

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

Kennewick School District No. 17
Benton County

Audit Period
September 1, 2008 through August 31, 2009

Report No. 1003584

Issue Date
May 17, 2010



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

May 17, 2010

Superintendent and 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 District's financial condition.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Benton County
September 1, 2008 through August 31, 2009**

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Federal Summary

Kennewick School District No. 17 Benton County September 1, 2008 through August 31, 2009

The results of our audit of Kennewick School District No. 17 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unqualified opinion was issued on the financial statements.

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 significant 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 significant deficiencies that we consider to be material weaknesses.

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

We reported no findings that are required to be disclosed under OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
84.010	Title I Part A
84.011	Migrant Education
84.394	ARRA - State Fiscal Stabilization Fund - Education State Grants (Recovery Act)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$525,945.

The District qualified as a low-risk auditee under OMB Circular A-133.

**Independent Auditor's Report on Internal
Control over Financial Reporting and on
Compliance and Other Matters in Accordance
with *Government Auditing Standards***

Kennewick School District No. 17
Benton County
September 1, 2008 through August 31, 2009

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

We have audited the financial statements of Kennewick School District No. 17, Benton County, Washington, as of and for the year ended August 31, 2009, and have issued our report thereon dated April 30, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

This report is intended for the information and use of management, the Superintendent and Board of Directors, federal awarding agencies and pass-through entities. 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, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

April 30, 2010

Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

**Kennewick School District No. 17
Benton County
September 1, 2008 through August 31, 2009**

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

COMPLIANCE

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) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended August 31, 2009. The District's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended August 31, 2009.

INTERNAL CONTROL OVER COMPLIANCE

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable

to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Superintendent and Board of Directors, federal awarding agencies and pass-through entities. 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.



BRIAN SONNTAG, CGFM
STATE AUDITOR

April 30, 2010

Independent Auditor's Report on Financial Statements

Kennewick School District No. 17 Benton County September 1, 2008 through August 31, 2009

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

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, 2009, as listed on page 9. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the District prepares its financial statements using accounting practices prescribed by Washington State statutes and the *Accounting Manual for Public Schools in the State of Washington*, which demonstrates compliance with the regulatory basis of accounting which differs from accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and the accounting principles generally accepted in the United States of America are 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, 2009, and the changes in financial position and, where applicable, cash flows thereof for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report 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* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Long-Term Debt 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 has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information and use of the governing body and management of the District. 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, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

April 30, 2010

Financial Section

**Kennewick School District No. 17
Benton County
September 1, 2008 through August 31, 2009**

FINANCIAL STATEMENTS

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Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
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Schedule of Expenditures of Federal Awards – 2009
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Kennewick School District No. 017
Balance Sheet
Governmental Funds
August 31, 2009

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	3,059,927.46	85,637.55	5,699.48	2,328,225.74	371.92	0.00	5,479,862.15
Minus Warrants Outstanding	-2,440,681.14	-72,691.14	0.00	-2,262,777.19	0.00	0.00	-4,776,149.47
Taxes Receivable	8,518,630.67		4,006,720.02	0.00	0.00	0.00	12,525,350.69
Due From Other Funds	18,498.06	0.00	0.00	0.00	0.00	0.00	18,498.06
Due From Other Governmental Units	1,094,995.58	0.00	0.00	0.00	0.00	0.00	1,094,995.58
Accounts Receivable	18,942.43	0.00	0.00	0.00	0.00	0.00	18,942.43
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	305,271.00	0.00					305,271.00
Prepaid Items	0.00	0.00		0.00	0.00	0.00	0.00
Investments	21,125,000.00	1,190,000.00	9,627,500.00	72,429,500.00	55,000.00	0.00	104,427,000.00
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00			0.00			0.00
TOTAL ASSETS	31,700,584.06	1,202,946.41	13,639,919.50	72,494,948.55	55,371.92	0.00	119,093,770.44
LIABILITIES:							
Accounts Payable	1,751,848.12	932.62	0.00	28,707.58	0.00	0.00	1,781,488.32
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
Revenue Anticipation Notes Payable	0.00		0.00	0.00	0.00	0.00	0.00
Payroll Deductions and Taxes Payable	1,646,594.67			0.00			1,646,594.67
Due To Other Governmental Units	52,596.74	0.00		0.00	0.00	0.00	52,596.74
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	1,849,508.80						1,849,508.80
Due To Other Funds	0.00	0.00	0.00	18,498.06	0.00	0.00	18,498.06

The accompanying notes are an integral part of this financial statement

Kennewick School District No. 017
Balance Sheet
Governmental Funds
August 31, 2009

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	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
Deferred Revenue	8,668,820.54	0.00	4,006,720.02	0.00	0.00	0.00	12,675,540.56
TOTAL LIABILITIES	13,969,368.87	932.62	4,007,813.04	47,205.64	0.00	0.00	18,025,320.17
FUND BALANCE:							
Reservation Of Fund Balance	742,000.00	0.00	0.00	0.00	0.00		742,000.00
Unreserved, Designated Fund Balance	11,935,653.26	0.00		0.00			11,935,653.26
Unreserved, Undesignated Fund Balance	5,053,561.93	1,202,013.79	9,632,106.46	72,447,742.91	55,371.92		88,390,797.01
TOTAL FUND BALANCE	17,731,215.19	1,202,013.79	9,632,106.46	72,447,742.91	55,371.92	0.00	101,068,450.27
TOTAL LIABILITIES AND FUND BALANCE	31,700,584.06	1,202,946.41	13,639,919.50	72,494,948.55	55,371.92	0.00	119,093,770.44

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, 2009

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	21,137,199.10	1,475,700.80	8,206,275.41	90,852.51	1,869.11		30,911,896.93
State	105,516,969.79		0.00	1,157,949.18	418,603.60		107,093,522.57
Federal	10,744,361.41		0.00	0.00	0.00		10,744,361.41
Federal Stimulus	6,897,827.00						6,897,827.00
Other	796,886.36			24,948.00	0.00	0.00	821,834.36
TOTAL REVENUES	145,093,243.66	1,475,700.80	8,206,275.41	1,273,749.69	420,472.71	0.00	156,469,442.27
EXPENDITURES:							
CURRENT:							
Regular Instruction	66,210,214.13						66,210,214.13
Federal Stimulus	6,897,827.00						6,897,827.00
Special Education	16,052,932.77						16,052,932.77
Vocational Education	3,806,608.16						3,806,608.16
Skills Center	3,217,045.39						3,217,045.39
Compensatory Programs	12,693,877.47						12,693,877.47
Other Instructional Programs	2,666,861.33						2,666,861.33
Community Services	198,922.64						198,922.64
Support Services	24,410,000.30						24,410,000.30
Student Activities/Other	1,432,343.01					0.00	1,432,343.01
CAPITAL OUTLAY:							
Sites				0.00			0.00
Building				5,456,866.03			5,456,866.03
Equipment				1,127,597.48			1,127,597.48
Energy				0.00			0.00
Transportation Equipment					424,291.71		424,291.71
Other	2,174,589.31						2,174,589.31
DEBT SERVICE:							
Principal	59,642.67		6,245,000.00	0.00	0.00		6,304,642.67
Interest and Other Charges	2,657.55		1,484,912.50	464,475.00	0.00		1,952,045.05
TOTAL EXPENDITURES	138,391,178.72	1,432,343.01	7,729,912.50	7,048,938.51	424,291.71	0.00	155,026,664.45
REVENUES OVER (UNDER) EXPENDITURES	6,702,064.94	43,357.79	476,362.91	-5,775,188.82	-3,819.00	0.00	1,442,777.82

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, 2009

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
OTHER FINANCING SOURCES (USES) :							
Bond Sales & Refunding Bond Sales	0.00		3,683,260.51	68,621,136.49	0.00		72,304,397.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		0.00	3,427,753.08	0.00		3,427,753.08
Transfers Out (GL 536)	-3,427,753.08		0.00	0.00	0.00	0.00	-3,427,753.08
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)	-3,427,753.08		3,683,260.51	72,048,889.57	0.00	0.00	72,304,397.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	3,274,311.86	43,357.79	4,159,623.42	66,273,700.75	-3,819.00	0.00	73,747,174.82
BEGINNING TOTAL FUND BALANCE	14,456,903.33	1,158,397.26	5,472,483.04	6,174,042.16	59,190.92	0.00	27,321,016.71
Prior Year(s) Corrections or Restatements	0.00	258.74	0.00	0.00	0.00	0.00	258.74
ENDING TOTAL FUND BALANCE	17,731,215.19	1,202,013.79	9,632,106.46	72,447,742.91	55,371.92	0.00	101,068,450.27

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

Statement Of Fiduciary Net Assets

Fiduciary Funds

August 31, 2009

	Private Purpose Trust	Other Trust
ASSETS:		
Imprest Cash	6,265.35	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	0.00	76,392.86
Minus Warrants Outstanding	0.00	-75,648.80
Due From Other Funds	0.00	170,338.14
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	0.00	884,000.00
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	6,265.35	1,055,082.20
LIABILITIES:		
Accounts Payable	0.00	240.66
Due To Other Funds	0.00	367,126.94
TOTAL LIABILITIES	0.00	367,367.60
NET ASSETS:		
Net assets held in trust for:		
Reserved for Other Items	0.00	0.00
Reserved for Self Insured Risk	0.00	0.00
Reserved for Trust Principal	0.00	0.00
Unreserved, Designated for Other Items	0.00	0.00
Unreserved, Undesignated Fund Balance	6,265.35	687,714.60
TOTAL NET ASSETS	6,265.35	687,714.60

The accompanying notes are an integral part of this financial statement

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Year Ended August 31, 2009

ADDITIONS:			
Contributions:			
Private Donations	Private Purpose Trust	Other Trust	
Employer Members	3,695.00	0.00	0.00
Other	0.00	0.00	3,596,374.12
TOTAL CONTRIBUTIONS	3,695.00	0.00	3,596,374.12
Investment Income:			
Net Appreciation (Depreciation) in Fair Value	0.00	0.00	0.00
Interest and Dividends	0.00	5,470.59	0.00
Less Investment Expenses	0.00	0.00	0.00
Net Investment Income	0.00	5,470.59	0.00
Other Additions:			
Rent or Lease Revenue	0.00	0.00	0.00
Total Other Additions	0.00	0.00	0.00
TOTAL ADDITIONS	3,695.00	5,470.59	3,601,844.71
DEDUCTIONS:			
Benefits		3,104,504.22	
Refund of Contributions	0.00	0.00	
Administrative Expenses	0.00	0.00	
Scholarships	4,710.97		
Other	0.00	0.00	
TOTAL DEDUCTIONS	4,710.97	3,104,504.22	
Net Increase (Decrease)	-1,015.97	497,340.49	
Net Assets--Beginning	7,281.32	190,374.11	
Prior Year(s) Corrections or Restatements	0.00	0.00	
NET ASSETS--ENDING	6,265.35	687,714.60	

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

KENNEWICK SCHOOL DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
September 1, 2008 through August 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Kennewick School District #17 is a municipal corporation organized pursuant to Title 28A Revised Code of Washington (RCW) for the purpose of providing public school services to students in grades K-12 and operation of a vocational-technical institute for other students. 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.

For financial reporting purposes, the Kennewick School District No. 17 includes all funds and organizations that are controlled by or dependent on the District's board of directors. Control by or dependence on the district was determined on the basis of budget adoption, taxing authority, outstanding debt secured by the general credit of the district, obligation of the district to finance any deficits that may occur or receipt of significant subsidies from the district.

B. Basis of Presentation - Fund Accounting

The Kennewick School District presents governmental fund financial statements and related notes on the modified accrual basis of accounting as prescribed by generally accepted accounting principles (GAAP) and required by its regulatory agencies, the Office of Superintendent of Public Instruction and the State Auditor's Office. However, the district elects to not present district-wide financial statements, and management's discussion and analysis which are departures from GAAP. Long-term debt is reported on a required supplementary schedule. The accounts of the district are organized on the basis of funds, each of which is considered a separate accounting entity. The regulatory agencies require all funds be presented as major funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses), as appropriate. 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 those required to be accounted for in another fund. In keeping with the principle of as few funds as necessary, food services, maintenance, data processing, printing and transportation activities are included in this fund.

Capital Projects Funds

These funds account for financial resources to be used for the construction or acquisition of major capital facilities. The capital projects fund type consists of 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 capital assets.

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

Debt Service Fund

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

Special Revenue Fund

These funds account for the proceeds of specific revenue sources that are legally restricted for specific purposes.

Associated Student Body Program Fund - These funds account for the proceeds of specific revenue sources that are legally restricted for specific purposes. The Associated Student Body (ASB Fund) is the only fund of this type. This fund is accounted for as a special revenue fund since the financial resources legally belong to the school district.

Fiduciary Funds

Fiduciary funds that include pension, private-purpose trust funds, and agency funds are used to account for assets held by the district in the capacity of trustee or agent. 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 legally held into trust where principal and income benefit individuals, private organizations, or other governments.

C. Basis of Accounting

The district's accounting policies, as reflected in the accompanying financial statements, conform to the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor 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 allows for a practice that differs from generally accepted accounting principles in the following manner:

- (1) District-wide statements are not presented.
- (2) The financial statements do not report capital assets.
- (3) Debt is not reported on the face of the financial statements. It is reported in the notes to the financial statements and on the Schedule of Long-Term Debt. The Schedule of Long-Term Debt is required supplemental information.
- (4) The original budget is not presented. This information is available through the Office of Superintendent of Public Instruction.
- (5) The Management Discussion and Analysis is not required.

The modified accrual basis of accounting is used for all governmental funds. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and the district considers all revenues available if they are collected within 60 days after year end to pay liabilities of the current period. Property taxes receivable are measurable but not available and are, therefore, not accrued. However, categorical program claims and inter-district billings are measurable and available and are, therefore, accrued.

Expenditures are recognized under the modified basis of accounting when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which are recorded when due. The fund liability is incurred when the goods or services have been received. For federal grants, the recognition of expenditures is dependent on the obligation date, (obligations means purchased order issued, contracts awarded, or goods and services received).

Governmental funds reporting focus primarily on sources, uses, and balances of current financial resources and often has budgetary orientation. This means that only current assets and current liabilities are included on their balance sheets.

D. Budgetary Data

General Budgetary Policies

Chapter 28A.505 Revised Code of Washington and Chapter 392-123 of the Washington Administrative Code mandate school district budget policies and procedures. The budget is adopted by the Board after a public hearing. An appropriation is a prerequisite to expenditure. Appropriations lapse at the end of the fiscal period.

Budgetary Basis of Accounting

For budget and accounting purposes, revenues and expenditures are accounted for on a modified accrual basis as prescribed in law for all governmental funds. Fund balance is budgeted as available resources and, pursuant to law; the budget ending fund balance cannot be negative.

E. Assets, Liabilities and Fund Equity

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

All of the district's investments during the year and at year-end were insured or registered and held by the district or its agent in the district's name.

The district's investments as of August 31, 2009 are as follows:

	<u>Number of Securities</u>	<u>Carrying Amount</u>	<u>Market Value</u>
State Treasurer's Investment Pool or other time deposits		\$104,427,000	
Total Investments		<u>\$104,427,000</u>	

Receivables and 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 accounting is used, which charges inventory as an expenditure when it is consumed. Management may reserve a portion of fund balance in any amount as a budgetary technique to ensure the availability of resources at the appropriate time. 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.

Capital Assets

All fixed assets are valued at historical cost or estimated historical cost if actual cost is unknown. Donated fixed assets are valued at their estimated fair value on the date donated. Depreciation is not recognized on general capital assets.

F. Revenue and Expenditure Recognition

Debt Service

Principal and interest on general long-term debt is recognized only when due.

Property Taxes

Property tax revenues are collected as the result of special levies passed by the voters in the school district. Taxes are levied on January 1. The taxpayer has the option 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 taxes due on October 31 are recorded as deferred revenue.

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 Chapter 28A.400.210 Revised Code of Washington, 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-back of an amount up to the maximum annual accumulation of twelve days. For buy-out 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 vested 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.

Self-Funded Dental Plan

The Kennewick School 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, 2009 including incurred but not reported claims, totals \$401,381. Plan assets total \$450,103 at August 31,2009.

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, 2009 is \$441,465. Total workers compensation premiums collected and available to pay estimated claims and future claims totals \$2,079,059 with \$604,979 held in the district Fiduciary fund and \$1,474,080 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 \$350,000 and an aggregate excess limit of \$1,000,000 over its retention.

2. CHANGES IN CAPITAL ASSETS

	BALANCE 9/1/08	ADDITIONS	DELETIONS	BALANCE 8/31/09
LAND	10,131,065	0	0	10,131,065
BUILDINGS	283,914,791	7,501,557	0	291,416,348
TRANSPORTATION EQUIPMENT	4,355,712	214,526	0	4,570,238
OTHER EQUIP & MACHINERY	18,040,268	1,777,242	(1,449,289)	18,368,221
CONSTRUCTION IN PROGRESS	441,485	21,035,201	(4,924,202)	16,552,484
TOTAL	\$316,883,321	\$30,528,526	(\$6,373,491)	\$341,038,356

Kennewick School District has a total of 94 buses which 43 are fully depreciated and 47 are on the schedule for a total dollar amount of \$4,570,238 of state obligated cost.

Construction in progress is composed of:

PROJECT	PROJECT AUTHORIZATION AMOUNT	EXPENDED AS OF 8/31/09	ADDITIONAL LOCAL FUNDS COMMITTED	ADDITIONAL STATE FUNDS COMMITTED
Tri Tech	1,073,000	1,211,309	138,309	0
Cottonwood Elem	8,257,971	910,162		
Canyon View Elem	8,828,255	790,089		
Keewaydin Disc	2,745,413	2,575,896		
FP Proj 4 th Ave	1,203,562	206,570		
TOTAL	22,108,201	5,694,026	138,309	0

The district's fixed assets are insured in the amount of \$311,173,830. In the opinion of the district's insurance consultant, this amount is sufficient to adequately fund replacement of the district's assets.

3. PENSIONS

A. General Information

Substantially all Kennewick 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 the Washington Department of Retirement Systems (DRS): Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS). Participation in the programs was as follows:

Membership by retirement system program as of June 30, 2008:

PROGRAM	ACTIVE MEMBERS	INACTIVE VESTED MEMBERS	RETIRED MEMBERS
TRS	66,524	8,699	39,150
PERS	161,668	27,267	73,122
SERS	51,774	8,600	3,873

Certificated public employees are members of TRS. Non-certificated public 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. Plan 1 members are eligible to retire with full benefits after five years of credited service and attainment of age 60, after 25 years of credited service and attainment of age 55, or after 30 years of credited service.

Plan 2 under the TRS or SERS programs are defined benefit pension plans whose members joined on or after October 1, 1977, but before June 30, 1996, or August 31, 2000, for TRS or SERS programs, respectively. Members of TRS or SERS are eligible to retire with full benefits after five years of credited service and attainment of age 65, or after 20 years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65.

Plan 3 under the TRS and SERS programs are defined benefit, defined contribution pension plans whose members joined on or after July 1, 1996, or September 1, 2000, for SERS and TRS, respectively. Members are eligible to retire with full benefits after five years of credited service and attainment of age 60, or after 10 years of credited service and attainment of age 55, with benefit actuarially reduced from age 65.

Average final compensation (AFC) of Plan 1 TRS and PERS members is the highest average salary during any two consecutive years. For Plan 2 and Plan 3 TRS and SERS members, it is the highest average salary during any five consecutive years.

The retirement allowance of Plan 1 TRS and PERS members is the AFC multiplied by 2 percent per year of service capped at 60 percent with a cost-of-living adjustment. For Plan 2 TRS and SERS members, it is AFC multiplied by 2 percent per year of service with provision for a cost-of-living adjustment. For the defined benefit portion of Plan 3 TRS & SERS, it is the AFC multiplied by 1 percent per year of service with a cost-of-living adjustment.

The employer contribution rates for PERS, TRS, AND SERS (Plan 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon advice from the Office of the State Actuary. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at 6 percent and does not vary from year to year. The employer rate is the same for all plans in a system.

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.

The district contribution represents its fully liability under both systems, except that future rates may be adjusted to meet the system needs.

B. Contributions

Employee contribution rates as of July 1, 2009:

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	4.26%	Plan 2 PERS	3.89%
		Plan 2 SERS	4.68%
Plan 3 TRS & SERS	5.00% (minimum), 15.00% (maximum)		

For Plan 3 TRS and SERS, rates adjusted based upon age may be chosen. The optional rates range begins at 5 percent and increase to a maximum of 15 percent.

Employer contribution rates as of July 1, 2009:

Plan 1 TRS	8.46%	Plan 1 PERS	5.29%
Plan 2 TRS	8.46%	Plan 2 PERS	5.29%
Plan 3 TRS	8.46%	Plan 3 PERS	5.29%
		Plan 2 SERS	7.54%
		Plan 3 SERS	7.54%

Under current law the employer must contribute 100 percent of the employer- required contribution. Employer required contributions in dollars (TRS/PERS/SERS: July 1-June 30):

<u>PLAN</u>	<u>FY 08-09</u>	<u>FY 07-08</u>	<u>FY 06-07</u>
Plan 1 TRS	\$ 500,819	\$ 374,588	\$ 344,423
Plan 2 TRS	\$ 371,624	\$ 442,021	\$ 411,297
Plan 3 TRS	\$3,400,543	\$2,490,174	\$1,911,083
Plan 1 PERS	\$ 52,291	\$ 49,074	\$ 27,967
Plan 2 SERS	\$ 222,507	\$ 243,983	\$ 160,705
Plan 3 SERS	\$ 844,607	\$ 594,216	\$ 404,351

Historical Trend information showing TRS and PERS progress in accumulating sufficient assets to pay benefits when due, is presented in the State of Washington's June 30, 2009, comprehensive annual financial report. Refer to said report for detailed trend information. It is available from:

State of Washington
 Office of Financial Management
 300 Insurance Building
 P.O. Box 43113
 Olympia, WA 98504-3113

4. RISK MANAGEMENT

A. Unemployment

The Kennewick School 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 an annual contribution 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 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.

B. Risk Management

The Kennewick School 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 or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1995 when seven mid-size 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 45 member districts.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Public Officials Liability is on a claims made basis. All other coverages are on an occurrence basis. The pool provides the following forms of group purchased insurance coverage for its members: property, earthquake liability, automobile liability, boiler and machinery, crime, excess liability and educator's legal liability.

The pool acquires liability insurance from unrelated underwriters that are subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. Insurance carriers cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the deductible. The pool, however, purchases a Stop Loss Policy in the amount of \$5,529,000 to reduce risk to its members.

Property insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the first \$5,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$5,000.

Boiler and machinery insurance is subject to a per-occurrence deductible of \$2,500. 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 pool is fully funded by its member participants. Claims are filed by members with Canfield & Associates, Inc., which has been contracted to perform pool administration, claims adjustment and administration and loss prevention for the pool. Fees paid to the third party administrator under this arrangement for the year ended August 31, 2009 were \$2,226,920. For Fiscal Year 2009/2010, the pool has contracted with the third party administrator to perform administration claims management and loss prevention services for \$2,385,324.

A governing board is selected by the membership and is responsible for conducting the business affairs of the pool. The Board of Directors has contracted with Canfield & Associates, Inc. to perform day-to-day administration of the pool. This pool has no employees.

5. 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.

6. LEASE OBLIGATIONS AND CONDITIONAL SALES CONTRACT OBLIGATIONS

For the year ending August 31, 2009, the district had incurred additional long-term debt as follows:

LESSOR	AMOUNT	ANNUAL INSTALLMENT	FINAL INSTALLMENT DATE	INTEREST RATE	BALANCE DUE
Lease-Purchase Commitments					
Total Lease-Purchase Commitments					0
Conditional Sales Contracts					
Other Long-Term Commitments Total Conditional Sales Contracts					0
Total Other Long-Term Commitments					0

Total minimum payments:

YEAR ENDING <u>AUGUST 31</u>	LEASE <u>PAYMENTS</u>	
2009	<u>0</u>	
TOTAL	0	Current Portion <u>0</u>

7. LONG-TERM DEBT

A. Bonds payable at August 31, 2009, are comprised of the following issues:

BOND MATURITY SCHEDULE

(1) Election Date, November 6, 1990

ISSUE OF JANUARY 15, 1991	GENERAL OBLIGATION
SERIES A	\$5,355,000.00
EFFECTIVE RATE OF INTEREST	6.4249042259%

RATE OF INTEREST

1991 -	5.00%
1992 -	5.25%
1993 -	5.50%
1994 -	5.75%
1996 -	6.00%
1997 -	6.10%
1997 -	6.20%
1998 -	6.30%
1999 -	6.40%
2000 -	6.50%
2001 -	6.60%
2002 -	6.70%

BONDS RETIRED THRU DECEMBER 1, 2000	\$4,175,000.00
BONDS OUTSTANDING:	.00
Defeased Bonds 6/7/01	<u>\$1,180,000.00</u>
	<u>\$5,355,000.00</u>

Refunded Debt

On June 7, 2001 this \$5,355,000 issue was partially redeemed in the amount of \$1,180,000.00 General Obligation Refunding Bonds. The Bonds are being issued to provide a present value debt service savings of approximately \$498,971.67. The issuance of the Bonds will be the only advance refunding permitted of the Refunded 1994 Bonds, the Refunded 1994 B Bonds and the Refunded 1995 Bonds.

See the 2001 Issue and Refunding GO Bonds 1991, 1994, Refunded 1994 Series B, and the Refunded 1995 General Obligation Bond Schedule.

(2) Election Date, November 6, 1990

ISSUE OF JANUARY 30, 1991	GENERAL OBLIGATION
SERIES B	\$ 774,208.50

Approximate Yield

2003 -	6.75%
2004 -	6.80%
2005 -	6.85%

BONDS RETIRED THRU DECEMBER 31, 1996	\$.00
BONDS OUTSTANDING:		
December 1, 2005 6.85%	239,297.50	<u>\$ 239,297.50</u>
		<u>\$ 239,297.50</u>

BONDS RETIRED THRU DECEMBER 1, 2002	\$3,445,791.50
BONDS OUTSTANDING:	-0-
Bonds Defeased 10/22/98	<u>2,525,000.00</u>
	<u>\$5,970,791.50</u>

Refund Debt

On October 22, 1998 this \$5,970,791.50 issue was partially redeemed in the amount of \$2,525,000 General Obligation Refunding Bonds at a reduced rate of 3.91% for a savings of approximately \$250,000 to the District for both the 1992 and 1993 General Obligation Bonds.

(5) Election Date, May 17, 1994

ISSUE OF FEBRUARY, 1994	GENERAL OBLIGATION	\$16,000,000.00
	EFFECTIVE RATE OF INTEREST	4.777210%

RATE OF INTEREST

1994 -	4.00%
1996 -	%
1997 -	3.30%
1997 -	3.60%
1998 -	3.80%
1999 -	4.00%
2000 -	4.10%
2001 -	4.25%
2002 -	4.35%
2003 -	4.45%
2004 -	6.25%
2005 -	4.60%
2006 -	4.70%
2007 -	4.80%
2008 -	5.00%

BONDS RETIRED THRU DECEMBER 1, 2004	\$ 7,170,000
BONDS OUTSTANDING:	-0-
BONDS DEFEASED 6/7/01	<u>\$ 8,830,000</u>
	<u>\$16,000,000</u>

Refunded Debt

On June 7, 2001 this \$16,000,000 issue was partially redeemed in the amount of \$8,830,000 General Obligation Refunding Bonds. The Bonds are being issued to provide a present value debt service savings of approximately \$498,971.67. The issuance of the Bonds will be the only advance refunding permitted of the Refunded 1994 Bonds, the Refunded 1994 Series B Bonds, and the Refunded 1995 Bonds.

See the 2001 Issue and Refunding GO Bonds 1991, 1994, Refunded 1994 Series B, and the Refunded 1995 General Obligation Bond Schedule.

(6) Election Date, November 2, 1994	\$ 8,000,000	
May 17, 1994	\$ 4,500,000	
ISSUE OF NOVEMBER, 1994	GENERAL OBLIGATION	\$12,500,000.00
	EFFECTIVE RATE OF INTEREST	4.777210%

RATE OF INTEREST

1996 -	4.20%
1997 -	4.60%
1997 -	4.80%
1998 -	5.00%
1999 -	5.20%
2000 -	5.35%
2001 -	5.50%
2002 -	5.60%
2003 -	5.70%
2004 -	5.80%
2005 -	5.80%
2006 -	6.70%
2007 -	6.00%
2008 -	6.10%

BONDS RETIRED THRU DECEMBER 1, 2007 \$ 9,035,000

BONDS OUTSTANDING:

\$-0-

BONDS DEFEASED 6/7/01 \$ 3,465,000

\$12,500,000

Refunded Debt

On June 7, 2001 this \$12,500,000 issue was partially redeemed in the amount of \$3,465,000 General Obligation Refunding Bonds. The Bonds are being issued to provide a present value debt service savings of approximately \$498,971.67. The issuance of the Bonds will be the only advance refunding permitted of the Refunded 1994 Bonds, the Refunded 1994 Series B Bonds, and the Refunded 1995 Bonds.

See the 2001 Issue and Refunding GO Bonds 1991, 1994, Refunded 1994 Series B, and the Refunded 1995 General Obligation Bond Schedule.

(7) Election Date, November 2, 1994

ISSUE OF October, 1996 GENERAL OBLIGATION \$13,000,000.00

EFFECTIVE RATE OF INTEREST 4.777210%

RATE OF INTEREST

1997 -	5.00%
1997 -	5.00%
1998 -	5.00%
1999 -	5.00%
2000 -	5.00%
2001 -	5.00%
2002 -	5.00%
2003 -	4.75%
2004 -	4.85%
2005 -	5.00%
2006 -	6.00%
2007 -	5.25%
2008 -	5.35%
2009 -	5.35%

BONDS RETIRED THRU DECEMBER 1, 2007	\$ 5,335,000
BONDS OUTSTANDING:	
DEFEASED BONDS 6/7/01	<u>\$ 7,665,000</u>
	<u>\$13,000,000</u>

Refunded Debt

On June 7, 2001 this \$13,000,000 issue was partially redeemed in the amount of \$7,665,000 General Obligation Refund Bonds. The Bonds are being issued to provide a present value debt service savings of approximately \$498,971.67. The issuance of the Bonds will be the only advance refunding permitted of the Refunded 1994 Bonds, the Refunded 1994 Series B Bonds, and the Refunded 1995 Bonds.

See the 2001 Issue and Refunding GO Bonds 1991, 1994, Refunded 1994 Series B, and the Refunded 1995 General Obligation Bond Schedule.

(8) 1998 REFUNDING 1992 & 1993 GENERAL OBLIGATION BOND

Issue of October 22, 1998	General Obligation	\$5,375,000.00
	EFFECTIVE RATE OF INTEREST	3.99680%

<u>Rate of Interest</u>	
1998-	4.00%
1999-	3.70%
2000-	3.70%
2001-	3.70%
2002-	4.00%
2003-	4.00%
2004-	4.00%
2005-	4.00%
2006-	4.00%
2007-	4.00%

BONDS RETIRED THRU DECEMBER 1, 2007	\$5,375,000.00
BONDS OUTSTANDING:	
	<u>\$5,375,000.00</u>

(9) 2001 GENERAL OBLIGATION AND REFUNDING 1991A,1994,1994B AND 1995 GENERAL OBILGATION BOND

Issue of June 7, 2001	General Obligation and Refunding	\$44,145,000.00
	EFFECTIVE RATE OF INTEREST	4.4484522%

<u>Rate of Interest</u>	
2001	4.00%
2002	4.00%
2004	4.00%
2005	4.25%
2006	4.25%
2007	4.25%
2008	4.50%
2009	5.00%
2010	4.50%
2011	5.50%

BONDS RETIRED THRU DECEMBER 1, 2008 \$17,615,000.00

BONDS OUTSTANDING:

December 1, 2009	5.00%	6,760,000
December 1, 2010	4.50%	7,345,000
December 1, 2011	5.50%	7,925,000
December 1, 2012	4,500,000	<u>\$26,530,000.00</u>
		<u>\$44,145,000.00</u>

(10) Election Date, May 19, 2009

ISSUE OF June 2009 GENERAL OBLIGATION \$68,000,000.00

EFFECTIVE RATE OF INTEREST 4.179320%

RATE OF INTEREST

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, 2012 \$ 0

BONDS OUTSTANDING:

December 1, 2012	3.375%-5.00%	\$1,950,000
December 1, 2013	5.00%	\$6,970,000
December 1, 2014	4.00%-5.00%	\$7,520,000
December 1, 2015	3.375%-5.00%	\$8,080,000
December 1, 2016	5.00%	\$2,020,000
December 1, 2017	5.00%	\$2,200,000
December 1, 2018	4.00%	\$2,395,000
December 1, 2019	4.00%	\$2,580,000
December 1, 2020	5.00%	\$2,770,000
December 1, 2021	5.00%	\$3,000,000
December 1, 2022	4.75%	\$3,240,000
December 1, 2023	4.75%	\$3,485,000
December 1, 2024	4.875%-5.00%	\$3,750,000
December 1, 2025	5.125%	\$4,030,000
December 1, 2026	5.25%	\$4,335,000
December 1, 2027	5.25%	\$4,665,000
December 1, 2028	5.00%	<u>\$5,010,000</u>
		<u>\$68,000,000</u>

B. The following is a summary of general obligation long-term debt transactions of the district for the year ended August 31, 2009.

Long-Term Debt Payable at 9/1/08	\$32,775,000.00
New Issues and Refunding	\$68,000,000.00
Debt Retired and Defeased	6,245,000.00
Long-Term Debt Payable at 8/31/09	\$94,530,000.00

C. Annual Requirements to Amortize Long-Term Debt August 31, 2009

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL
2010	6,760,000.00	4,063,630.56	10,823,630.56
2011	7,345,000.00	4,130,387.50	\$11,475,387.50
2012	7,925,000.00	3,747,187.50	\$11,672,187.50
2013	6,450,000.00	3,367,671.88	\$9,817,671.88
2014	6,970,000.00	3,031,843.76	\$10,001,843.76
2015	7,520,000.00	2,682,193.76	\$10,202,193.76
2016	8,080,000.00	2,318,787.51	\$10,398,787.51
2017	2,020,000.00	2,080,281.26	\$4,100,281.26
2018	2,200,000.00	1,974,781.26	\$4,174,781.26
2019	2,395,000.00	1,871,881.26	\$4,266,881.26
2020	2,580,000.00	1,772,381.26	\$4,352,381.26
2021	2,770,000.00	1,651,531.26	\$4,421,531.26
2022	3,000,000.00	1,507,281.26	\$4,507,281.26
2023	3,240,000.00	1,355,331.26	\$4,595,331.26
2024	3,485,000.00	1,195,612.51	\$4,680,612.51
2025	3,750,000.00	1,021,190.63	\$4,771,190.63
2026	4,030,000.00	826,268.75	\$4,856,268.75
2027	4,335,000.00	609,206.25	\$4,944,206.25
2028	4,665,000.00	372,956.25	\$5,037,956.25
2029	5,010,000.00	125,250.00	\$5,135,250.00
TOTAL	\$94,530,000.00	\$39,705,655.68	\$134,235,655.68

At August 31, 2009, the district had \$9,632,106.46 in the Debt Service Fund to service the General Obligation Bonds.

8. INTERFUND LOANS

There were no interfund loans for Fiscal Year 2008-2009.

9. OTHER DISCLOSURES

Skill Center:

The district operates a skill center in cooperation with five neighboring districts for the purpose of training students of all five districts in certain vocational skills. Financial operations of this facility are included in these financial statements in the amount of revenues totaling \$3,428,336 and expenditures totaling \$3,343,362. Comparable revenues and expenditures totaled \$3,299,349 and \$2,958,394 respectfully, during the preceding year.

KCDA Purchasing Coop:

The district is a member of the King County Directors' Association, a purchasing cooperative consisting of 242 school districts from throughout the state. The district's equity, in this cooperative, totaled \$134,798.66 as of December 31, 2008. The district has the right to withdraw its equity, subject to certain restrictions, over a period of up to fifteen years. During the 2008 school year, the district's purchases from this cooperative totaled \$1,199,536.94 as compared with \$585,773.97 during the 2007 school year.

10. SUMMARIES OF SIGNIFICANT CONTINGENCIES

Litigation:

Kennewick School District has no known legal obligations that would materially impact the financial position of the District.

11. SUBSEQUENT EVENTS

There are no events after the balance sheet date that would have a material impact on the next or future years.

E.S.D. 123

Schedule of Long-Term Debt

COUNTY: 03 Benton

For the Year Ended August 31, 2009

Description	Beginning Outstanding Debt September 1, 2008	Amount Issued/Increased	Amount Redeemed/Decreased	Ending Outstanding Debt August 31, 2009
Total Voted Bonds	32,775,000.00	68,000,000.00	6,245,000.00	94,530,000.00
Total Non-Voted Notes/Bonds	59,642.67	0.00	59,642.67	0.00
Qualified Zone Academy Bonds (QZAB)	0.00	0.00	0.00	0.00
Other Long-Term Debt:				
Capital Leases	0.00	0.00	0.00	0.00
Contracts Payable (GL 603)	0.00	0.00	0.00	0.00
NonCancellable Operating Leases	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00
Compensated Absences	6,151,832.78	1,657,964.97	0.00	7,809,797.75
Other Long-Term Debt	0.00	0.00	0.00	0.00
Total Other Long-Term Debt	6,151,832.78	1,657,964.97	0.00	7,809,797.75
TOTAL LONG-TERM DEBT	38,986,475.45	69,657,964.97	6,304,642.67	102,339,797.75

Kennewick School District #
Benton County

Schedule of Expenditure of Federal Awards
For Fiscal Year Ending August 31, 2009

Federal Catalog Number	Federal Agency Name	Federal Program Title	Pass Thru Agency	Grant Number	Pass Thru Amount	Direct Fund Amount	Total Funds Expended	Foot Note
10.553	Dept of Agriculture	School Breakfast Program (A)	WA SPI		549,139		549,139	
10.555	Dept of Agriculture	Non-Cash Assistance (Commodities)	WA SPI		290,598		290,598	3
10.555		Natl School Lunch Program (A)	WA SPI		2,498,290		2,498,290	
10.559		Summer Food Service Program	WA SPI		114,611		114,611	
10.579		NSLP Equip Assist	WA SPI	710023	18,687		18,687	
Dept of Agriculture Subtotal					3,471,325	0	3,471,325	
45.310	Dept of Education	Wa State Library	WA LIB	LS-00-08-0048-08	1,889		1,889	
84.010A		Title 1 Grants to LEAs Handicapped	WA SPI	221714	2,142,477		2,142,477	2
84.010A		Title 1 Grants to LEAs Neg & Delinq	WA SPI	222305	73,455		73,455	
84.010A		Title 1 N/D Bent/FR-DC	WA SPI	222924	4,252		4,252	
84.010A		Title 1 Park MS School Improvement	WA SPI	225225	59,062		59,062	
84.010A		Title 1 N/D Sp Projects	WA SPI	222854	89,417		89,417	
84.010A		Title 1 District Improvement Assistance	WA SPI	229335	15,816		15,816	
84.011A		Migrant Ed - Basic State	WA SPI	280601	533,173		533,173	2
84.011A		Migrant Ed - Summer School	WA SPI	290230	58,474		58,474	2
84.027A		Idea B, Flow Through	WA SPI	303155	2,603,647		2,603,647	
84.027A		Safety Net 08-09	WA SPI	337097	49,448		49,448	
84.041		Impact Aid, Maintenance and Operations	N/A		52,721		52,721	
84.048		Carl Perkins Voc	WA SPI	171443	91,742		91,742	
84.048		Voc Non Traditional	WA SPI	189010	5,428		5,428	
84.048		Carl Perkins, Tri-Tech	WA SPI	171384	60,510		60,510	
84.173A		Idea Sec 19 Flow Through	WA SPI	365857	72,508		72,508	
84.215F		Physical Education Grant	FED	Q215F080584	285,550		285,550	
84.287		21st Century Learning Centers	ESD 123		8,547		8,547	
84.298A		Title V Reallocation	WA SPI	501451	1,000		1,000	2
84.318X		E2T2FL Enhance Ed thru Tech	WA SPI	721491	14,558		14,558	
84.318X		HA Per Coaching	WA SPI	730552	4,767		4,767	
84.318X		Cview Pler Coaching	WA SPI	730551	5,656		5,656	
84.318X		Pk MS No Limit	WA SPI	730553	12,823		12,823	
84.318X		KEHS No Limit	WA SPI	730554	15,440		15,440	
84.365A		Title III, Part a LEA	WA SPI	400776	198,924		198,924	
84.367		Title II TPQ	WA SPI	521298	483,304		483,304	2
84.394		ARRA State Fiscal Stabilization	WA SPI	995007	6,897,827		6,897,827	
Dept of Education Subtotal					13,502,254	338,271	13,842,414	
93.778	Health/Human Ser/De	Medicaid-Medical Assist Program	WA DSHS		217,767		217,767	2
Health/Human Services Dept Subtotal					217,767	0	217,767	
Totals					17,191,345	338,271	17,531,506	

Note 1 Basis of Accounting

The schedule of Expenditures of Federal Awards is prepared on 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.

Note 2 Schoolwide Programs

The District operates a "schoolwide program" in four elementary buildings. 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 District in its schoolwide programs:
Title I (84.010) - \$1,115,358; Migrant (84.011A) - \$40,840; Title II (84.367) - \$328,879,
Medicaid Match (93.778) - \$57,502.

Note 3 Non Cash Awards - Food Commodities

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.



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.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

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