 1021481





Office of the Washington State Auditor

Pat McCarthy

May 31, 2018

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,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Schedule of Federal Award Findings and Questioned Costs.....	6
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.....	12
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	15
Independent Auditor's Report on Financial Statements.....	18
Financial Section.....	22
Corrective Action Plan for Findings Reported Under Uniform Guidance	64
About the State Auditor's Office.....	66

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Kennewick School District No. 17
Benton County
September 1, 2016 through August 31, 2017

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 of all funds 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 deficiencies that we consider to be material weaknesses.

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

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
84.010	Title I Grants to Local Educational Agencies

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See finding 2017-001 and 2017-002.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Kennewick School District No. 17 Benton County September 1, 2016 through August 31, 2017

2017-001 The District did not have adequate internal controls to ensure compliance with the federal Title I grant requirements for Assessment System Security.

CFDA Number and Title:	84.010 – Title 1 Grants to Local Educational Agencies
Federal Grantor Name:	U.S. Department of Education
Federal Award/Contract Number:	NA
Pass-through Entity Name:	Office of Superintendent of Public Instruction (OSPI)
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$0

Background

The federal Title I program's objective is to improve the teaching and learning of children who are at risk of not meeting state academic standards and who reside in areas with high concentrations of children from low-income families. During fiscal year 2017, the District spent \$4,433,050 in Title I program funds.

Federal regulations require recipients of federal money to establish and follow internal controls to ensure compliance with program requirements. These controls include knowledge of grant requirements and monitoring of program controls.

State tests are based on the K-12 learning standards. Students are tested in English language arts, math and science. Assessments measure students' learning, including the critical-thinking and problem-solving aspects of the new standards. Results from these tests not only will allow accountability for schools and districts, but also will allow states to be compared to each other in a fair system. OSPI updates assurance forms and training logs yearly to ensure school districts are following the

prescribed requirements and have an understanding of any new requirements that should be followed when giving assessments to students.

Districts must establish and maintain an assessment system that is valid, reliable and consistent with relevant professional and technical standards. Within their assessment systems, states must have policies and procedures to maintain test security and ensure that districts implement those policies and procedures.

Description of Condition

The District did not retain records of teacher attendance at required trainings or that it followed required security procedures before, during and following assessment testing of students for any of the District's schools.

We consider this internal control deficiency to be a material weakness.

This issue was not reported as a finding in the prior audit.

Cause of Condition

The District was not aware of the requirement to retain records of teacher attendance at required trainings and records showing the District followed security procedures before, during and after assessment testing of students for any of the District's schools.

Effect of Condition and Questioned Costs

The District was unable to demonstrate it complied with its District Security Plan for ensuring security requirements over Assessment Tests were followed in compliance with OSPI policies and procedures.

The District did not comply with the requirements for retaining adequate support including training logs, test assurance forms, school site administration and security reports and teacher training logs as required.

Recommendation

We recommend the District ensure compliance with Assessment Test Security requirements develop policies and procedures to and store and safeguard the required assessment security forms completed for each school.

District's Response

1. *Pre and Posttest assessment forms will be turned in to the District Test Coordinator at the conclusion of the spring testing season by each test building/site coordinator.*

2. *School Test Site Coordinator in all buildings/sites will complete training logs during training sessions. School Test Coordinator will turn their building/site training logs into the District Test Coordinator. District Test Coordinator will verify and maintain training logs.*

3. *School Test Coordinator will complete School Site Administrator and Security Reports and send to the District Test Coordinator at the conclusion of the State Testing. District Test Coordinator will verify and maintain school security reports.*

Auditor's Remarks

We thank the District for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the District's corrective action during our next audit

Applicable Laws and Regulations

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 303 Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

Title 20 U.S. Code section 6311(b)(3)(C)(iii) requires state and local education agencies to establish and maintain a valid, reliable assessment systems, consistent with relevant professional and technical standards

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Kennewick School District No. 17

Benton County

September 1, 2016 through August 31, 2017

2017-002 The District did not have adequate internal controls to ensure it complied with Title 1 grant requirements for highly qualified paraprofessionals.

CFDA Number and Title:	84.010 – Title 1 Grants to Local Educational Agencies
Federal Grantor Name:	U.S. Department of Education
Federal Award/Contract Number:	NA
Pass-through Entity Name:	Office of Superintendent of Public Instruction (OSPI)
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$0

Background

The federal Title I program's objective is to improve the teaching and learning of children who are at risk of not meeting state academic standards and who reside in areas with a high concentration of low-income families. During fiscal year 2017, the District spent \$4,433,050 in Title I program funds.

Federal regulations require federal money recipients to establish and follow internal controls to ensure compliance with program requirements. These controls include knowledge of grant requirements and monitoring of program controls.

To meet the federal requirements for highly qualified status, each paraprofessional the District charges to the Title 1 program must have obtained either a high school diploma or its recognized equivalent. The District must ensure that all paraprofessionals it charges to the program have met this requirement.

Description of Condition

The District did not obtain or retain documentation of a high school diploma or its recognized equivalent for all paraprofessionals it charged to the program during the

audit period. Rather, the District relied on each applicant's attestation that he or she obtained a high school diploma or its equivalent, without obtaining the support.

We consider this internal control deficiency to be a material weakness.

This issue was not reported as a finding in the prior audit.

Cause of Condition

The District relied on paraprofessionals' certification that they acquired a high school diploma or equivalent on their employment application to demonstrate the federal requirement was met, without further verification or documentation.

Effect of Condition and Questioned Costs

Without adequate controls in place, the District cannot ensure paraprofessionals met the requirement and, therefore, that costs charged to the grant were allowable.

Our audit found the District did not have a high school diploma or equivalent on file for three of 12 paraprofessionals charged to the program.

Subsequently, the District obtained copies of transcripts and high school diplomas for the three paraprofessionals to show each met the requirement. Therefore, we are not questioning costs the District charged to the grant.

Recommendation

We recommend the District establish and follow internal controls to ensure every paraprofessional provides evidence of a high school diploma or its equivalent and to keep a copy of this evidence in the employee file.

District's Response

Title I Paraeducator High School Diploma Action Plan:

- 1. Revised job postings of all Title I Paras to reflect the need for High School Diploma in addition to the college level education or ETS requirements.*
- 2. Dedicate staff to focus on auditing the Title I Para files for compliance.*

Send out letters to staff that have deficient files requesting that they provide documentation no later than 8/27/2018.

Auditor's Remarks

We thank the District for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the District's corrective action during our next audit.

Applicable Laws and Regulations

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516 Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200 Uniform Guidance, section 303 Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

Title 34CFR Part 200, *Title I – Improving the Academic Achievement of the Disadvantaged*, section 58 – Qualifications of paraprofessionals, requires all Local Education Agencies (LEA) to ensure that each paraprofessional hired by the LEA who works in a program supported by the funds of the grant must have earned a secondary school diploma or its recognized equivalent.

Office of Superintendent of Public Instruction (OSPI) *Title I, Part A, Guide to Paraeducator Requirements*, establishes the high school diploma or its equivalent as the “essential requirement” and considers a copy of the paraeducator's high school diploma in lieu of a transcript as adequate in demonstrating the credential is in place.

**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
Benton County
September 1, 2016 through August 31, 2017**

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, Benton County, Washington, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 24, 2018.

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.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's

internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy

State Auditor

Olympia, WA

May 24, 2018

**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
Benton County
September 1, 2016 through August 31, 2017**

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, Benton County, Washington, 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, 2017. 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, 2017.

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 over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2017-001 and 2017-002 to be material weaknesses.

District's Response to Findings

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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

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

Pat McCarthy
State Auditor
Olympia, WA

May 24, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Kennewick School District No. 17 Benton County September 1, 2016 through August 31, 2017

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, Benton County, Washington, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 22.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes 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 Washington State statutes 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, 2017, 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, 2017, or the changes in financial position or cash flows 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.

Other Matters

Supplementary and Other Information

Our audit was performed 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 also 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 May 24, 2018 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 cursive script that reads "Pat McCarthy". The signature is written in dark ink and is positioned above the printed name.

Pat McCarthy

State Auditor

Olympia, WA

May 24, 2018

FINANCIAL SECTION

Kennewick School District No. 17
Benton County
September 1, 2016 through August 31, 2017

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2017
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2017
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2017
Statement of Net Position – Fiduciary Funds – 2017
Notes to Financial Statements – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Long-Term Liabilities – 2017
Schedule of Expenditures of Federal Awards – 2017
Notes to the Schedule of Expenditures of Federal Awards – 2017

Kennewick School District No. 017

Balance Sheet

Governmental Funds

August 31, 2017

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	43,466,420.36	1,240,514.61	5,049,334.37	48,758,699.81	634,944.55	0.00	99,149,913.70
Minus Warrants Outstanding	-5,809,072.34	-4,196.95	0.00	-1,264,030.05	0.00	0.00	-7,077,299.34
Taxes Receivable	11,461,856.05		5,423,201.37	0.00	0.00		16,885,057.42
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	1,113,202.40	0.00	0.00	0.00	0.00	0.00	1,113,202.40
Accounts Receivable	502,288.94	2,600.00	0.00	0.00	0.00	0.00	504,888.94
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	390,564.01	0.00		0.00			390,564.01
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	66,156.90		0.00	0.00	0.00	0.00	66,156.90
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	51,191,416.32	1,238,917.66	10,472,535.74	47,494,669.76	634,944.55	0.00	111,032,484.03
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	51,191,416.32	1,238,917.66	10,472,535.74	47,494,669.76	634,944.55	0.00	111,032,484.03
LIABILITIES:							
Accounts Payable	1,426,464.20	-0.95	0.00	303.16	0.00	0.00	1,426,766.41
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, 2017

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Payroll Deductions and Taxes Payable	18,044.30	0.00		0.00			18,044.30
Due To Other Governmental Units	0.00	0.00		0.00	0.00		0.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	1,636,472.01						1,636,472.01
Due To Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	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	3,080,980.51	-0.95	1,093.02	303.16	0.00	0.00	3,082,375.74
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue	634,315.91	0.00	0.00	0.00	0.00		634,315.91
Unavailable Revenue - Taxes Receivable	11,461,856.05		5,423,201.37	0.00	0.00		16,885,057.42
TOTAL DEFERRED INFLOWS OF RESOURCES	12,096,171.96	0.00	5,423,201.37	0.00	0.00	0.00	17,519,373.33
FUND BALANCE:							
Nonspendable Fund Balance	390,564.01	0.00	0.00	0.00	0.00	0.00	390,564.01
Restricted Fund Balance	4,134,661.61	1,238,918.61	5,048,241.35	38,854,196.05	634,944.55	0.00	49,910,962.17
Committed Fund Balance	1,290,756.61	0.00	0.00	0.00	0.00	0.00	1,290,756.61
Assigned Fund Balance	21,498,281.62	0.00	0.00	8,640,170.55	0.00	0.00	30,138,452.17
Unassigned Fund Balance	8,700,000.00	0.00	0.00	0.00	0.00	0.00	8,700,000.00
TOTAL FUND BALANCE	36,014,263.85	1,238,918.61	5,048,241.35	47,494,366.60	634,944.55	0.00	90,430,734.96
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	51,191,416.32	1,238,917.66	10,472,535.74	47,494,669.76	634,944.55	0.00	111,032,484.03

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					Permanent Fund	Total
	For the Year Ended August 31, 2017						
	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund		
REVENUES:							
Local	27,670,548.55	1,513,606.71	11,900,019.43	492,461.16	1,168.46		41,577,804.31
State	164,861,012.40		0.00	22,566,845.12	603,652.25		188,031,509.77
Federal	16,076,080.04		0.00	0.00	0.00		16,076,080.04
Federal Stimulus	0.00						0.00
Other	649,438.13			29,360.00	0.00	0.00	678,798.13
TOTAL REVENUES	209,257,079.12	1,513,606.71	11,900,019.43	23,088,666.28	604,820.71	0.00	246,364,192.25
EXPENDITURES:							
CURRENT:							
Regular Instruction	115,161,225.94						115,161,225.94
Federal Stimulus	0.00						0.00
Special Education	22,733,644.77						22,733,644.77
Vocational Education	5,912,903.63						5,912,903.63
Skill Center	4,119,733.47						4,119,733.47
Compensatory Programs	14,549,372.62						14,549,372.62
Other Instructional Programs	1,783,323.05						1,783,323.05
Community Services	313,862.98						313,862.98
Support Services	36,333,417.12						36,333,417.12
Student Activities/Other		1,595,196.26				0.00	1,595,196.26
CAPITAL OUTLAY:							
Sites				1,389,442.93			1,389,442.93
Building				44,395,482.24			44,395,482.24
Equipment				2,885,327.32			2,885,327.32
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					1,274,463.22		1,274,463.22
Sales and Lease				0.00			0.00
Other	530,934.11						530,934.11
DEBT SERVICE:							
Principal	0.00		10,020,000.00	0.00	0.00		10,020,000.00
Interest and Other Charges	0.00		5,267,556.26	0.00	0.00		5,267,556.26
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	201,438,417.69	1,595,196.26	15,287,556.26	48,670,252.49	1,274,463.22	0.00	268,265,885.92

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, 2017

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	7,818,661.43	-81,589.55	-3,387,536.83	-25,581,586.21	-669,642.51	0.00	-21,901,693.67
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	7,000,000.00	720,000.00		7,720,000.00
Transfers Out (GL 536)	-7,720,000.00		0.00	0.00	0.00	0.00	-7,720,000.00
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)	-7,720,000.00		0.00	7,000,000.00	720,000.00	0.00	0.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	98,661.43	-81,589.55	-3,387,536.83	-18,581,586.21	50,357.49	0.00	-21,901,693.67
BEGINNING TOTAL FUND BALANCE	35,915,602.42	1,320,508.16	8,435,778.18	66,075,952.81	584,587.06	0.00	112,332,428.63
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	36,014,263.85	1,238,918.61	5,048,241.35	47,494,366.60	634,944.55	0.00	90,430,734.96

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

Kennewick School District No. 017
Statement Of Fiduciary Net Position

Fiduciary Funds
August 31, 2017

	Private Purpose Trust	Other Trust
ASSETS:		
Imprest Cash	9,645.30	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	0.00	4,644,004.50
Minus Warrants Outstanding	0.00	-257,858.07
Due From Other Funds	0.00	99,380.13
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	
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	9,645.30	4,485,526.56
LIABILITIES:		
Accounts Payable	0.00	383,219.77
Due To Other Funds	0.00	0.00
TOTAL LIABILITIES	0.00	383,219.77
NET POSITION:		
Held in trust for:		
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	9,645.30	4,102,306.79
TOTAL NET POSITION	9,645.30	4,102,306.79

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

Kennewick School District No. 017

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended August 31, 2017

	Private Purpose Trust	Other Trust
ADDITIONS:		
Contributions:		
Private Donations	8,460.00	0.00
Employer		4,179,252.20
Members		0.00
Other	0.00	0.00
TOTAL CONTRIBUTIONS	8,460.00	4,179,252.20
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	0.00	24,573.40
Less Investment Expenses	0.00	0.00
Net Investment Income	0.00	24,573.40
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	8,460.00	4,203,825.60
DEDUCTIONS:		
Benefits		3,452,387.58
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	7,698.07	
Other	0.00	0.00
TOTAL DEDUCTIONS	7,698.07	3,452,387.58
Net Increase (Decrease)	761.93	751,438.02
Net Position--Prior Year August Beginning	8,883.37	3,350,868.77
Prior Year F-196 Manual Revision	0.00	0.00
Net Position - Total	8,883.37	3,350,868.77
Prior Year(s) Corrections or Restatements	0.00	0.00
NET POSITION--ENDING	9,645.30	4,102,306.79

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

Kennewick School District #17
Notes to the Financial Statements
September 1, 2016 Through August 31, 2017

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.

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

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 that the District 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 2016–17 fiscal year, the amount Committed to this minimum fund balance policy is \$8,700,000, which is 4.2 % 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 2016–2017

Nongovernmental Pension Plans – The Kennewick School District implemented provisions of GASB Statement 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Plans. Information about nongovernmental pension plans will be included in a separate note disclosure, as applicable.

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, 2017, are as follows:

Type of Investment	Kennewick School District	Investment Held By Benton Co Treas as an Agent
County Treasurer's Investment Pool	\$ 0	\$96,326,303
Other	9,645	0
Total	\$9,645	\$96,326,303

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 \$379,569,213.

NOTE 3: Significant Contingent Liabilities

Litigation

Fourteen former students have filed suit against the District claiming the District failed to protect them from a former teacher who sexually molested them. Six of the fourteen claims occurred during a timeline that is no longer covered by insurance due to the insurer dissolving operations. While final resolution of this suit 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

There are no significant effects or subsequent events after the financial statement dates that materially impact the next and future years.

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, 2017, was as follows:

Plan	Active Members	Inactive Vested Members	Retired Members
PERS 1	2,593	663	48,268
SERS 2	27,011	5,880	8,229
SERS 3	33,890	8,330	7,735
TRS 1	697	188	34,225
TRS 2	19,133	2,532	5,076
TRS 3	54,487	8,568	10,289

Membership & Plan Benefits

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

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

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

TRS Plan 1 provides retirement, disability and death benefits. TRS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the average final compensation (AFC), for each year of service credit, up to a maximum of 60 percent, divided by twelve. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two. Members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

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

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

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

TRS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

PERS Plan 1 provides retirement, disability and death benefits. PERS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

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

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

SERS is reported as two separate plans for accounting purposes: Plan 2/3 and Plan 3. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

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

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

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

SERS members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. SERS retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

Plan Contributions

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The methods used to determine the contribution requirements are established under chapters 41.40, 41.32, and 41.35 RCW for PERS, TRS and SERS respectively. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The Employer and employee contribution rates for the PERS plan are effective as of July 1. SERS and TRS contribution rates are effective as of September 1. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

Pension Rates			
	7/1/17 Rate	7/1/16 Rate	
PERS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	12.70%	11.18%	
Pension Rates			
	9/1/17 Rate	9/1/16 Rate	
TRS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	15.20%	13.13%	
TRS 2			
Member Contribution Rate	7.06%	5.95%	
Employer Contribution Rate	15.20%	13.13%	
TRS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	15.20%	13.13%	**
SERS 2			
Member Contribution Rate	7.27%	5.63%	
Employer Contribution Rate	13.48%	11.58%	
SERS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.48%	11.58%	**
<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, 2017 (dollars in thousands):				
	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total Pension Liability	\$12,241,998	\$5,357,035	\$8,782,761	\$13,446,531
Plan fiduciary net position	(\$7,496,920)	(\$4,863,560)	(\$5,759,493)	(\$12,523,588)
Participating employers' net pension liability	\$4,745,078	\$493,475	\$3,023,268	\$922,943
Plan fiduciary net position as a percentage of the total pension liability	61.24%	90.79%	65.58%	93.14%

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

At June 30, 2017, the District reported a total liability of \$76,982,683 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, 2017, the District's proportionate share of each plan's net pension liability is reported below:

June 30, 2017	PERS 1	SERS 2/3	TRS 1	TRS 2/3	Totals
District's Annual Contributions	\$ 1,277,720	\$1,726,436	\$ 5,363,261	\$5,699,855	\$14,067,272
Proportionate Share of the Net Pension Liability	\$10,079,174	\$6,289,935	\$46,335,815	\$14,277,758	\$76,982,682

At June 30, 2017, 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	0.212413%	1.274621%	1.532640%	1.546982%
Prior year proportionate share of the Net Pension Liability	0.200746%	1.281030%	1.494647%	1.500904%
Net difference percentage	0.0011667%	-0.006409%	0.037993%	0.046078%

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, 2016, with the results rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	3.0% total economic inflation, 3.75% salary inflation
Salary increases	In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.50%

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, 2016, valuation

were based on the results of the 2007–2012 Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2016 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 7.50% 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, 2017, 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%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	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 7.50%. 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 7.70% long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a 7.50% 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 7.50% 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 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.50%) or one percentage-point higher (8.50%) 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 6/30/2017

Sensitivity of the net pension liability to changes in the discount rate:			
Participating Plans for TRS, PERS, and SERS			
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS1	\$5,780,412,000	\$4,745,078,000	\$3,848,257,000
%NPL	0.212413%	0.212413%	0.212413%
District's PERS1	\$12,278,361	\$10,079,174	\$8,174,208
SERS2/3	\$1,278,921,000	\$493,475,000	(\$153,655,000)
%NPL	1.274621%	1.274621%	1.274621%
District's SERS2/3	\$16,301,394	\$6,289,935	(\$1,958,646)
TRS1	\$3,759,368,000	\$3,023,268,000	\$2,386,123,000
%NPL	1.532640%	1.532640%	1.532640%
District's TRS1	\$57,617,578	\$46,335,815	\$36,570,676
TRS2/3	\$3,134,647,000	\$922,943,000	(\$873,375,000)
%NPL	1.546982%	1.546982%	1.546982%
District's TRS2/3	\$48,492,411	\$14,277,758	(\$13,510,950)

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), 60 of the state's K–12 school Districts and educational service Districts (ESDs), and 221 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 237 K–12 school Districts and ESDs. The District's retirees are eligible to participate in the PEBB plan under this arrangement.

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 2016–17, the District was required to pay the HCA \$64.39 per month per full-time equivalent employee to support the program, for a total payment of \$1,309,125. 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, 2017.

Note 8: Other Significant Commitments

Construction in progress is composed of:

Project	Project Authorization Amount	Expended FY 2017	Expended as of 8/31/2017	Additional Local Funds Committed	Additional State Funds Committed
Westgate Elem	\$18,614,921	\$14,277,190	\$18,421,376	\$-	\$-
Eastgate Elem	16,258,255	18,298	16,976,436	718,181	-
DHMS Repl 218	29,544,789	7,579,498	32,023,798	2,479,009	-
MS # 5 219	33,663,622	1,582,577	32,331,249	-	-
Elementary #15	16,674,439	870,998	19,261,458	2,587,019	-
Elementary #16	22,600,000	5,801,462	5,801,462	-	-
Elementary # 17 DL	21,900,000	4,309,423	4,309,423	-	-
KEHS	3,000,000,	75,289	75,289	-	-
DHMS Old Demo	578,113	558,266	558,266	-	-
DELTA (PSD)	1,152,061	1,152,061	1,152,061	-	-
Tri Tech	4,068,000	298,944	298,944	-	-
MTS	4,642,308	4,796,567	4,796,567	-	-
Total	\$172,696,508	\$41,320,573	\$136,006,329	\$5,784,209	\$-

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 \$1,379,462 within the General Fund were accrued August 31, 2017 and re-encumbered on September 1, 2017.

Note 9: Required Disclosures About Capital Assets

Capital Assets

	BALANCE 9/1/16	ADDITIONS	DELETIONS	BALANCE 8/31/17
LAND	\$ 15,216,123	\$ 1,389,443	\$-	\$ 16,605,566
BUILDINGS	547,190,965	92,570,629	-	639,761,594
TRANSPORTATION EQUIPMENT	7,172,638	1,274,463	(534,545)	7,912,556
OTHER EQUIP & MACHINERY	5,960,692	856,098	(634,456)	6,182,334
CONSTRUCTION IN PROGRESS	22,915,570	60,879,391	(41,320,573)	42,474,388
TOTAL	\$598,455,988	\$156,970,024	-42,489,574	\$712,936,438

The District's buildings and contents are insured in the amount of \$674,235,594 for fiscal 2017. 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

Bonds payable at August 31, 2017, are comprised of the following issue:

BOND MATURITY SCHEDULE

Election Date, May 19, 2009

ISSUE OF June 2009 GENERAL OBLIGATION \$ 68,000,000

EFFECTIVE RATE OF INTEREST		3.9953%
<u>RATE OF INTEREST</u>		
2012 -	3.375%-5.00%	
2013 -	5.00%	
2014 -	4.000%-5.00%	
2015 -	3.375%-5.00%	
2016 -	5.00%	
2017 -	5.00%	
2018 -	4.00%	
2019 -	4.00%	
2020 -	5.00%	
2021 -	5.00%	
2022 -	4.75%	
2023 -	4.75%	
2024 -	4.875%-5.00%	
2025 -	5.125%	
2026 -	5.25%	
2027 -	5.25%	
2028 -	5.00%	

BONDS RETIRED THRU DECEMBER 1, 2016 26,540,000

BONDS OUTSTANDING:

December 1, 2017 5.00% 2,200,000

December 1, 2018 4.00% 2,395,000

BONDS OUTSTANDING: 4,595,000

Bonds Defeased 3/30/16 36,865,000

\$68,000,000

Refunded Debt

On March 30, 2016 this \$68,000,000 issue was partially redeemed in the amount of \$36,865,000 General Obligation Refunding Bonds at a reduced rate of 2.062977% for a net present value savings of approximately \$3,761,446.

See the 2016 Refunding 2009 General Obligation Bond Schedule.

BOND MATURITYSCHEDULE - GENERAL OBLIGATION

ELECTION DATE - FEB 10, 2015 ISSUE OF- JULY 22, 2015 \$78,610,000

EFFECTIVE RATE OF INTEREST RATE OF INTEREST

2015 -	
2016 -	5.00%
2017 -	2.00/5.00%
2018 -	5.00%
2019 -	5.00%
2020 -	5.00%
2021 -	5.00%
2022 -	2.375%
2023 -	5.00%
2024 -	5.00%
2025 -	5.00%
2026 -	4.00%
2027 -	5.00%
2028 -	
2029 -	5.00%
2030 -	5.00%
2031 -	5.00%
2032 -	5.00%
2033 -	5.00%
2034 -	5.00%

BONDS RETIRED THRU DECEMBER 1, 2016

7,500,000

BONDS OUTSTANDING:

December 1, 2017	2.00/5.00%	4,580,000
December 1, 2018	5.00%	5,025,000
December 1, 2019	5.00%	5,520,000
December 1, 2020	5.00%	5,970,000
December 1, 2021	5.00%	6,440,000
December 1, 2022	2.375%	1,495,000
December 1, 2023	5.00%	3,530,000
December 1, 2024	5.00%	1,140,000
December 1, 2025	5.00%	1,390,000
December 1, 2026	4.00%	1,650,000
December 1, 2027	5.00%	1,910,000
December 1, 2028		
December 1, 2029	5.00%	5,200,000
December 1, 2030	5.00%	5,260,000
December 1, 2031	5.00%	5,500,000
December 1, 2032	5.00%	6,500,000
December 1, 2033	5.00%	5,000,000
December 1, 2034	5.00%	<u>5,000,000</u>

BONDS OUTSTANDING

71,110,000

\$78,610,000

**BOND MATURITY SCHEDULE
2016 REFUNDING 2009 & 2015 GENERAL OBLIGATION BONDS**

ISSUE OF March 2016 GENERAL OBLIGATION \$38,205,000

EFFECTIVE RATE OF INTEREST 2.062977%
RATE OF INTEREST

2016 -	2.00%
2017 -	2.00%
2018 -	2.00%
2019 -	4.00%
2020 -	5.00%
2021 -	5.00%
2022 -	2.00%-5.00%
2023 -	5.00%
2024 -	2.00%-5.00%
2025 -	2.50%-5.00%
2026 -	3.00%
2027 -	3.00%
2028 -	4.00%

BONDS RETIRED THRU DECEMBER 1, 2016 5,000,000
BONDS OUTSTANDING:

December 1, 2019	5.00%	2,770,000
December 1, 2020	4.00%	2,965,000
December 1, 2021	4.00%	3,205,000
December 1, 2022	4.00%	3,455,000
December 1, 2023	4.00%	3,635,000
December 1, 2024	4.00%	3,915,000
December 1, 2025	4.00%	4,100,000
December 1, 2026	4.00%	4,315,000
December 1, 2027	4.00%	4,545,000
December 1, 2028	4.00%	4,800,000

BONDS OUTSTANDING: 33,205,000

\$38,205,000

C. Annual Requirements to Amortize Long-Term Debt August 31, 2017

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL
2018	\$6,780,000	\$4,870,056	\$11,650,056
2019	7,420,000	4,542,031	11,962,031
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	\$113,410,000	\$41,858,859	\$155,268,859

The following is a summary of general obligation long-term debt transactions of the District for the year ended August 31, 2017.

Long-Term Debt Payable at 9/1/16	\$123,430,000
New Issues and Refunding	-
Debt Retired and Defeased	\$ 10,020,000
Long-Term Debt Payable at 8/31/17	\$113,410,000

At August 31, 2017, the District had \$5,048,241 in the Debt Service Fund to service the General Obligation Bonds.

Note 11: Interfund Balances & Transfers

Interfund Loans

There were no interfund loans for Fiscal Year 2016-2017.

Note 12: Entity Risk Management Activities

Unemployment

The District is a member of the Cooperative Unemployment Compensation Insurance Pool.

In fiscal year 1978, school Districts within Education Service District (ESD)#123 joined together to form the Cooperative Unemployment Compensation Insurance Pool, a public entity risk pool currently operating as a common risk management and insurance program for unemployment compensation. Seventeen Districts, including ESD #123, have joined the pool. Members pool their self-insured losses and administrative services and have established a plan of self-insurance and related services, such as risk management, claims administration, etc. Coverage is on an "occurrence" basis. Members make a contributions to the fund based on their total gross payroll and unemployment history during the preceding year. The pool is fully funded by its member participants. The financial statements of the pool may be obtained by contacting Educational Service District 123. Kennewick School District amount held in the pool as of 8/31/17, is \$507,518.

The pool is governed by a Cooperative Board, which is comprised of one designated representative from each participating members and a six member Executive Board. Five members elected by the Cooperative Board and the ESD Superintendent comprise the Executive Board. ESD #123 is responsible for conducting the business affairs of the pool.

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 coverage's 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 t 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 \$3,036,316 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, 2017 were \$3,233,172.

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.

Compensated Absences Pool

In fiscal year 2016-17, five school Districts and Educational Service District (ESD) #123 make up the membership of a Compensated Absences Pool. The purpose of the Pool is to allow members to accumulate funds for payments of accrued sick and/or annual leave due to annual cash out, termination, retirement and/or death of employees. Members make contributions to the pool based on a self -selected percentage of their total gross payroll. Payroll contributions

are made to the Pool at the time leave is earned to reserve assets for expenditures related to leave buy out consistent with District policy. Such expenditures are recorded at the time leave is earned rather than at the time of cash out. Expenditures of leave taken during employment continue to be recorded when paid. The Pool is fully funded by its member participants. The financial statements of the Pool may be obtained by contacting Educational Service District No. 123. Kennewick School District amount held in the pool as of 8/31/17 is \$65,157. The amount is shown as an asset on the District's

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, 2017 including incurred but not reported claims, totals \$383,220. Plan assets total \$1,295,622 at August 31, 2017.

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, 2017 is \$752,058. Total workers compensation premiums collected and available to pay estimated claims and future claims totals \$4,521,340 with \$3,090,524 held in the District Fiduciary fund and \$1,430,816 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 \$550,000 and an aggregate excess limit of \$1,000,000 over its retention.

Note 13: 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 14: 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 \$100,579 as of December 31, 2016. The District has the right to withdraw its equity, subject to certain restrictions, over a period of up to fifteen years. During the 2016 school year, the District's purchases from this cooperative totaled \$4,101,964 as compared with \$2,163,336 during the 2015 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 15: 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	390,564	-	-	-	-
For Other Items	-		37,767,872	-	-
For Fund Purpose	-	1,238,919	-	-	634,945
For Carryover of Restricted Revenues	1,905,522	-	-	-	-
For Skill Centers	2,229,139	-	1,086,324	-	-
For Debt Service		-	-	5,048,241	-
Other Commitments	1,290,757	-	-	-	-
Contingencies	6,695,153	-	-	-	-
Other Capital Projects	9,050,000	-	-	-	-
Other Purposes	5,753,129	-	-	-	-
Fund Purposes	-	-	8,640,171	-	-
Unassigned Fund Balance	8,700,000	-	-	-	-
Total	\$36,014,264	\$1,238,919	\$47,494,367	\$5,048,241	\$634,945

In addition, the Capital Projects Fund has the following amounts in Restricted Fund Balance, based on the source of the revenues:

Restricted from Bond Proceeds	\$-
Restricted from State Proceeds	\$37,767,872
Restricted from Other Proceeds	\$1,086,324

Note 16: 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 17: 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 18: Conditions & Events Giving Rise to Substantial Doubt About the Government's Ability to Continue as a Going Concern

There are no conditions or events.

Note 19: 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 \$4,230,524 and expenditures totaling \$4,068,145. Comparable revenues and expenditures totaled \$4,073,278 and \$3,793,396 respectively, 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 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.

Kennewick School District No. 017
Schedule of Long-Term Liabilities
For the Year Ended August 31, 2017

Description	Beginning		Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2017	Amount Due Within One Year
	Outstanding Debt September 1, 2016	Amount Issued / Increased			
Voted Debt					
Voted Bonds	123,430,000.00	0.00	10,020,000.00	113,410,000.00	6,780,000.00
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	9,042,539.99	0.00	537,922.17	8,504,617.82	505,719.00
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	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities:					
Net Pension Liabilities TRS 1	51,030,801.00	0.00	4,694,987.00	46,335,814.00	
Net Pension Liabilities TRS 2/3	20,611,866.00	0.00	6,334,108.00	14,277,758.00	
Net Pension Liabilities SERS 2/3	8,413,382.00	0.00	2,123,446.00	6,289,936.00	
Net Pension Liabilities PERS 1	10,781,007.00	0.00	701,833.00	10,079,174.00	
Total Long-Term Liabilities	223,309,595.99	0.00	24,412,296.17	198,897,299.82	7,285,719.00

KENENICK SCHOOL SDISTRICT #17
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ending August 31, 2017

Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number/Award Number	From Direct Awards	From Pass Through Awards	Total	Passed Through to Subrecipients	Foot note
U.S. Dept of Agriculture Food & Nutrition Service	WA SPI	School Breakfast Program	10.553			1,126,253	1,126,253		
	WA SPI	National I School Lunch Program	10.555			398,882	398,882		4
	WA SPI	National I School Lunch Program	10.555			4,243,791	4,243,791		
	WA SPI	Summer Food Service Program for Children	10.559			140,334	140,334		
		Subtotal Child Nutrition Cluster				5,909,260	5,909,260		
	WA SPI	Child & Adult Care Food Program	10.558			574,572	574,572		
	WA SPI	Fresh Fruits & Vegetables Program	10.582			26,838	26,838		
		U.S. Dept of Agriculture Food & Nutrition Subtotal				6,510,670	6,510,670		
	WA SPI	Title I Grants to Local Educational Agencies	84.010	202465		4,307,489	4,307,489		3
	WA SPI	Title I Grants to Local Educational Agencies	84.010	222527		52,900	52,900		
U.S. Dept of Education	WA SPI	Title I Grants to Local Educational Agencies	84.010	261112		13,855	13,855		
	WA SPI	Title I Grants to Local Educational Agencies	84.010	261145		11,525	11,525		
	WA SPI	Title I Grants to Local Educational Agencies	84.010	261117		9,714	9,714		
	WA SPI	Title I Grants to Local Educational Agencies	84.010	263132		17,567	17,567		
	WA SPI	Title I Grants to Local Educational Agencies	84.010	263142		20,000	20,000		
	WA SPI	Migrant Education State Grant Program	84.01	282249		879,752	879,752		
	WA SPI	Special Education Grants to State	84.027	305691		3,038,060	3,038,060		
	WA SPI	Special Education Grants to State	84.027	337941		11,008	11,008		
	WA SPI	Special Education Preschool Grants	84.173	363390		69,404	69,404		
		Subtotal Special Education Grants to States Cluster				3,118,472	3,118,472		
	WA SPI	Federal Work-Study Program	84.033	897389		3,091	3,091		
	WA SPI	Career & Technical Education -- Basic Grants to States	84.048	173820		142,666	142,666		
	WA SPI	Career & Technical Education -- Basic Grants to States	84.048	173989		75,152	75,152		
	WSU	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334			10,404	10,404		
	WSU	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334			48,044	48,044		
	WSU	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	350297		36,059	36,059		
	WSU	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	350297		11,293	11,293		
	WSU	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	350297		11,358	11,358		
	WA SPI	English Acquisition State Grants	84.365	402319		261,859	261,859		
	WA SPI	Supporting Effective Instruction State Grants	84.367	524099		329,306	329,306		
U.S. Dept of Health & Human Services		U.S. Dept of Education Subtotal				9,360,506	9,360,506		
	WA SPI	Pregnancy Assistance Fund Program	93.500	179143		9,362	9,362		
	YWCA	Refugee and Entrant Assistance Discretionary Grants	93.576	90ZE0163		45,564	45,564		
	HCA	Medical assistance Program	93.778			196,206	196,206		
		Health/Human Services Dept Subtotal				251,132	251,132		
		TOTAL FEDERAL AWARDS EXPENDED			0	16,122,308	16,122,308		

The Accompanying Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of this Schedule.

Note 1	<p>Basis of Accounting</p> <p>The schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Kennewick financial statements. Kennewick School District uses the modified accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.</p>
Note 2	<p>The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the Kennewick SD local matching share, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.</p>
Note 3	<p>Schoolwide Programs</p> <p>The District operates a "schoolwide program" in six elementary buildings and one middle school. Using federal funding, schoolwide targeted students. The following federal program amounts were expended by the District in its schoolwide programs: Title I (84.010A) - \$2,418,262 Title II (840367A) - \$94,303, Migrant Ed (84.011A) - \$ 170,232 - Title III (84.365A) - \$0.</p>
Note 4	<p>Non Cash Awards - Food Commodities</p> <p>The amount of food commodities reported on the schedule is the market value of the commodities used by the District during the current year. The value is determined by the USDA.</p>
Note 5	<p>Federal Indirect Rate</p> <p>Kennewick School District used the Federal restricted rate of 5.5%. Kennewick School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.</p>

The Accompanying Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of this Schedule.



CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Kennewick School District No. 17
Benton County
September 1, 2016 through August 31, 2017

This schedule presents the corrective action planned by the District for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding ref number: 2017-001	Finding caption: The District did not have adequate internal controls to ensure compliance with the federal Title I grant requirements for Assessment System Security.
Name, address, and telephone of District contact person: Marty J Rose, Fiscal Officer 1000 W. 4th Avenue Kennewick, WA 99336 509-222-7673	
Corrective action the auditee plans to take in response to the finding: <ol style="list-style-type: none">1. <i>Pre and Posttest assessment forms will be turned in to the District Test Coordinator at the conclusion of the spring testing season by each test building/site coordinator.</i>2. <i>School Test Site Coordinator in all buildings/sites will complete training logs during training sessions. School Test Coordinator will turn their building/site training logs into the District Test Coordinator. District Test Coordinator will verify and maintain training logs.</i>3. <i>School Test Coordinator will complete School Site Administrator and Security Reports and send to the District Test Coordinator at the conclusion of the State Testing. District Test Coordinator will verify and maintain school security reports.</i>	
Anticipated date to complete the corrective action: by June 30, 2018	

Finding ref number: 2017-002	Finding caption: The District did not have adequate internal controls to ensure it complied with Title 1 grant requirements for highly qualified paraprofessionals.
Name, address, and telephone of District contact person: Marty J Rose, Fiscal Officer 1000 W. 4th Avenue Kennewick, WA 99336 509-222-7673	
Corrective action the auditee plans to take in response to the finding: <ol style="list-style-type: none"> <i>Title I Paraeducator High School Diploma Action Plan:</i> <i>Revised job postings of all Title I Paras to reflect the need for High School Diploma in addition to the college level education or ETS requirements.</i> <i>Dedicate staff to focus on auditing the Title I Para files for compliance.</i> <i>Send out letters to staff that have deficient files requesting that they provide documentation no later than 8/27/2018.</i> 	
Anticipated date to complete the corrective action: <ol style="list-style-type: none"> Completed 4/23/2018. Complete audit of files by 6/30/2018. Complete by 8/27/2018. 	

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	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov