



Office of the Washington State Auditor  
Pat McCarthy

## **Financial Statements and Federal Single Audit Report**

# **Kent School District No. 415**

**For the period September 1, 2019 through August 31, 2020**

*Published June 28, 2021*

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

June 28, 2021

Board of Directors  
Kent School District No. 415  
Kent, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on Kent School District No. 415'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

***Americans with Disabilities***

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### **Kent School District No. 415** **September 1, 2019 through August 31, 2020**

#### **SECTION I – SUMMARY OF AUDITOR’S RESULTS**

The results of our audit of Kent School District No. 415 are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### **Financial Statements**

We issued an unmodified opinion on the fair presentation of the District’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

##### **Internal Control over Financial Reporting:**

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

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

#### **Federal Awards**

##### **Internal Control over Major Programs:**

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

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

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

## **Identification of Major Federal Programs**

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
84.010	Title I Grants to Local Educational Agencies
84.425D	COVID-19 – Elementary and Secondary School Emergency Relief Fund

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$870,636.

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

### 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*

#### **Kent School District No. 415 September 1, 2019 through August 31, 2020**

Board of Directors  
Kent School District No. 415  
Kent, 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 Kent School District No. 415, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated June 22, 2021.

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

As discussed in Note 3 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

June 22, 2021



## INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

### **Kent School District No. 415 September 1, 2019 through August 31, 2020**

Board of Directors  
Kent School District No. 415  
Kent, Washington

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

We have audited the compliance of Kent School District No. 415, 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, 2020. 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, 2020.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

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

## Purpose of this Report

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

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

Pat McCarthy, State Auditor

Olympia, WA

June 22, 2021

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **Kent School District No. 415** **September 1, 2019 through August 31, 2020**

Board of Directors  
Kent School District No. 415  
Kent, Washington

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Kent School District No. 415, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 16.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kent School District No. 415, as of August 31, 2020, and the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### **Basis for Adverse Opinion on U.S. GAAP**

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

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

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Kent School District No. 415, as of August 31, 2020, or the changes in financial position or cash flows thereof for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

## **Matters of Emphasis**

As discussed in Note 3 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Supplementary and Other Information***

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

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral

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

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

Pat McCarthy, State Auditor

Olympia, WA

June 22, 2021

## **FINANCIAL SECTION**

### **Kent School District No. 415 September 1, 2019 through August 31, 2020**

#### **FINANCIAL STATEMENTS**

Balance Sheet – Governmental Funds – 2020  
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2020  
Statement of Net Position – Fiduciary Funds – 2020  
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2020  
Notes to Financial Statements – 2020

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Long-Term Liabilities – 2020  
Schedule of Expenditures of Federal Awards – 2020  
Notes to the Schedule of Expenditures of Federal Awards – 2020



Kent School District No. 415

Balance Sheet - Governmental Funds

August 31, 2020

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>Assets</b>							
Cash and Cash Equivalents	83,701,890.61	2,104,672.76	22,586,401.18	131,666,091.72	1,310,887.17	190,203.20	241,560,146.64
Minus Warrants Outstanding	-5,173,088.43	-51,658.36	0.00	-396,789.99	0.00	0.00	-5,621,536.78
Taxes Receivable	24,487,031.00		20,147,958.48	10,355,832.61	0.00		54,990,822.09
Due From Other Funds	348,645.42	49,468.70	0.00	17,931.00	0.00	0.00	416,045.12
Due From Other Governmental Units	8,439,396.33	0.00	0.00	0.00	0.00	0.00	8,439,396.33
Accounts Receivable	485,157.65	60.00	0.00	0.00	0.00	0.00	485,217.65
Interfund Loans Receivable	300,000.00			0.00			300,000.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	695,248.41	0.00		0.00			695,248.41
Prepaid Items	23,538.00	0.00			0.00	0.00	23,538.00
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments/Cash With Trustee	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
<b>TOTAL ASSETS</b>	<b>113,307,818.99</b>	<b>2,102,543.10</b>	<b>42,734,359.66</b>	<b>141,643,065.34</b>	<b>1,310,887.17</b>	<b>190,203.20</b>	<b>301,288,877.46</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>							
Deferred Outflows of Resources - Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>113,307,818.99</b>	<b>2,102,543.10</b>	<b>42,734,359.66</b>	<b>141,643,065.34</b>	<b>1,310,887.17</b>	<b>190,203.20</b>	<b>301,288,877.46</b>
<b>LIABILITIES</b>							
Accounts Payable	4,378,269.86	84,542.39	6,876.49	9,794,345.81	668.64	104.53	14,264,807.72
Contracts Payable Current	179,859.91	0.00		0.00	0.00	0.00	179,859.91
Accrued Interest Payable			0.00				0.00

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

Kent School District No. 415

Balance Sheet - Governmental Funds

August 31, 2020

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Accrued Salaries	4,297,853.43	0.00	0.00	0.00	0.00		4,297,853.43
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
<b>LIABILITIES:</b>							
Payroll Deductions and Taxes Payable	8,928,749.51	0.00	0.00	0.00			8,928,749.51
Due To Other Governmental Units	3,557,141.89	0.00	0.00	0.00	0.00	0.00	3,557,141.89
Deferred Compensation Payable	90,450.68			0.00			90,450.68
Estimated Employee Benefits Payable	2,792,045.79						2,792,045.79
Due To Other Funds	67,389.70	10,481.17	0.00	338,183.90	0.00	0.00	416,054.77
Interfund Loans Payable	0.00	0.00	0.00	0.00	300,000.00		300,000.00
Deposits	0.00	0.00		0.00			0.00
Unearned Revenue	0.00	0.00	0.00	0.00	0.00		0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
<b>TOTAL LIABILITIES</b>	<b>24,291,760.77</b>	<b>95,023.56</b>	<b>6,876.49</b>	<b>10,132,529.71</b>	<b>300,668.64</b>	<b>104.53</b>	<b>34,826,963.70</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue	49,551.32	0.00	0.00	0.00	0.00	0.00	49,551.32
Unavailable Revenue - Taxes Receivable	24,487,031.00		20,147,958.48	10,355,832.61	0.00		54,990,822.09
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>24,536,582.32</b>	<b>0.00</b>	<b>20,147,958.48</b>	<b>10,355,832.61</b>	<b>0.00</b>	<b>0.00</b>	<b>55,040,373.41</b>
<b>FUND BALANCE:</b>							
Nonspendable Fund Balance	718,786.41	0.00	0.00	0.00	0.00	165,000.00	883,786.41
Restricted Fund Balance	4,637,676.99	2,007,519.54	22,579,524.69	102,342,287.30	1,010,218.53	0.00	132,577,227.05
Committed Fund Balance	0.00	0.00	0.00	18,407,025.54	0.00	0.00	18,407,025.54
Assigned Fund Balance	9,221,635.62	0.00	0.00	405,390.18	0.00	25,098.67	9,652,124.47

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

Kent School District No. 415  
Balance Sheet - Governmental Funds  
August 31, 2020

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Unassigned Fund Balance	49,901,376.88	0.00	0.00	0.00	0.00	0.00	49,901,376.88
<b>TOTAL FUND BALANCE</b>	<b>64,479,475.90</b>	<b>2,007,519.54</b>	<b>22,579,524.69</b>	<b>121,154,703.02</b>	<b>1,010,218.53</b>	<b>190,098.67</b>	<b>211,421,540.35</b>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	113,307,818.99	2,102,543.10	42,734,359.66	141,643,065.34	1,310,887.17	190,203.20	301,288,877.46

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

Kent School District No. 415

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

For the Year Ended August 31, 2020

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>REVENUES:</b>							
Local	50,176,268.16	1,219,360.77	40,137,706.43	34,641,997.93	16,526.85		126,191,860.14
State	327,424,646.91		0.00	1,257,673.61	1,218,346.14		329,900,666.66
Federal	29,154,038.52		726,853.30	0.00	0.00		29,880,891.82
Other	821,310.34			0.00	0.00	3,605.59	824,915.93
<b>TOTAL REVENUES</b>	<b>407,576,263.93</b>	<b>1,219,360.77</b>	<b>40,864,559.73</b>	<b>35,899,671.54</b>	<b>1,234,872.99</b>	<b>3,605.59</b>	<b>486,798,334.55</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	211,406,371.58						211,406,371.58
Special Education	57,309,894.02						57,309,894.02
Vocational Education	12,267,690.67						12,267,690.67
Skill Center	0.00						0.00
Compensatory Programs	33,834,575.27						33,834,575.27
Other Instructional Programs	1,917,885.90						1,917,885.90
Community Services	3,022,178.23						3,022,178.23
<b>Support Services</b>	<b>59,862,355.58</b>						<b>59,862,355.58</b>
<b>Student Activities/Other</b>		<b>1,226,602.69</b>				<b>54.15</b>	<b>1,226,656.84</b>
<b>CAPITAL OUTLAY:</b>							
Sites				7,725,050.69			7,725,050.69
Building				45,332,492.26			45,332,492.26
Equipment				589,250.92			589,250.92
Instructional Technology				4,357,890.21			4,357,890.21
Energy				0.00			0.00
Transportation Equipment					856,086.41		856,086.41
Sales and Lease				2,054.34			2,054.34
Other	328,181.38						328,181.38
<b>DEBT SERVICE:</b>							
Principal	154,560.72		26,907,770.55	0.00	0.00		27,062,331.27
Interest and Other Charges	6,060.00		9,548,555.30	0.00	0.00		9,554,615.30

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

Kent School District No. 415

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

For the Year Ended August 31, 2020

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Bond/Levy Issuance				307,680.50	0.00		307,680.50
<b>TOTAL EXPENDITURES</b>	<b>380,109,753.35</b>	<b>1,226,602.69</b>	<b>36,456,325.85</b>	<b>58,314,418.92</b>	<b>856,086.41</b>	<b>54.15</b>	<b>476,963,241.37</b>
DEBT SERVICE:							0.00
REVENUES OVER (UNDER) EXPENDITURES	27,466,510.58	-7,241.92	4,408,233.88	-22,414,747.38	378,786.58	3,551.44	9,835,093.18
<b>OTHER FINANCING SOURCES (USES) :</b>							0.00
Bond Sales & Refunding Bond Sales	0.00		4,793.50	50,307,195.50	0.00		50,311,989.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	681,578.86		566,445.00	0.00	0.00		1,248,023.86
Transfers Out (GL 536)	0.00		0.00	-681,578.86	-566,445.00	0.00	-1,248,023.86
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	19,110.58		0.00	211,500.00	0.00		230,610.58
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>700,689.44</b>		<b>571,238.50</b>	<b>49,837,116.64</b>	<b>-566,445.00</b>	<b>0.00</b>	<b>50,542,599.58</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>28,167,200.02</b>	<b>-7,241.92</b>	<b>4,979,472.38</b>	<b>27,422,369.26</b>	<b>-187,658.42</b>	<b>3,551.44</b>	<b>60,377,692.76</b>
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>36,312,275.88</b>	<b>2,014,761.46</b>	<b>17,600,052.31</b>	<b>93,732,333.76</b>	<b>1,197,876.95</b>	<b>186,547.23</b>	<b>151,043,847.59</b>
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>ENDING TOTAL FUND BALANCE</b>	<b>64,479,475.90</b>	<b>2,007,519.54</b>	<b>22,579,524.69</b>	<b>121,154,703.02</b>	<b>1,010,218.53</b>	<b>190,098.67</b>	<b>211,421,540.35</b>

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

Kent School District No. 415  
Statement of Fiduciary Net Position  
August 31, 2020

	Private Purpose Trust	Other Trust
<b>ASSETS:</b>		
Imprest Cash	0.00	56,429.57
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	242,223.44	46,976.05
Minus Warrants Outstanding	0.00	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	0.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	
Capital Assets, Land	0.00	
Capital Assets, Buildings	0.00	
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	
Accum Depreciation, Equipment	0.00	0.00
<b>TOTAL ASSETS</b>	<b>242,223.44</b>	<b>103,405.62</b>
<b>LIABILITIES:</b>		
Accounts Payable	5,950.00	128.80
Due To Other Funds	-9.65	0.00
<b>TOTAL LIABILITIES</b>	<b>5,940.35</b>	<b>128.80</b>
<b>NET POSITION:</b>		
<b>Held in trust for:</b>		
Held In Trust For Intact Trust Principal	0.00	0.00
Held In Trust For Private Purposes	236,283.09	
Held In Trust For Pension Or Other Post-Employment Benefits		0.00
Held In Trust For Other Purposes	0.00	103,276.82
<b>TOTAL NET POSITION</b>	<b>236,283.09</b>	<b>103,276.82</b>

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

Kent School District No. 415  
Statement of Changes in Fiduciary Net Position  
For the Year Ended August 31, 2020

	Private Purpose Trust	Other Trust
<b>ADDITIONS:</b>		
Contributions:		
Private Donations	38,903.82	0.00
Employer		0.00
Members		210,259.46
Other	0.00	0.00
<b>TOTAL CONTRIBUTIONS</b>	<b>38,903.82</b>	<b>210,259.46</b>
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	4,351.86	1,320.08
Less Investment Expenses	0.00	0.00
Net Investment Income	4,351.86	1,320.08
<b>Other Additions:</b>		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
<b>TOTAL ADDITIONS</b>	<b>43,255.68</b>	<b>211,579.54</b>
<b>DEDUCTIONS:</b>		
Benefits		253,564.73
Refund of Contributions	0.00	0.00
Administrative Expenses	307.70	0.00
Scholarships	2,000.00	
Other	35,643.25	0.00
<b>TOTAL DEDUCTIONS</b>	<b>37,950.95</b>	<b>253,564.73</b>
Net Increase (Decrease)	5,304.73	-41,985.19
Net Position--Prior Year August Beginning	230,978.36	145,262.01
Prior Year F-196 Manual Revision	0.00	0.00
Net Position - Total	230,978.36	145,262.01
Prior Year(s) Corrections or Restatements	0.00	0.00
<b>NET POSITION--ENDING</b>	<b>236,283.09</b>	<b>103,276.82</b>

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

**Kent School District No. 415**  
**Notes to the Financial Statements**  
**September 1, 2019 through August 31, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**Fund Accounting**

The accounts of the district are organized on the basis of funds. Government resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent. 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. All funds are considered major funds.

The various funds are grouped into governmental and fiduciary funds as follows:

***Governmental Funds***

General Fund

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

Capital Projects Funds

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

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

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



### Debt Service Fund

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

### Special Revenue Fund

In Washington State, the only allowable special revenue fund for school districts is the Associated Student Body (ASB) Fund. Even though this fund accounts for monies raised by associated student bodies of the district, this fund is presented within the financial statements of the District, as financial resources in the fund legally belong to the District. As a special revenue fund, amounts within the ASB Fund may only be used for those purposes that relate to the operation of the Associated Student Body of the District.

### Permanent Funds

These funds are used to report resources that are legally restricted such that only earnings, and not principal, may be expended. Amounts in the Permanent Fund may only be spent in support of the District's programs and may not be used to the benefit of any individual. The district has one Permanent Fund (Reeploeg Permanent Fund), with a principal amount of \$165,000. Investment earnings may be used for the purposes that support the district's performing arts programs. The district accumulates interest income and can make a distribution every 7 years. The last distribution was made in 2010. This fund was donated by the Reeploeg family.

### ***Fiduciary Funds***

Fiduciary funds include pension and other employee benefit trust funds, private-purpose trust funds, and agency funds. These funds are used to account for assets that are held in trust by the District in a trustee and agency capacity.

### Private-Purpose Trust Fund

This fund is used to account for resources that are legally held in trust by the District. Trust agreements detail whether principal and interest may both be spent, or whether only interest may be spent. Resources in a Private-Purpose Trust Fund may not be used to support District programs, but may be used to benefit individuals, private organizations, or other governments. The *InvestED Trust* and other miscellaneous trusts are also reported under the district's Private-Purpose Trust.

### Other Trust Fund

The district maintains a vision trust fund that is used to account for resources set aside in trust for employee vision benefits. Information from the vision trust fund is presented here in the district's other trust fund. The Employee Vision Benefits Trust accounts for moneys that have been held in trust for employees participating in the district's self-insured vision benefits plan. As of January 2020, the district participates in the State of Washington School Employee Benefits Board (SEBB) and vision benefits are covered by SEBB. *See Note 17 for more information.* Currently, claims from prior benefits can be made for up to one year after the transition, and so the fund has been maintained for that reason, but will not be needed in the future.

## **Measurement focus, basis of accounting, and fund financial statement Presentation**

Current financial resources are used as the measurement focus for governmental fund financial statements. The modified accrual basis of accounting is used to prepare the governmental fund financial statements.

Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the amount of the transaction can be readily determined. Revenues are considered "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end.

However, most property taxes receivable are measurable, but not available and are, therefore, not accrued as

revenue, but recorded as a receivable and a deferred inflow of resources. Known categorical program claims are accrued as revenue in accordance with the matching principal of accounting, since the expenditures for such programs have already been incurred and the district is seeking reimbursement for those expenditures. Inter-district billings are measurable and available, and are, therefore, accrued as revenue.

Expenditures are recognized under the modified accrual 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. Purchases of capital assets are recorded as expenditures during the year of acquisition. For federal grants, the recognition of expenditures is dependent on the obligation date. An obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.

## **Budgets**

Chapter 28A.505 RCW and Chapter 392-123 of the Washington Administrative Code (WAC) mandate school district budget policies and procedures. A budget is required for all governmental funds. The district board adopts an annual appropriated budget after public hearing, which is submitted to the state's Office of the Superintendent of Public Instruction.

An appropriation is a prerequisite to expenditure. Appropriations lapse at the end of the fiscal period. Annual appropriated budgets are adopted at the fund level.

Management may transfer appropriations within the approved budget for each fund without prior approval of the board. For this reason, differences of budgeted revenues and expenditures within a fund may be the result of management transfers within the fund.

Some grants are based on reimbursable expenditures. The budget is typically set at the maximum allowable grant expenditures, but if the district spends less than allowable, there will be a difference in the budget for both revenues and expenditures.

The total expenditures for each governmental fund cannot exceed the formal adopted appropriation for each fund unless the board amends the budget by submitting a supplemental appropriation to the state.

For budget and accounting purposes, revenues and expenditures are accounted for on the modified accrual basis as prescribed for all governmental funds. Fund balance is budgeted as available resources, and pursuant to state law, the budgeted ending fund balance cannot be negative, unless the District enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

## **District Policy regarding the application of restricted or unrestricted resources**

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

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

The District Board of Directors has established Board Policy 6002, which established a goal to maintain a minimum fund balance of five percent of the previous year's actual General Fund expenditures.

## **Fund balance classifications policies and procedures.**

In the fund financial statements, the district reports fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources:

- *Nonspendable Fund Balance* – This classification is used for that portion of net resources that cannot be spent because of their form or because they must remain intact, such as items relating to inventory or expenses that have been prepaid for consumption in a subsequent year, or resources legally or contractually required to be maintained intact, such as permanent fund endowments.
- *Restricted Fund Balance* – This classification is used when there are enforceable limitations on the use of certain funds from external sources, such as by creditors, grantors, contributors, or from regulations of oversight government agencies. Restricted fund balance, also, includes anticipated recovery of revenues that have been received, but not used and must be returned.
- *Committed Fund Balance* – This classification is used when there are limitations imposed on funds by formal action of the district's board of directors and use of those funds cannot be changed without formal action of the same.
- *Assigned Fund Balance* – This classification is used to describe the portion of fund balance that reflects the district's intended use of resources, but are neither restricted or committed. Assignments can reduce the amount reported as an unassigned fund balance but may not reduce the unassigned balance below zero.

In the general fund, according to district practice, these funds are established by the superintendent or designee to achieve the objectives of the district, in accordance with good fiscal management. These balances reflect tentative management plans for future financial resource use such as the replacement of equipment or the assignment of resources for contingencies. Any change in this direction for these funds would require approval by the superintendent or designee.

For the district, the superintendent or Executive Director of Budget and Finance can assign fund balance for the general fund.

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

- *Unassigned Fund Balance* – This classification is used for the net resources in excess of the other four categories previously described and represent funds that could be used for any purpose. Typically, only the general fund will report an unassigned fund balance, since other funds would have fund balances at least assigned to that fund's purpose, unless the fund were in a deficit position.

Currently, the district's board of directors has directed management, in its policy #6002, that the district shall have a goal of maintaining a minimum fund balance in its general fund at least equal to give percent of the previous year's general fund operating expenditures. This is intended to recognize the importance of maintaining a prudent fund balance in the general fund to ensure operational cash flow needs are met, to set aside resources for known obligations, and to help protect against unforeseen circumstances. Funds under this board policy are considered unassigned, but attributable to a minimum fund balance policy.

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

Typically, it is the district's practice to use funds in the following order: Nonspendable, restricted, committed, and assigned, before using the unassigned fund balance, as long as the intended purpose of the funds are met.

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

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

### **Cash and Cash Equivalents**

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

### **Receivables and Payables**

The District's receivables and payables reflect current financial resources or obligations that are expected to be collected or paid within one year.

### **Inventory**

Inventories recorded as assets for the district consist of food and fuel. A periodic method is applied to inventories. Inventories are valued at cost. Inventory for fuel is approximated by using the last purchase price to value the periodic inventory count. The food inventory is from federal USDA commodities, consisting of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities and would typically be represented by a first-in, first-out approach to the product acquisition and usage.

The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. A portion of fund balance, representing inventory, is considered to be "nonspendable".

### **Deferred Outflows and Inflows of Resources**

Certain items related to the consumption or the acquisition of assets that are applicable to a future period are reported as deferred outflows of resources and deferred inflows of resources.

Deferred Outflows and Inflows of Resources are reported as separate sections in the district's balance sheet.

A *deferred outflow of resources* is considered to be a consumption of assets by the government that is applicable to a future reporting period. The district did not have any items that qualified for reporting in the category of a deferred outflow of resources.

A *deferred inflow of resources* is considered to be an acquisition of assets by the government that is applicable to a future reporting period. The district has two items, which arises under a modified accrual basis of accounting that qualifies for reporting in the category of a deferred inflow of resources under the governmental funds financial statements:

- Funds received by the district, but for which future services have not yet been provided under contractual or legal requirements.
- Property taxes earned, but not yet available to meet the needs of current liabilities.

Under the modified-accrual method of accounting used in the governmental fund financial statements, these items are not reported as revenue until they are also available or can be used in accordance with contracts or legal requirements. Accordingly, these items are reported as deferred in the governmental funds balance sheet.

### **Accounting, Policy, and Reporting Changes for 2019-20**

During this fiscal year, the district transitioned to the School Employees Benefits Board (SEBB) as a provider of medical insurance and other similar types of benefits for the employees. With this change, the timing of benefit expenditures changed. In at least the prior 9 years, the district had paid for benefits a month ahead, but recorded 12 months of expenditures in each fiscal year, as a result of that arrangement. However, with SEBB, the district pays for benefits during the month the benefits are due and available to the employees. This change has resulted in a month during this current 2019-20 fiscal year in which the district did not incur any benefit expenditures. 11 months of expenditures were recorded for such benefit expenditures, due to the transition from paying a month ahead. In the future, the district will be recording 12 months of benefit expenditures.

### **NOTE 2: DEPOSITS AND INVESTMENTS**

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

The District's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The district's participation in the King County Investment Pool is voluntary and the pool does not have a credit rating. The district reports its investment in the pool at the fair value amount, which is the same as the value of the pool per share. The fair value of the district's investment in the pool is measured using a net asset value (NAV) as determined by the pool. The pool maintains an average pool effective duration of 1.12 years.

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.

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

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

The District's investments as of August 31, 2020, are as follows:

Type of Investment	Fund	Carrying Amount	Fair Value
King Co. Investment Pool	General	\$ 82,564,697	\$ 83,373,831
	Capital Projects	131,436,535	132,724,613
	Debt Service	22,579,525	22,800,804
	Associated Student Body	2,189,581	2,211,039
	Transportation Vehicle	1,310,219	1,323,059
	Trust	479,169	483,865
<b>Total</b>		<b>\$ 240,559,726</b>	<b>\$ 242,917,211</b>

### Impaired Investment Pool

The district has investments with the King County investment pool that are impaired. These investments have been in this condition since September 1, 2008. The Impaired Pool currently holds one commercial paper asset (Victoria), in which the County accepted an exchange offer in 2009 and is receiving the cash flows from the investment's underlying securities.

The total fair value of the impaired investment pool with King County at August 31, 2020, was \$2.37 million and the total book value with King County was \$3.88 million. The district's share of impaired investments in this pool is \$78,211.

## NOTE 3: SUBSEQUENT EVENTS

### COVID-19 Pandemic

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

Many of the precautionary measures put in place during the 2019–20 school year remain in effect and are affecting the district for the 2020–21 school year in new ways.

The district is using a remote/distance learning model to begin the 2020–21 school year. As a result, there is limited on-campus activity, both for students and staff. The majority of instructional, support and administrative staff are working remotely, and will continue with this model until it is deemed safe and appropriate for our district to resume in-person activities. At this time, the earliest estimate of returning to any form of in-person learning is during the second semester of the 2020-21 school year.

The district has experienced a significant decrease in enrollment beginning in the 2020–2021 fiscal year, due to the COVID-19 pandemic. The actual January 2020 enrollment is reported at approximately 900 student FTE less than the budgeted enrollment. The district will experience a reduction in state funding of approximately \$20 million in the 2020-2021 school year due to the decrease in enrollment and due to a lack of transportation ridership to and from school. An estimated \$12 million of this total is in basic education or regular apportionment programs, and the other estimated \$8 million is from the affect this has on other state and categorical programs, such as inclusive education, the learning assistance program (LAP), transitional bilingual program (TBIP), and transportation.

Part of this estimated \$8 million decrease is transportation funding. The state funding for the transportation of students to and from school is based on ridership of students on the buses. In the remote learning environment, there is little, if any, ridership. Such loss of ridership would, also, impact the calculation of funding for the 2021-22 school year, as well.

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

#### **NOTE 4: PENSION PLANS**

##### **General Information**

The district does not sponsor its own retirement plan but participates in plans offered by the Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington.

The Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, prepares a stand-alone comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each pension plan. The pension plan's basic financial statement is accounted for using the accrual basis of accounting. The measurement date of the pension plans is June 30. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

##### **The Collective Net Pension Liability**

The collective net pension liabilities for the pension plans districts participated in are reported in the following table.

<b>Net Pension Liability as of June 30, 2020:</b>				
<b>Dollars in Thousands</b>	<b>PERS1</b>	<b>SERS2/3</b>	<b>TRS1</b>	<b>TRS2/3</b>
Total Pension Liability (TPL)	\$ 11,256,796	\$ 7,043,384	\$ 8,179,362	\$ 18,559,021
Plan Fiduciary Net Position	\$ (7,726,256)	\$ (6,511,420)	\$ (5,770,576)	\$ (17,023,040)
Participating Employers' Net Pension Liability (NPL)	\$ 3,530,540	\$ 531,964	\$ 2,408,786	\$ 1,535,981
Plan Fiduciary as a Percentage of the TPL	68.64%	92.45%	70.55%	91.72%

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

##### **Membership Participation**

Substantially all school district full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by DRS: Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS).

Membership participation by retirement plan as of June 30, 2020, was as follows:

Plan	Active Members	Inactive Vested Members	Retirees & Beneficiaries Receiving Benefits
PERS1	1,181	310	44,359
SERS2	28,943	6,274	11,112
SERS3	36,772	9,064	11,200
TRS1	263	92	31,777
TRS2	22,980	2,808	6,201
TRS3	56,953	8,279	15,316

Source: Washington State Office of the State Actuary

## Membership & Plan Benefits

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

### TRS Plan Information

TRS was established in 1938, and its retirement provisions are contained in RCW Chapters 41.34 and 41.32. TRS is a cost-sharing multi-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. TRS eligibility for membership requires service as a certificated, public school employee working in an instructional, administrative or supervisory capacity.

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

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

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

The benefit is reduced by a factor that varies according to age, for each year before age 65. TRS Plan 2/3 members who have 30 or more years of service credit, were hired prior to May 1, 2013, and are at least 55 years old, can retire under one of two provisions: With a benefit that is reduced by three percent



for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules. TRS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. TRS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

### **PERS Plan Information**

PERS was established in 1947, and its retirement benefit provisions are contained in RCW Chapters 41.34 and 41.40. PERS is a cost-sharing, multi-employer retirement system. PERS Plan 1 provides retirement, disability and death benefits. PERS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

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

### **SERS Plan Information**

SERS was established by the legislature in 1998, and the plan became effective in 2000. SERS retirement benefit provisions are established in RCW Chapters 41.34 and 41.35. SERS is a cost-sharing, multiemployer 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 were effective as of July 1, 2019. SERS and TRS contribution rates are effective as of September 1, 2019. All plans will not have a contribution rate change until September 1, 2020. The pension plan contribution rates (expressed as a percentage of covered payroll) for fiscal year 2020 are listed below:

<b>Pension Contribution Rates from September 1, 2019 to August 31, 2020</b>			
	Employer	Employee	
PERS Plan 1	12.86%	6.00%	
TRS Plan 1	15.51%	6.00%	
TRS Plan 2/3	15.51%	7.77%	*/**
SERS Plan 2/3	13.19%	8.25%	*/**
<i>Note: Employer rates include .0018 administrative fee</i>			

\* TRS and SERS Plan 3 Employee Contribution Variable from 5% to 15% based on rate selected by the employee member.

\*\* TRS and SERS Plan 2/3 Employer Contributions for defined benefit portion only.

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

At June 30, 2020, the school district reported a total liability of \$115,080,853 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, 2020, the district's proportionate share of each plan's net pension liability is reported below:

<b>as of June 30, 2020:</b>	<b>PERS1</b>	<b>SERS2/3</b>	<b>TRS1</b>	<b>TRS2/3</b>
District's Annual Contributions	\$ 2,717,140	\$ 4,572,804	\$ 12,038,535	\$ 13,400,879
Proportionate Share of the Net Pension Liability (NPL)	\$ 13,236,327	\$ 11,249,180	\$ 55,218,787	\$ 35,376,558

At June 30, 2020, 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.

<b>Allocation Percentages:</b>	<b>PERS1</b>	<b>SERS2/3</b>	<b>TRS1</b>	<b>TRS2/3</b>
Current Year Proportionate Share of the NPL	0.374909%	2.114651%	2.292391%	2.303190%
Prior Year Proportionate Share of the NPL	0.376888%	2.147216%	2.290181%	2.310574%
Net Difference Percentage	-0.001979%	-0.032565%	0.002210%	-0.007384%

## Actuarial Assumptions

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, 2019, with the results rolled forward to June 30, 2020, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.75% total economic inflation, 3.50% salary inflation
Salary Increases	In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment Rate of Return	7.4%

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

## Mortality Rates

Mortality rates used in the plans were developed using the Society of Actuaries' Pub.H-2010 Mortality rates, which vary by member status as the base table. The Office of the State Actuary (OSA) applies age offsets for each system to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale to project mortality rates for every year after the 2010 base table. The actuarial assumptions used in the June 30, 2019, valuation were based on the results of the 2013–2018 Demographic Experience Study Report and the 2019 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report.

## Long-term Expected Rate of Return

OSA selected a 7.40% long-term expected rate of return on pension plan investments using a building-block method. In selecting the assumptions, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the Washington State Investment Board (WSIB) provided.

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 expected future rates of return are developed by the WSIB for each major asset class.

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, 2020, are summarized in the following table:

**TRS 1, TRS 2/3, PERS 1, and SERS 2/3**

Estimated Rates of Return as of June 30, 2020:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20.0%	2.2%
Tangible Assets	7.0%	5.1%
Real Estate	18.0%	5.8%
Global Equity	32.0%	6.3%
Private Equity	23.0%	9.3%
Total	100.0%	

Source: Wa State Investment Board (WSIB)

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.40 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Based on the assumptions described in the DRS CAFR Certification Letter, 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, a 7.40 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 Kent School District's proportionate share of the collective net pension liability (NPL) calculated using the discount rate of 7.40 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 (6.40 percent) or one percentage-point higher (8.40 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.

**Sensitivity of the Net Pension Liability to changes in the discount rate:**

	<b>1% Decrease 6.40%</b>	<b>Current Discount Rate 7.40%</b>	<b>1% Increase 8.40%</b>
<b>PERS 1 - NPL</b>	\$ 4,422,202,000	\$ 3,530,540,000	\$ 2,752,919,000
Allocation Percentage	0.374909%	0.374909%	0.374909%
District's Proportionate Share of Collective NPL	\$ 16,579,233	\$ 13,236,312	\$ 10,320,941
<b>SERS 2/3 - NPL</b>	\$ 1,517,879,000	\$ 531,964,000	\$ (283,583,000)
Allocation Percentage	2.114651%	2.114651%	2.114651%
District's Proportionate Share of Collective NPL	\$ 32,097,843	\$ 11,249,182	\$ (5,996,791)
<b>TRS 1 - NPL</b>	\$ 3,051,911,000	\$ 2,408,786,000	\$ 1,847,550,000
Allocation Percentage	2.292391%	2.292391%	2.292391%
District's Proportionate Share of Collective NPL	\$ 69,961,733	\$ 55,218,793	\$ 42,353,070
<b>TRS 2/3 - NPL</b>	\$ 4,526,645,000	\$ 1,535,981,000	\$ (903,643,000)
Allocation Percentage	2.303190%	2.303190%	2.303190%
District's Proportionate Share of Collective NPL	\$ 104,257,235	\$ 35,376,561	\$ (20,812,615)

**NOTE 5: ANNUAL OTHER POST-EMPLOYMENT BENEFIT COST AND NET OPEB OBLIGATIONS**

The district does not offer post-employment benefits to its retired employees. The state, through the Health Care Authority (HCA), administers a defined benefit other post-employment benefit (OPEB) plan that is not administered through a qualifying trust. 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. Benefits purchased by PEBB include medical, dental, life insurance and long-term disability insurance.

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

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), 76 of the state's K–12 school districts and educational service districts (ESDs), and 249 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 227 K–12 school districts and ESDs. The District's retirees (approximately 1,137) are eligible to participate in the PEBB plan under this arrangement.

Eligibility

District members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plan 2 or 3 of TRS or SERS.

Former members who are entitled to a deferred vested pension benefit are not eligible to receive medical and life insurance benefits after pension benefit commencement. Survivors of covered members who die are eligible for medical benefits.

## Medical Benefits

Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 medical coverage for 2021:

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

<b>Descriptions</b>	<b>Type of Coverage</b>		
	<b>Employee</b>	<b>Employee &amp; Spouse</b>	<b>Full Family</b>
Kaiser Permanente NW Classic	\$715.66	\$1,426.75	\$1,959.20
Kaiser Permanente NW CDHP	\$608.85	\$1,206.99	\$1,611.85
Kaiser Permanente WA Classic	\$752.15	\$1,499.24	\$2,059.55
Kaiser Permanente WA CDHP	\$610.16	\$1,210.10	\$1,616.32
Kaiser Permanente WA Sound Choice	\$618.49	\$1,231.92	\$1,692.00
Kaiser Permanente WA Value	\$675.71	\$1,346.36	\$1,849.35
UMP Classic	\$679.72	\$1,354.37	\$1,860.37
UMP CDHP	\$608.35	\$1,206.48	\$1,611.34
UMP Plus - Puget Sound High Value Network	\$644.97	\$1,284.88	\$1,764.82
UMP Plus - UW Medicine Accountable Care Network	\$644.97	\$1,284.88	\$1,764.82

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

### **Members enrolled in Part A and B of Medicare**

<b>Descriptions</b>	<b>Type of Coverage</b>		
	<b>Employee</b>	<b>Employee &amp; Spouse <sup>1</sup></b>	<b>Full Family <sup>1</sup></b>
Kaiser Permanente NW Senior Advantage	\$173.01	\$342.75	\$875.70
Kaiser Permanente WA Medicare Plan	\$174.55	\$344.04	N/A
Kaiser Permanente WA Classic	N/A	N/A	\$904.36
Kaiser Permanente WA Sound Choice	N/A	N/A	\$804.11
Kaiser Permanente WA Value	N/A	N/A	\$847.03
UMP Classic	\$320.54	\$636.02	\$1,142.01

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

## Funding Policy

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

The School Employee Benefits Board (SEBB) collects benefit premiums from all school district entities for covered employees. The premium includes a fee, established in state law. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees who elect to purchase their health care benefits through the state Health Care Authority PEBB plan. Starting in January 2020, of fiscal year 2019–20, SEBB was required to collect for the HCA \$69.56 per month per eligible employee to support the program, but prior to that, the district did collect the fee. This amount 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.

For further information on the results of the actuarial valuation of the employer provided subsidies associated with the state's PEBB plan, refer to the Office of the State Actuary:

<http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>

The plan does not issue a separate report; however, additional information is included in the State of Washington Comprehensive Annual Financial Report, which is available on this site:

<https://www.ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report>

#### NOTE 6: COMMITMENTS UNDER NONCAPITALIZED (OPERATING) LEASES

On September 1, 2016, the district entered into an operating lease arrangement with Puget Sound Energy for the provision of natural gas compression services ("Compressed Natural Gas Service" or "CNG Service"), provided to a fueling station for district buses that operate on natural gas. The lease term remains in effect during the period ending on the 10<sup>th</sup> anniversary of the CNG Service Commencement Date (the "Initial Term"), unless terminated earlier in accordance with the terms of the Agreement. At the end of the Initial Term, the Agreement shall automatically renew for successive 60-month terms. The lease payments for the next seven years, of the initial 10 year terms, are as follows:

Puget Sound Energy CNG Fueling Station		
Fiscal Year:	Lease Payment	
2020-21	\$	308,652
2021-22		308,652
2022-23		308,652
2023-24		308,652
2024-25		308,652
2025-26		308,652
2026-27		308,652
Total	\$	2,160,564

The district has established capital lease agreements with Witt/Kyocera and Xerox for copiers throughout the district. The payments under these current lease arrangements are as follows:

Fiscal Year	Equipment Leases		
	Kyocera Copier	Xerox Copier	Total
2020-21	120,464	7,208	127,672
2020-22	-	7,208	7,208
	\$		\$
Total	120,464	\$ 14,416	134,880

## NOTE 7: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The District had the following active construction projects as of August 31, 2020:

### Bond Projects

as of 10/16/20

<u>Description</u>	<u>Project Identification</u>	<u>Original Approved Budget</u>	<u>10/16/2020 Costs to date</u>	<u>10/16/2020 Balance</u>
FP Administration	0000 and 2033	\$ 5,771,256.26	\$ 1,551,381.71	\$ 4,219,874.55
Meeker Hardware Replaement	3100-2044	\$ 255,926.99	\$ 245,202.01	\$ 10,724.98
Kent Meridian Window Replacements	4000-2045	\$ 4,000,000.00	\$ 3,531,290.74	\$ 468,709.26
Tennis Courts	2048	\$ 1,504,079.00	\$ 1,035,158.39	\$ 468,920.61
Fire Alarm Replacements	2075	\$ 1,853,404.00	\$ 700,852.45	\$ 1,152,551.55
Horizon Backnet Upgrade	1300-2077	\$ 643,084.00	\$ 563,153.80	\$ 79,930.20
Fields	2092	\$ 13,409,386.00	\$ 7,046,319.82	\$ 6,363,066.18
Kent Meridian Synthetic Turf Baseball Field	4000-2095	\$ 2,000,000.00	\$ 1,890,559.03	\$ 109,440.97
East Hill Kindergarten Classroom Dividers	1120-2159	\$ 144,866.00	\$ -	\$ 144,866.00
Presentation Systems	2226	\$ 6,000,000.00	\$ 6,855,651.54	\$ (855,651.54)
Maintenance Storage Building	7070-2303	\$ 3,323,910.00	\$ 3,192,579.62	\$ 131,330.38
Academy Facility	5070-2304	\$ 37,542,500.00	\$ 34,372,017.51	\$ 3,170,482.49
Lake Youngs Boiler Replacement	1420-2381	\$ 358,003.00	\$ 328,276.10	\$ 29,726.90
Northwood Boiler Replacement	3250-2381	\$ 452,708.00	\$ 123,546.93	\$ 329,161.07
Covington Replacement	106-1060-2501 & 2962	\$ 38,027,470.00	\$ 36,223,891.27	\$ 1,803,578.73
New Valley School	1870-2501	\$ 51,950,000.00	\$ 49,288,891.69	\$ 2,661,108.31
Reroofing	2610	\$ 9,855,031.00	\$ 3,001,734.10	\$ 6,853,296.90
Heating	2633	\$ 15,817,684.00	\$ 14,678,933.79	\$ 1,138,750.21
Lake Youngs Expansion of Health Room	1420-0000-2636	\$ 153,921.00	\$ -	\$ 153,921.00
Pine Tree Entry & Office Remodel	1660-2636	\$ 226,354.00	\$ 1,220.00	\$ 225,134.00
Cedar Heights Classroom Conversion	3000-2638	\$ 1,072,012.00	\$ 12,510.00	\$ 1,059,502.00
Kentridge PAC & Gym Foyer Remodel	4150-2638	\$ 1,209,340.00	\$ 6,120.00	\$ 1,203,220.00
Kentwood PAC Remodel	4200-2638	\$ 2,872,882.00	\$ 140,605.00	\$ 2,732,277.00
Cedar Valley Multi-Purpose Room	1030-2639	\$ 3,805,671.00	\$ 3,890,627.00	\$ (84,956.00)
Fairwood Multi-Purpose Room	1180-2639	\$ 4,165,671.00	\$ 4,056,732.70	\$ 108,938.30
Grass Lake Multi-Purpose Room	1270-2639	\$ 3,977,671.00	\$ 3,952,488.30	\$ 25,182.70
Lake Youngs Multi-Purpose Room	1420-2639	\$ 4,461,671.00	\$ 3,825,904.94	\$ 635,766.06
Meridian Multi-Purpose Room	1510-2639	\$ 4,824,418.00	\$ 4,398,765.17	\$ 425,652.83
Park Orchard Multi-Purpose Room	1630-2639	\$ 3,315,671.00	\$ 3,047,405.28	\$ 268,265.72
Pine Tree Multi-Purpose Room	1660-2639	\$ 3,915,671.00	\$ 4,252,512.84	\$ (336,841.84)
Soos Creek Multi-Purpose Room	1780-2639	\$ 4,285,671.00	\$ 4,326,580.77	\$ (40,909.77)
Springbrook Multi-Purpose Room	1810-2639	\$ 4,592,800.00	\$ 4,438,415.50	\$ 154,384.50
Asbestos Abatement	2735	\$ 239,017.00	\$ 180,103.94	\$ 58,913.06
		<u>\$ 236,027,749.25</u>	<u>\$ 201,159,431.94</u>	<u>\$ 34,868,317.31</u>



Construction Levy Projects  
as of 10/16/20

<u>Description</u>	<u>Project Identification</u>	<u>Original Approved Budget</u>	<u>10/16/2020 Costs to date</u>	<u>10/16/2020 Balance</u>
Administration	4030-2033	\$ 300,000.00	\$ 196,270.14	\$ 103,729.86
Various Miscellaneous Projects	2044	\$ 511,006.00	\$ 179,618.71	\$ 331,387.29
Sunrise Fire Alarm Repl	1840-2075	\$ 327,450.00	\$ 126,734.46	\$ 200,715.54
EMS and Time Clocks	2077	\$ 1,117,572.70	\$ 219,440.23	\$ 898,132.47
Roof Repairs	2094	\$ 97,984.00	\$ 168,294.65	\$ (70,310.65)
MC Convert Dead Systicon to Alerton	3200-0000-2715	\$ 16,650.00	\$ 42,339.30	\$ (25,689.30)
Springbrook Bathroom Divider	1810-0000-2159	\$ 130,651.00	\$ 55,550.00	\$ 75,101.00
Meridian Middle Divider	3150-0000-2159	\$ 50,269.00	\$ 22,055.00	\$ 28,214.00
Portable Painting	2790-2182	\$ 878,035.00	\$ 759,200.86	\$ 118,834.14
Exterior Painting	2182	\$ 370,503.00	\$ 229,870.56	\$ 140,632.44
Floor Replacement	2091 and 2380	\$ 2,080,806.00	\$ 2,033,252.76	\$ 47,553.24
Meridian Bleacher Replacement	3150-0000-2399	\$ 147,630.00	\$ 171,246.90	\$ (23,616.90)
Portable Reroofing	2610	\$ 154,277.00	\$ 142,058.73	\$ 12,218.27
Other Re-Roofing	2610	\$ 2,733,111.00	\$ 1,383,672.27	\$ 1,349,438.73
Meridian Elem HVAC & Sump	1510-0000-2633	\$ 1,577,173.00	\$ 1,577,173.00	\$ -
Portable Ramp Replacements	2634	\$ 1,000,110.00	\$ 547,094.50	\$ 453,015.50
Compactors	2634	\$ 184,320.00	\$ 103,018.34	\$ 81,301.66
French Field Ticket Booth/Entr. E side	9000-0000-2634	\$ 130,651.00	\$ 41,409.50	\$ 89,241.50
French Field Lighting	9000-0000-2715	\$ 1,114,089.00	\$ 513,200.14	\$ 600,888.86
Loss Phase Protection	2715	\$ 43,290.00	\$ 71,613.78	\$ (28,323.78)
		\$ 12,965,577.70	\$ 8,583,113.83	\$ 4,382,463.87

In February 2018, voters approved the renewal of a General Fund Educational Programs and Operations Excess Levy. This was a 2-year levy (2019 through 2020) providing taxing authority in the amount of \$94.0 million. Also, in 2018, voters passed a 6-year special capital improvement/technology levy (2019 through 2024) in the amount of \$146.0 million.

## 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, 2020:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 1,228,601
ASB Fund	\$ - 0 -
Capital Projects Fund	\$ 76,422,361
Transportation Vehicle Fund	\$ - 0 -

## NOTE 8: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$150,000,000 per occurrence for fiscal year 2019-20. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of District property assets.

## NOTE 9: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

### Long-Term Debt

The following information represents the district's long-term liabilities, other than compensated absences, leases, and net pension liabilities.

Governmental Activities	<b><u>Changes in Long Term Liabilities</u></b>				Due within One Year
	Balance at September 1, 2019	Increases	Decreases	Balance at August 31, 2020	
General Obligation Bonds - Voted	\$ 225,711,000	\$ 44,720,000	\$ 26,425,000	\$ 244,006,000	\$ 30,850,000
General Obligation Bonds - Non Voted	3,630,000	-	480,000	3,150,000	490,000
Notes from Direct Borrowing and Direct Placement	-	-	-	-	-
<b>Total</b>	<b>\$ 229,341,000</b>	<b>\$ 44,720,000</b>	<b>\$ 26,905,000</b>	<b>\$ 247,156,000</b>	<b>\$ 31,340,000</b>

Bonds payable at August 31, 2020, are comprised of the following individual issues:

<b>OUTSTANDING GENERAL OBLIGATION BONDS</b>					
	Amount Authorized and Issued	Issue Dates	Maturity Dates	Interest Rates	Amount Outstanding
<b>Governmental Activities:</b>					
2010 Refunding	12,995,000	11/4/10	12/1/22	2.00%-3.00%	4,395,000
2010 QSCB	15,000,000	11/4/10	12/1/26	5.127%	15,000,000
2012 Refunding	14,600,000	3/28/12	12/1/22	4.00-4.625%	5,240,000
2012A Refunding	19,370,000	10/25/12	12/1/24	2.00-4.00%	9,740,000
2013 Building Fund	14,620,000	5/1/12	12/1/32	2.00-5.00%	12,725,000
2015 LGO Bonds	5,000,000	6/11/15	12/1/25	2.55%	3,150,000
2015 Refunding	37,995,000	11/19/15	12/1/27	3-5%	23,405,000
2017 Building Fund	74,906,000	2/7/17	12/1/36	3-5%	67,626,000
2018 UGO Bonds	72,200,000	10/30/18	12/1/29	3-5%	61,155,000
2019 UGO Bonds	44,720,000	12/10/19	12/1/38	3-5%	44,720,000
	<u>\$ 311,406,000</u>				<u>\$ 247,156,000</u>
					\$ -

Annual installment requirements vary from issue-to-issue. The following is a schedule of annual requirements to amortize debt as of August 31, 2020:

Year Ending August 31,	Debt Service Requirement to Maturity General Obligation Bonds		
	Principal	Interest	Total
2021	\$ 31,340,000	\$ 10,148,878	\$ 41,488,878
2022	18,765,000	9,098,941	27,863,941
2023	18,990,000	8,277,448	27,267,448
2024	13,830,000	7,522,960	21,352,960
2025	13,065,000	6,883,104	19,948,104
2026-2030	81,261,000	23,636,190	104,897,190
2031-2035	33,235,000	10,731,125	43,966,125
2036-2039	36,670,000	2,908,563	39,578,563
	<u>\$ 247,156,000</u>	<u>\$ 79,207,209</u>	<u>\$ 326,363,209</u>

#### NOTE 10: INTERFUND BALANCES AND TRANSFERS

The following table depicts interfund loan activity:

Balance at 9/1/2019	Activity Date	Debtor Fund	Lending Fund	Loan Activity		Balance at 8/31/2020
				New Loans	Repayments	
<u>\$ -</u>	April-20	Transportation Vehicle	General	\$ 300,000	\$ -	<u>\$ 300,000</u>

On April 22, 2020, the school board approved an interfund loan from the General Fund to the Transportation Vehicle Fund for up to \$300,000 to assist with the purchase of new buses. This loan was intended to be a short-term loan, to be repaid by April 30, 2021. \$300,000 was actually borrowed under this board authorization in April 2020, as indicated in the table above.

The following table depicts significant interfund transfer activity:

Transferred From (Fund) 535 or 536	Transferred To (Fund) 965 9900 or 9901	Amount	Description
Capital Projects Fund	General Fund	\$681,579	Equipment and salaries paid from the General Fund that relate to major technology and energy initiatives
Transportation Fund	Debt Service fund	\$566,446	Debt service of bonds sold for acquisition of buses in 2015

In addition, interfund activities often consist of reimbursements to the general fund due to salary obligations and other expenditures budgeted and properly chargeable to other funds. These transactions are often posted directly to expenditures within the appropriate fund, and then, as a credit to the general fund. Funding for the expenditure is transferred through the district “due from other funds” and “due to other funds” accounts. Balances at the end of the year that reflect these types of interfund activities, as well as, operating transfers that have not yet been funded is as follows:

<b>Fund</b>	<b>Due from Other Funds</b>	<b>Due to Other Funds</b>
General	\$ 348,645	\$ 67,390
Special Revenue (ASB)	49,469	10,481
Capital Projects Fund	17,931	338,184
Debt Service	-	-
Private Purpose Trust	10	
<b>TOTAL</b>	<b>\$ 416,055</b>	<b>\$ 416,055</b>

#### **NOTE 11: ENTITY RISK MANAGEMENT ACTIVITIES**

Kent 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 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 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 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 Acts Liability, Miscellaneous Professional 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, Auto Liability, Equipment Breakdown, Crime, and Wrongful Acts Liability.

The program acquires Liability insurance through their administrator, Clear Risk Solutions, which 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 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 \$4,007,668, which it fully funds in its annual budget.

Property insurance is subject to a per-occurrence self-insured retention (SIR) of \$250,000. Members are responsible for a \$10,000 deductible for each claim (some members deductibles vary), while the program is responsible for the remaining \$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, 2019 were \$3,250,141.

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 pool. The program has no employees.

The district paid \$2,602,207 in premiums and claims to the Schools Insurance Association of Washington for insurance coverage from September 1, 2019, through August 31, 2020.

## **NOTE 12: PROPERTY TAXES**

Property tax revenues are collected as the result of special levies passed by the voters in the District. Taxes are levied on January 1. The taxpayer has the obligation of paying all taxes on April 30 or one-half then and one-half on October 31. Typically, slightly more than half of the collections are made on the April 30 date. The October 31st collection is not available in time to cover liabilities for the prior fiscal period ended August 31st. The remaining property taxes receivable are measurable as of August 31st, but are not considered available to pay the liabilities current as of August 31st. For that reason, property taxes levied as of January 1st of the current fiscal year, but paid after August 31st, are recorded as a deferred inflow of resources.

### Tax Abatements

In accordance with RCW 84.36 and WAC 458-16A, King County offers a property tax exemption to senior citizens as of December 31<sup>st</sup> of the filing year, and disabled persons that meet certain thresholds. You must be the owner and occupant of a single family dwelling, mobile home, or one unit in multiple-unit housing, and have a combined disposable income meeting certain thresholds (including income of spouse and co-tenant). Your household income determines the amount of the exemption from regular property taxes or excess levies.

The district estimates that \$207,170 of property taxes was exempted for senior citizens in tax year 2020.

The district participates in the following King County programs that provide tax abatements for senior citizens:

- *Senior Citizens/Disabled Exemption* – Senior citizens meeting certain other criteria may be exempted from the district's property taxes, if their median household income is \$58,423 or lower.
- *Senior Citizens/Disabled Deferral* -- Senior citizens meeting certain other criteria or retired because of a physical disability and have annual household disposable income of \$67,411 or less for the previous year, may qualify for deferral of property taxes. Any unpaid past year taxes can also be deferred, providing you owned the property during those years. Deferred taxes plus accumulated interest become a lien on your property until the total amount is repaid.

More information on the King County programs can be found at the following website:

<https://www.kingcounty.gov/depts/assessor/TaxRelief.aspx>

## **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 signing Articles of Agreement dated May 29, 1974, and has remained in the joint venture ever since. The District's current equity of \$312,182.74 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.

Purchases for the calendar year 2019 totaled \$1,292,552.04. Financial reports of the purchasing cooperative may be obtained from the King County Director's Association, 18639 80<sup>th</sup> Avenue S., Kent, WA 98064

#### NOTE 14: FUND BALANCE CLASSIFICATION DETAILS

The District's financial statements include the following fund balance amounts presented in the aggregate:

Fund Balance Classification Detail	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund
<b>Nonspendable Fund Balance:</b>						
Inventory and Prepaid Items	\$ 718,786	\$ -	\$ -	\$ -	\$ -	\$ -
Trust Principal	-	-	-	-	-	165,000
<b>Restricted Fund Balance:</b>						
For Other Items	182,064	-	-	-	-	-
For Fund Purpose	-	2,007,520	-	-	1,010,219	-
For Carryover and Restricted Revenues	3,151,728	-	-	-	-	-
For Carryover of Food Service Revenue	1,303,885	-	-	-	-	-
For Debt Service	-	-	22,579,525	-	-	-
Restricted from Bond Proceeds	-	-	-	97,309,815	-	-
Restricted from State Proceeds	-	-	-	1,461,427	-	-
Restricted from Other Proceeds	-	-	-	128,266	-	-
Restricted from Impact Fees	-	-	-	3,442,779	-	-
<b>Committed Fund Balance:</b>						
Committed from Levy Proceeds	-	-	-	18,407,026	-	-
<b>Assigned Fund Balance:</b>						
Other Purposes	9,221,636	-	-	-	-	-
Fund Purposes	-	-	-	405,390	-	25,099
<b>Unassigned</b>						
Unassigned for minimum fund balance policy	19,005,488					
Unassigned Remaining Fund Balance	30,895,889					
<b>Total Fund Balance</b>	<b>\$ 64,479,476</b>	<b>\$ 2,007,520</b>	<b>\$ 22,579,525</b>	<b>\$ 121,154,703</b>	<b>\$ 1,010,219</b>	<b>\$ 190,099</b>

The School Board and district administration are committed to maintaining an unassigned general operating fund balance sufficient to provide stability of programs and to maintain sound financial practices. On June 1, 2009, the School Board adopted Policy No. 6002 – Minimum Fund Balance, which provides a target of minimum fund balance equal to 5% of the previous year general fund expenditures. The 2020-2021 budget was adopted with a budgeted total ending fund balance of \$47,482,917 or 12.5% of previous year General Fund expenditures.

## **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.

### **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 TSA Consulting. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements. For the year ended August 31, 2020, the District made \$101,393.30 in employer matching contributions to the plan.

### **Flexible Spending Plan**

Under Section 125 of the Internal Revenue Service Code, the district implemented an employee benefit plan on January 1, 1990. This plan includes provisions for sheltering from withholding taxes unreimbursed medical expenses, dependent care expenses, and other qualified benefits such as health insurance premiums. The district is the administrator of the plan and has contracted with a service company in order to carry out the program requirements in an efficient and effective manner.

## **NOTE 16: TERMINATION BENEFITS**

### **Compensated Absences**

#### Sick Leave

Employees earn sick leave at a rate of 12 days per year. Under the provisions of RCW 28A.400.210, sick leave accumulated by district employees can be reimbursed at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This statute also provides for an annual buy out of an amount up to the maximum annual accumulation of 12 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.

A long-term liability is recorded for vested employees that the district considers may, over time, cash out sick leave due to termination. This potential termination liability for sick leave is recorded as a long-term debt liability on the Schedule of Long-Term Liabilities for the general fund. Expenditures for potential termination liability due to sick leave are recorded when accrued. Due to considerations of prior employment credits in the state's retirement system, the district is unable to determine which employees are actually eligible for retirement at the end of a given fiscal year. The district assumes that all employees over the age of 55 are vested and will become eligible for retirement, and so calculates an estimated vested sick-leave liability of one hour for each four hours of accrued sick-leave for all current employees over the age of 55 as of the end of the fiscal year. The amount of accrued sick leave reflected as a long-term liability as of August 31, 2020 is \$5,826,899. Of this amount, \$649,538 is estimated will be cashed out within the next year, and, therefore, the district has assigned \$649,538 of its fund balance for what is expected to be cashed out in the next year.

#### Vacation Leave

An employee can be compensated for earned vacation leave up to 240 to 400 hours at any time upon termination, depending on the bargaining group. For this reason, all accrued vacation leave for employees is

recorded as a long-term debt liability on the Schedule of Long-Term Liabilities for the general fund, up to the 240 to 400 hours maximum. Expenditures for vacation leave is recorded when earned. The amount reflected as a long-term liability for accrued vacation leave as of August 31, 2020 is \$3,483,536. Of this amount, \$3,204,853 is estimated may be used or cashed out in one year. However, some vacation leave will be cashed out at termination or per other provisions of bargaining agreements, and the district has assigned \$1,672,097 of its fund balance for what is expected to be cashed out in one year.

## **NOTE 17: OTHER DISCLOSURES**

### Vision Trust

The district has an Employee Vision Benefits trust fund that accounts for moneys held in trust for employees participating in the district's self-insured vision benefits plan. In the future, this fund will be dissolved. Based on state mandate, as enacted by law, starting January 1, 2020, the district will be participating in a state-wide insurance benefits plan that includes vision benefits. These benefits will be managed by Washington Heath Care Authority (HCA) under the auspices of the School Employees Benefits Board (SEBB). See more information at:

<https://www.hca.wa.gov/employee-retiree-benefits/school-employees>

### COVID-19 Pandemic

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

During the fiscal year 2020, The district estimates it spent \$4,545,080 directly on measures designed to mitigate the results of the COVID-19 pandemic. \$4,887,653 has been reimbursed by the federal Coronavirus Aid, Relief, and Economic Security (CARES) Elementary and Secondary School Emergency Relief (ESSER) grant funding for helping with the costs incurred by the district, which includes in-direct expenses paid by the federal grant for managing the effect of the pandemic.



Kent School District No. 415

Schedule of Long-Term Liabilities

For the Year Ended August 31, 2020

Description	Beginning Outstanding Debt September 1, 2019	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2020	Amount Due Within One Year
<b>Voted Debt</b>					
Voted Bonds	225,711,000.00	44,720,000.00	26,425,000.00	244,006,000.00	30,850,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
<b>Non-Voted Debt and Liabilities</b>					
Non-Voted Bonds	3,630,000.00	0.00	480,000.00	3,150,000.00	490,000.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Capital Leases	302,709.00	0.00	167,829.00	134,880.00	127,672.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Non-Cancellable Operating Leases	2,952,643.00	0.00	792,079.00	2,160,564.00	308,652.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	8,407,626.00	3,361,311.00	2,458,503.00	9,310,434.00	3,854,391.64
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
<b>Other Liabilities</b>					
<b>Non-Voted Notes Not Recorded as Debt</b>	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities:					
Net Pension Liabilities TRS 1	56,700,360.00	0.00	1,481,573.00	55,218,787.00	
Net Pension Liabilities TRS 2/3	13,921,995.00	21,454,563.00	0.00	35,376,558.00	
Net Pension Liabilities SERS 2/3	5,035,178.00	6,214,003.00	0.00	11,249,181.00	
Net Pension Liabilities PERS 1	14,492,673.00	0.00	1,256,346.00	13,236,327.00	
<b>Total Long-Term Liabilities</b>	<b>331,154,184.00</b>	<b>75,749,877.00</b>	<b>33,061,330.00</b>	<b>373,842,731.00</b>	<b>35,630,715.64</b>

**Kent School District No. 415**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2020**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
<b>Child Nutrition Cluster</b>								
FOOD AND NUTRITION SERVICE, AGRICULTURE; DEPARTMENT OF (via WA OSPI)	School Breakfast Program	10.553	207WAWA3N1099	817,871	-	817,871	-	5
FOOD AND NUTRITION SERVICE, AGRICULTURE; DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	207WAWA3N1099	3,656,021	-	3,656,021	-	5
FOOD AND NUTRITION SERVICE, AGRICULTURE; DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	207WAWA3N1099	642,267	-	642,267	-	6
FOOD AND NUTRITION SERVICE, AGRICULTURE; DEPARTMENT OF (via WA OSPI)	COVID 19 - Summer Food Service Program for Children	10.559	<b>Total CFDA 10.555:</b> 207WAWA3N1099	<b>4,298,288</b> 2,839,586	-	<b>4,298,288</b> 2,839,586	-	5
			<b>Total Child Nutrition Cluster:</b>	<b>7,955,745</b>	-	<b>7,955,745</b>	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE; DEPARTMENT OF (via WA OSPI)	Child and Adult Care Food Program	10.558	N/A	47,212	-	47,212	-	5
FOOD AND NUTRITION SERVICE, AGRICULTURE; DEPARTMENT OF (via WA OSPI)	Fresh Fruit and Vegetable Program	10.582	N/A	90,898	-	90,898	-	5
<b>Forest Service Schools and Roads Cluster</b>								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via Office of State Treasury)	Schools and Roads - Grants to States	10.665	N/A	7,000	-	7,000	-	
			<b>Total Forest Service Schools and Roads Cluster:</b>	<b>7,000</b>	-	<b>7,000</b>	-	
Dept of Defense	JROTC Program	12.U01	WA010186	-	99,643	99,643	-	5
Dept of Defense	JROTC Program	12.U01	M67019-99-A-0014	-	2,028	2,028	-	
			<b>Total CFDA 12.U01:</b>	<b>-</b>	<b>101,671</b>	<b>101,671</b>	-	
Institute of Museum and Library Services, Institute of Museum and Library Services (via WA State Library)	Grants to States	45.310	IG-6568	440	-	440	-	6
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	203277	7,567,089	-	7,567,089	-	4,7
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	270796	9,618	-	9,618	-	4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	270797	36,075	-	36,075	-	4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	270804	20,912	-	20,912	-	4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	270808	9,510	-	9,510	-	4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	270813	24,915	-	24,915	-	4



**Kent School District #415**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ending August 31, 2020**

**NOTE 1 - BASIS OF ACCOUNTING**

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

**NOTE 2 - FEDERAL DE MINIMIS INDIRECT RATE**

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

**NOTE 4 - FEDERAL DE MINIMIS INDIRECT RATE**

The Kent School District used their 19-20 federal restricted indirect rate of 4.05% with the following exceptions: CFDA 84.425D The Coronavirus Aid, Relief, and Economic Security (CARES) Act used 10.55%  
CFDA 93.566 Refugee and Entrance Assistance - Discretionary Grants used 15% Approved Per SOWA

**NOTE 5 - PROGRAM COSTS AND MATCHING CONTRIBUTIONS**

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the Kent School District's local matching share, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 6 - NON-CASH AWARDS**

- The amount of food commodities reported on the schedule is the market value of commodities distributed by the Kent School District during the current year. The value is determined by the U.S. Department of Agriculture.
- The Washington State Library has given a collection of large print books to Mill Creek Middle School funded by the Institute of Museum and Library Sciences.

**NOTE 7 - SCHOOLWIDE PROGRAMS**

Kent School District operates a "schoolwide program" in twenty elementary buildings and one middle school. 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 amount was expended by the Kent School District in its Schoolwide Program: Title I-A (84.010) \$6,939,375.21

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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