Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Yakima School District No. 7

Yakima County

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

Published April 19, 2018

Report No. 1021158

Office of the Washington State Auditor

Pat McCarthy

April 19, 2018

Board of Directors
Yakima School District No. 7
Yakima, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Yakima School District No. 7's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Yakima School District No. 7
Yakima County
September 1, 2016 through August 31, 2017

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of Yakima School District No. 7 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 no deficiencies that we consider to be material weaknesses.

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

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

Identification of Major Federal Programs:

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

CFDA No.	Program or Cluster Title
10.553	Child Nutrition Cluster – School Breakfast Program
10.555	Child Nutrition Cluster – National School Lunch Program
10.559	Child Nutrition Cluster – Summer Food Service Program for Children

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT 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*

Yakima School District No. 7
Yakima County
September 1, 2016 through August 31, 2017

Board of Directors
Yakima School District No. 7
Yakima, 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 Yakima School District No. 7, Yakima 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 April 11, 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.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

April 11, 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

Yakima School District No. 7
Yakima County
September 1, 2016 through August 31, 2017

Board of Directors
Yakima School District No. 7
Yakima, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Yakima School District No. 7, Yakima 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.

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

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

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

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

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

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

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

Plan Contributions

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The methods used to determine the contribution requirements are established under chapters 41.34 and 41.40 RCW for PERS, 41.34 and 41.35 RCW for SERS, and 41.32 and 41.34 RCW for TRS. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The Employer and employee contribution rates for the 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%	**
Note: The DRS administrative rate of .0018 is included in the employer rate.			
* = Variable from 5% to 15% based on rate selected by the member.			
** = Defined benefit portion only.			

The Collective Net Pension Liability

The collective net pension liabilities for the pension plans 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 school district reported a total liability of $72,400,445 for its proportionate shares of the individual plans' collective net pension liability. Proportion 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
District's Annual Contributions	1,328,084	1,800,656	4,919,235	5,135,459
Proportionate Share of the Net Pension Liability	10,476,464	6,560,341	42,499,657	12,863,983

At June 30, 2017, the school 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	0.220786%	1.329417%	1.405752%	1.393800%
Prior year proportionate share of the Net Pension Liability	0.218896%	1.398952%	1.423226%	1.409734%
Net difference percentage	0.001890%	-0.069535%	-0.017474%	-0.015934%

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 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime. The actuarial assumptions used in the June 30, 2016, valuation were based on the results of the *2007–2012 Experience Study Report and the 2015 Economic 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% percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen-year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017, is summarized in the following table:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20.00%	1.70%
Tangible Assets	5.00%	4.90%
Real Estate	15.00%	5.80%
Global Equity	37.00%	6.30%
Private Equity	23.00%	9.30%

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return of 7.50 percent 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 Yakima School District's proportionate share of the collective net pension liability (NPL) calculated using the discount rate of 7.50 percent, 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 percent) or one percentage-point higher (8.50 percent) than the current rate. Amounts are calculated using the school district's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS 1 NPL	$5,780,412,000	$4,745,078,000	$3,848,257,000
Allocation Percentage	0.220786%	0.220786%	0.220786%
Proportionate Share of Collective NPL	$12,762,336	$10,476,464	$8,496,410
SERS 2/3 NPL	$1,278,921,000	$493,475,000	($153,665,000)
Allocation Percentage	1.329417%	1.329417%	1.329417%
Proportionate Share of Collective NPL	$17,002,193	$6,560,341	$(2,042,849)
TRS 1 NPL	$3,759,368,000	$3,023,268,000	$2,386,123,000
Allocation Percentage	1.405752%	1.405752%	1.405752%
Proportionate Share of Collective NPL	$52,847,399	$42,499,657	$33,542,977
TRS 2/3 NPL	$3,134,647,000	$922,943,000	($873,375,000)
Allocation Percentage	1.393800%	1.393800%	1.393800%
Proportionate Share of Collective NPL	$43,690,721	$12,863,983	$(12,173,104)

NOTE 6 NONGOVERNMENTAL PENSION PLANS

The Yakima School District does not provide nor contribute on behalf of employees through a cost-sharing, multiple-employer defined benefit pension plan that:

1. Is not a state or local government pension plan,
2. Is used to provide defined benefit pension to both employees of state or local governmental employers, and
3. Has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).

NOTE 7: ANNUAL OTHER POST-EMPLOYMENT BENEFIT COST AND 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 $1,484,398. 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 8: OTHER SIGNIFICANT COMMITMENTS

On July 26, 2016 the board appropriated funds for the Architectural and Engineering Services for the A.C. Davis High School Auditorium Project. This is a two phase project. Phase one involves the design and construction of a new, approximately 8,820 square foot auditorium and phase two consists of modernizing the existing space. On March 17, 2017, the board granted permission to award the bid for the construction of the new addition to TW Clark Construction for $4,663,600.

On February 16, 2017, the board passed a resolution declaring an emergency waiver of required competitive bidding for work and services performed related to severe water damage identified at Eisenhower High School. The severe water damage occurred to an exterior wall due to circumstances beyond the control of the District. The construction contract was awarded to Stephens Son for the emergency demolition, protection and remediation of the wall.

The District has active construction projects as of August 31, 2017:

Project	Project Authorization Amount	Expended as of 8/31/17	Additional Local Funds Committed	Additional State Funds Committed
A.C. Davis Auditorium	$6,654,401	$2,081,689	$4,572,712	$0
Eisenhower Exterior Wall	$3,400,673	$2,029,458	$1,371,215	$0
Total	$10,055,074	$4,111,147	$5,943,927	$0

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. The following encumbrance amounts were re-encumbered by fund on September 1, 2017:

Fund	Amount
General	$4,326,533
Capital Projects Fund	$2,382,716

NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District’s capital assets are insured in the amount of $575,886,209 for fiscal year 2016-17. In the opinion of the District’s insurance consultant, the 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 individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
General Obligation Bonds					
2009 GO Bonds	$50,000,000	Varies	12/1/2028	4.84%	$4,005,000
2010 Tax Exempt	$8,000,000	Varies	12/1/2030	4.25%	$8,000,000
2010 QSCB Bond	$17,500,000	Varies	12/1/2025	4.56%	$17,500,000
2012 GO Bonds	$34,145,000	Varies	12/1/2032	3.75%	$26,220,000
2016 Refunding Bonds (2009)	$41,680,000	Varies	12/1/2028	4.46%	$41,305,000
Limited Obligation Bonds					
2015 Tax Exempt	$7,500,000	Varies	12/1/2030	3.35%	$6,880,000
Total General and Limited Obligation Bonds	$158,825,000				$103,910,000

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

Long-Term Debt Payable at 9/1/2016	$107,130,000
New Issues	$0
Debt Retired	$3,220,000
Long-Term Debt Payable at 8/31/2017	$103,910,000

The following is a schedule of annual requirements to amortize debt at August 31, 2017:

Years Ending August 31	Principal	Interest	Total
2018	$4,432,409	$4,647,410	$9,079,819
2019	$4,547,409	$4,519,921	$9,067,330
2020	$4,942,409	$4,377,246	$9,319,655
2021	$5,367,409	$4,200,028	$9,567,437
2022	$5,377,409	$4,000,948	$9,378,357
2023 – 2027	$33,249,636	$15,295,172	$48,544,808
2028 – 2032	$36,700,000	$4,729,244	$41,429,244
2033	$2,840,000	$71,000	$2,911,000
Total	$97,456,681*	$41,840,969**	$139,297,650

**The balance of the Principal Amount due is included in the Sinking Fund – see below.*
***Interest excludes federal reimbursement for the 2010 QSCB Bond.*

At August 31, 2017, the District had $9,862,805 available in the Debt Service Fund to service the general obligation bonds.

Bonds Authorized But Unissued

The district has no bonds authorized but unissued as of August 31, 2017.

Refunded Debt

On July 20, 2016, the District issued $41,680,000 in general obligation bonds with an average interest rate of 4.46% to advance refund $44,205,000 of the District's outstanding 2009 series bonds with an average interest rate of 4.85%. The net proceeds of $50,239,590 after payment of $220,739 in underwriting fees and issuance costs, were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2009 series bonds. As a result, the refunded portions of the 2009 series bonds are considered defeased.

The District advance refunded a portion of the 2009 series bonds to reduce its total debt service payments over the next 13 years by $5,655,786 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $4,868,968.

Cash Flows Difference	
Old Debt Service Cash Flows	$63,707,700
New Debt Service Cash Flows	(58,051,914)
Cash Flow Savings	$5,655,786
Economic Gain	
Present Value of Cash Flows Savings	$4,868,968

Prior-Year Defeasance of Debt

In prior years, the District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At August 31, 2017, $2,675,000 million of bonds outstanding were considered defeased.

Sinking Fund

In 2010, the District issued $17,500,000 worth of Qualified School Construction Bonds. As a condition of selling the bonds, the District is required to maintain a sinking fund with the Yakima County Treasurer. The District is required to make regular annual payments into the sinking fund beginning December 1, 2012, and annually thereafter so that the balance in the fund shall be equal to, but not exceeding, the principal amount of the Bonds due and payable on December 1, 2025. Annual payments are based on the minimum annual balances as shown in the following schedule and are adjusted for interest earnings or partial redemption of the Bonds.

Year(s)	December 1 Deposit	Minimum Balance*
2012	$1,227,409	$1,227,409
2013	$1,227,409	$2,454,818
2014	$1,227,409	$3,685,664
2015	$1,227,409	$4,919,956
2016	$1,227,409	$6,157,704
2017 - 2021	$6,137,045	$12,398,625
2022 – 2025**	$4,909,636	$17,454,564

**Balances are exclusive of investment earnings*
***Final Maturity*

The balance of the sinking fund as of May 31, 2017 was $6,342,214

NOTE 11: ENTITY RISK MANAGEMENT ACTIVITIES

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Yakima School District is a member of Schools Insurance Association of Washington (SIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1995, when seven 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 program has 37 member districts.

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

The program acquires Liability insurance through their administrator, Clear Risk Solutions, formerly Canfield that is subject to a per-occurrence self-insured retention (SIR) of $100,000. Members are responsible for a standard deductible of $2,500 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 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 SIR of $250,000. Members are responsible for a $10,000 deductible 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 program for one year and must give notice before December 31 to terminate 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 program 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 ending August 31, 2017, were $3,233,172.

A board of directors consisting 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 program. This program has no employees.

The District continues to carry commercial insurance for underground storage tanks located at our Transportation Department. No losses were incurred in 2016-17. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Unemployment Insurance – The district remits funds to Educational Service District No. 105 (ESD105) for payment of the district's unemployment compensation benefits which are a liability of the district. ESD105 is the trustee of a risk sharing unemployment compensation pool formed in 1988. Twenty school districts participate in the pool which is governed by a cooperative pool agreement. According to the cooperative pool agreement, only upon dissolution of the pool would the district be entitled to its equitable share of the assets remaining in the pool after all liabilities of each district have been paid. Payments totaling $31,713 were made to the unemployment compensation pool this fiscal year. At August 31, 2017, the district has a balance of $244,121 currently held by ESD105 before all liabilities of the pool have been paid. The funds held by ESD105 are not considered readily available to the district.

Industrial Insurance - The district participated in an industrial insurance fund administered by Educational Service District No. 105 (ESD105) through December 31, 2015. This fund is operated for the participating Districts benefit in lieu of each District having to make monthly premium payments to the State of Washington for industrial insurance. Claims that occurred while the District participated in this fund remain administered and paid by the fund.

Beginning January 1, 2016, the District became Self Insured for Industrial Insurance covering all claims and expenses out of its General Fund. The District contracts with a third party to adjudicate the claims including payment of medical bills and time loss. The bank account for these payments is monitored and replenished by the District's Benefits and Employee Safety Program Manager. The District collected premiums in the amount of $1,133,886 credited to the Estimated Industrial Insurance Benefits Payable account. Claim expenditures and the quarterly premiums to the State Department of Labor and Industries totaled $558,245 were charged to this account. Administrative program expenditures totaled $177,000. The District purchased stop loss coverage in the amount of $425,000 per occurrence and $1,000,000 for the aggregate limit.

At August 31, 2017, the amount of claim liabilities totaled $147,211. This includes an estimate of claim reserves set by the third party adjudicator. The District has restricted $1,000,000 of the General Fund balance for payment of future claim liabilities.

NOTE 12: PROPERTY TAXES

Property tax revenues are collected as the result of special levies passed by the voters in the District. Taxes are levied on January 1. The taxpayer has the obligation of paying all taxes on April 30 or one-half then and one-half on October 31. Typically, slightly more than half of the collections are made on the April 30 date. The tax collections occurring after the end of the fiscal period are unavailable for revenue accrual. Therefore, the fall portion of property taxes is not accrued as revenue. Instead, the property taxes due after the end of the fiscal period are recorded as a deferred inflow of resources.

Tax Abatements – The Yakima School District has not entered into agreements that affect the levy rate assessed by the District.

NOTE 13: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association by passing Resolution 7.99.00 dated December 14, 1999, and has remained in the joint venture ever since. The District's current equity of $61,403 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

NOTE 14: FUND BALANCE CLASSIFICATION DETAILS

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

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items					
Restricted Fund Balance					
For Other Items					
For Fund Purpose		$527,991			$892,879
For Carryover of Restricted Revenues	$1,567,963				
For Skill Centers	$406,275		$1,074,059		
For Carryover of Food Service Revenue					
For Debt Service	$656,880			$9,862,805	
For Arbitrage Rebate					
For Self-Insurance	$1,000,000				
For Uninsured Risks	$350,000				
Restricted from Bond Proceeds			$1,648,488		
Committed from Levy Proceeds					
Restricted from State Proceeds					
Restricted from Federal Proceeds					
Restricted from Other Proceeds					
Restricted from Impact Fee Proceeds					
Restricted from Mitigation Fee Proceeds					
Restricted from Undistributed Proceeds					
Committed Fund Balance					
For Economic Stabilization					
Other Commitments	$228,336				
Assigned Fund Balance					
Contingencies					
Other Capital Projects	$6,500,000				
Other Purposes	$1,932,781				
Fund Purposes			$1,978,976		
Unassigned Fund Balance	$11,680,262				

Other Commitments in the General Fund reflect funds held by ESD105 for the District's participation in the Unemployment Compensation Pool. The funds can only be used for unemployment compensation payments in accordance with the cooperative pool agreement. The board approved the District's participation in the ESD105 Unemployment Pool in 1988.

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 an unreserved fund balance of five percent (5%) or greater of the total General Fund Budget. Portions of fund balance that are set aside for the purpose of meeting this policy are recorded on the financial statements as a part of Unassigned fund balance.

NOTE 15: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS

457 Plan – Deferred Compensation Plan

District employees have the option of participating in a deferred compensation plan as defined in §457 of the Internal Revenue Code that is administered by the state deferred compensation plan, or the District.

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 District employees, not the school district, and are therefore not reflected on these financial statements. The district does not participate in matching employee contributions.

NOTE 16: TERMINATION BENEFITS

Compensated Absences

Employees earn sick leave at a rate of 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 buyout 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, except termination sick leave that is accrued upon death, retirement, or upon termination provided the employee is at least 55 years of age and has sufficient years of service. Vested sick leave was computed using the vesting method.

Vacation pay, including benefits, that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it.

No unrecorded liability exists for other employee benefits.

NOTE 17: OTHER DISCLOSURES

Skill Center Core Campus

The District is the host district for the Yakima Valley Technical 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 Yakima Valley Technical Skills Center was created through an agreement of the ten 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.
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 General 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:

East Valley School District No. 90
Highland School District No. 203
Naches Valley School District No. Jt3
Selah School District No. 119
Toppenish School District No. 202
Union Gap School District No. 2
West Valley School District No. 208
Wapato School District No. 207
Zillah School District No. 205

The Sunnyside School District operates a satellite campus of the Yakima Valley Technical Skills Center. A satellite campus is not eligible to claim those students who attend for purposes of receiving direct funding from the state. The Yakima School District is required to provide the staffing for the satellite campus programs. As the fiscal agent for the Yakima Valley Technical Skills Center, the Yakima School District reimburses the satellite district for their costs through the interlocal agreement.

Yakima School District No. 007

Schedule of Long-Term Liabilities

For the Year Ended August 31, 2017

Description	**Beginning Outstanding Debt September 1, 2016**	**Amount Issued / Increased**	**Amount Redeemed / Decreased**	**Ending Outstanding Debt August 31, 2017**	**Amount Due Within One Year**
Voted Debt					
Voted Bonds	99,835,000.00	0.00	2,805,000.00	97,030,000.00	2,775,000.00
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	7,295,000.00	0.00	415,000.00	6,880,000.00	430,000.00
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	4,250,838.51	0.00	908,788.78	3,342,049.73	1,058,130.46
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	48,592,325.00	0.00	6,092,668.00	42,499,657.00	
Net Pension Liabilities TRS 2/3	19,359,834.00	0.00	6,495,851.00	12,863,983.00	
Net Pension Liabilities SERS 2/3	9,187,854.00	0.00	2,627,513.00	6,560,341.00	
Net Pension Liabilities PERS 1	11,755,753.00	0.00	1,279,289.00	10,476,464.00	
Total Long-Term Liabilities	200,276,604.51	0.00	20,624,109.78	179,652,494.73	4,263,130.46

YAKIMA SCHOOL DISTRICT #7
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ending August 31, 2017

1	2	3	4	5	6	7	8	9	10
					Expenditures				
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. DEPARTMENT OF AGRICULTURE									
		Child Nutrition Cluster							
	WA OSPI	School Breakfast Program							
		Severe Needs Breakfast	10.553	N/A		$1,644,481	$1,644,481	$0	
	WA OSPI	National School Lunch Program							
		Lunch-Cash Assistance	10.555	N/A		$6,981,625	$6,981,625	$0	
		Meal Pattern Certification	10.555	N/A		$134,728	$134,728	$0	
		Commodities-Non Cash Assistance	10.555	N/A		$638,214	$638,214	$0	2
		Snacks	10.555	N/A		$16,503	$16,503	$0	
	WA OSPI	Summer Food Service Program for Children							
		Cash Assistance	10.559	N/A		$159,896	$159,896	$0	
				Subtotal Child Nutrition Cluster:		**$9,575,447**	**$9,575,447**	**$0**	
	WA OSPI	Fresh Fruit and Vegetable Program	10.582	N/A		$317,511	$317,511	$0	
				Subtotal of CFDA 10.582:		**$317,511**	**$317,511**	**$0**	
		Forest Service Schools and Roads Cluster							
	WA STATE TREASURER	Schools and Roads - Grants to States	10.665	N/A		$34,134	$34,134	$0	
				Subtotal Forest Service Schools and Roads Cluster:		**$34,134**	**$34,134**	**$0**	
		TOTAL U.S. DEPARTMENT OF AGRICULTURE			**$0**	**$9,927,093**	**$9,927,093**	**$0**	

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

U.S. DEPARTMENT OF EDUCATION								
	Indian Education Grants to Local Educational Agencies							
	16-17 Indian Education	84.060	6808 / S060A160184	$57,195	$0	$57,195	$0	4
			Subtotal of CFDA 84.060:	**$57,195**	**$0**	**$57,195**	**$0**	
WA OSPI	Title I Grants to Local Educational Agencies							
	15-16 Title I, Part A	84.010	5194 / 202090		$1,179	$1,179	$0	3, 4
	16-17 Title I, Part A	84.010	5159 / 202464		$6,307,726	$6,307,726	$0	3, 4
	16-17 Student & School Success, Title I Focus - McClure	84.010	5156 / 263119		$15,013	$15,013	$0	3, 4
	16-17 Student & School Success, Title I Focus - Ridgeview	84.010	5156 / 263117		$17,836	$17,836	$0	3, 4
	16-17 Student & School Success, Title I Focus - Franklin	84.010	5156 / 263116		$17,104	$17,104	$0	3, 4
	16-17 Student & School Success, Title I Focus - Davis	84.010	5156 / 263118		$13,864	$13,864	$0	3, 4
	16-17 Student & School Success, Title I Priority - Garfield	84.010	5156 / 261098		$28,098	$28,098	$0	3, 4
	16-17 Student & School Success, Title I Priority - Robertson	84.010	5156 / 261142		$28,490	$28,490	$0	3, 4
	16-17 Student & School Success, Title I Priority - Roosevelt	84.010	5156 / 261100		$29,007	$29,007	$0	3, 4
	16-17 Student & School Success, Title I Priority - Stanton	84.010	5156 / 261143		$29,955	$29,955	$0	3, 4
	17-18 Title I, Part A	84.010	5161 / 202708		$16,232	$16,232	$0	3, 4
	17-18 Student & School Success, Title I Focus - McClure	84.010	5157 / 263240		$414	$414	$0	3, 4
	17-18 Student & School Success, Title I Priority - Garfield	84.010	5157 / 261192		$147	$147	$0	3, 4
			Subtotal of CFDA 84.010:		**$6,505,065**	**$6,505,065**	**$0**	
WA OSPI	Migrant Education State Grant Program							
	16-17 Migrant Education, Title I Part C	84.011	5317 / 282218		$1,455,446	$1,455,446	$0	4
	16-17 Migrant Summer 2017, Title I Part C	84.011	5318 / 290840		$243,305	$243,305	$0	4
			Subtotal of CFDA 84.011:		**$1,698,751**	**$1,698,751**	**$0**	
	Special Education Cluster (IDEA							
WA OSPI	Special Education Grants to States							
	16-17 Special Education IDEA B Section 611	84.027	2434 / 305818		$3,298,482	$3,298,482	$0	4
	16-17 Special Education Safety Net IDEA B	84.027	2443 / 337994		$24,577	$24,577	$0	4
WA OSPI	Special Education Preschool Grants							
	16-17 Special Education IDEA B Section 619	84.173	2435 / 363815		$103,136	$103,136	$0	4
			Subtotal Special Education Cluster (IDEA :		**$3,426,195**	**$3,426,195**	**$0**	
WA OSPI	Career and Technical Education - Basic Grants to States							
	16-17 Perkins Program, District	84.048	3809 / 173804		$172,398	$172,398	$0	4
	16-17 Perkins Program, YV Tech	84.048	4609 / 173999		$70,552	$70,552	$0	4
			Subtotal of CFDA 84.048:		**$242,950**	**$242,950**	**$0**	

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

WA OSPI	English Language Acquisition State Grants							
	15-16 Title III LEP	84.365	6408 / 402176		$99	$99	$0	4
	16-17 Title III LEP	84.365	6409 / 402341		$905,222	$905,222	$0	4
			Subtotal of CFDA 84.365:		**$905,320**	**$905,320**	**$0**	
WA OSPI	Supporting Effective Instruction State Grants							
	16.17 Title II, Part A, Teacher Quallity	84.367	5249 / 524127		$870,219	$870,219	$0	4
			Subtotal of CFDA 84.367:		**$870,219**	**$870,219**	**$0**	
WA OSPI	School Improvement Grants							
	15-16 School Improvement - Barge Lincoln	84.377	5104 / 225366		$477	$477	$0	3, 4
	15-16 School Improvement - Martin Luther King Jr	84.377	5108 / 225366		$240	$240	$0	3, 4
	16-17 School Improvement - Barge Lincoln	84.377	5144 / 225377		$378,708	$378,708	$0	3, 4
	16-17 School Improvement - Martin Luther King Jr	84.377	5154 / 225377		$365,535	$365,535	$0	3, 4
	16-17 School Improvement - McKinley	84.377	5184 / 225377		$303,369	$303,369	$0	3, 4
	17-18 School Improvement - Barge Lincoln	84.377	5131 / 225387		$5,069	$5,069	$0	3, 4
	17-18 School Improvement - McKinley	84.377	5147 / 225387		$1,513	$1,513	$0	3, 4
			Subtotal of CFDA 84.377:		**$1,054,909**	**$1,054,909**	**$0**	
	TOTAL U.S. DEPARTMENT OF EDUCATION			**$57,195**	**$14,703,410**	**$14,760,605**	**$0**	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
WA OSPI	Pregnancy Assistance Fund Program							
	16-17 GRADS Early Achievers - Davis	93.500	7948 / 179414		$9,320	$9,320	$0	4
	16-17 GRADS Early Achievers - Ike	93.500	7948 / 179415		$9,494	$9,494	$0	4
	16-17 GRADS Early Achievers - Stanton	93.500	7948 / 179416		$9,248	$9,248	$0	4
			Subtotal of CFDA 93.500:		**$28,061**	**$28,061**	**$0**	
	Medicaid Cluster							
DSHS	Medical Assistance Program	93.778	N/A		$8,565	$8,565	$0	
			Subtotal for Medicaid Cluster:		**$8,565**	**$8,565**	**$0**	
	TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			**$0**	**$36,626**	**$36,626**	**$0**	
TOTAL FEDERAL AWARDS EXPENDED				**$57,195**	**$24,667,129**	**$24,724,324**	**$0**	

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

2016-2017

NOTE 1—BASIS OF ACCOUNTING

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

NOTE 2—NONCASH AWARDS

The amount of commodities reported on the schedule is the value of commodities distributed by the Yakima School District during the current year and priced as prescribed by USDA.

NOTE 3—SCHOOLWIDE PROGRAMS

The Yakima School District operates a "schoolwide program" in all buildings except Yakima Online and Satellite Programs. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the Yakima School District in its schoolwide program:

. Title IA (84.010): SY 15.16 $432 in 3 schools; SY 16.17 $4,143,543 in 21 schools; SY 17.18 $10,506 in 2 schools.
. School Improvement Grant (84.377): SY 15.16 $717 in 2 schools; SY 16.17 $1,047,611 in 3 schools; SY 17.18 $6,582 in 2 schools.
. School Success ESEA "Priority/Focus" (84.010): SY 16.17 Priority $115,549 in 4 schools; SY 17.18 Priority $147 in 1 school; SY 16.17 Focus $63,817 in 4 schools; SY 17.18 Focus $414 in 1 school.

NOTE 4—FEDERAL INDIRECT RATE

The Yakima School District used the federal unrestricted rate of:
2016-17 Pregnancy Assistance Fund Program @ 14.17%
The Yakima School District used the federal restricted rate of:
2017-18 grant awards with start date of 7/1/17 @ 1.98%
2016-17 grant awards @ 1.81%; except for the Pregnancy Assistance Fund Program
2015-16 grant awards @ 1.66%
The Yakima School District has not selected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov