



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Bethel School District No. 403

For the period September 1, 2021 through August 31, 2022

Published September 29, 2023

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

September 29, 2023

Board of Directors
Bethel School District No. 403
Spanaway, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Bethel School District No. 403's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Bethel School District No. 403 September 1, 2021 through August 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Bethel School District No. 403 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 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, with the exception of 32.009 – COVID-19 – Emergency

Connectivity Fund Program on which we issued an adverse opinion on compliance with applicable requirements.

We reported 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>ALN</u>	<u>Program or Cluster Title</u>
32.009	COVID-19 – Emergency Connectivity Fund Program
84.010	Title I Grants to Local Educational Agencies
84.425	COVID-19 – Education Stabilization Fund

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$942,576.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Findings 2022-001 and 2022-002.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Bethel School District No. 403 September 1, 2021 through August 31, 2022

2022-001 The District did not have adequate internal controls for ensuring compliance with federal wage rate requirements.

Assistance Listing Number and Title:	84.425, COVID-19 – Education Stabilization Fund
Federal Grantor Name:	U.S Department of Education
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Office of Superintendent of Public Instruction
Pass-through Award/Contract Number:	COVID-19 84.425D-120522 COVID-19 84.425U-138243 COVID-19 84.425U-137140 COVID-19 84.425U-140003 COVID-19 84.425U-140602 COVID-19 84.425U-140067 COVID-19 84.425U-712185 COVID-19 84.425W-459002
Known Questioned Cost Amount:	\$0
Prior Year Audit Finding:	N/A

Background

The objectives of the Education Stabilization Fund (ESF) program are to prevent, prepare for and respond to the COVID-19 pandemic. In fiscal year 2022, the District spent a total of \$8,739,363 in federal funding under its ESF awards. This included \$6,203,589 in the Elementary and Secondary School Emergency Relief (ESSER II) Fund subprogram (84.425D), \$2,533,071 in the American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER/ESSER III) subprogram (84.425U), and \$2,703 in American Rescue Plan Elementary and Secondary School Emergency Relief – Homeless Children and Youth (ARP HCY I & II) subprogram (84.425W).

Federal regulations require award recipients to establish and follow internal controls that ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

Under federal wage rate requirements, also known as the Davis-Bacon Act, contractors and subcontractors that work on projects financed with more than \$2,000 of federal money must pay laborers and mechanics prevailing wage rates the U.S. Department of Labor considers being similar to what local workers have been paid for similar projects.

For construction contracts subject to these wage rate requirements, the District must include a provision that the contractor and subcontractor comply with those requirements and the Department of Labor's regulations. This includes a requirement for the contractor and its subcontractor to submit to the District weekly, for each week they perform any contract work, certified payroll reports. These reports must include a copy of the payroll and a signed statement of compliance.

Description of Condition

During the 2021-22 school year, the District paid \$1,505,365 from its ESSER II award to pay four contracts to install heating, ventilation and air conditioning systems to improve air quality.

Our audit found the District did not have adequate internal controls for ensuring compliance with federal wage rate requirements. Specifically, the District did not:

- Include the required prevailing wage provision in the contracts
- Collect weekly certified payroll reports submitted by the contractors to confirm they paid laborers proper prevailing wages

We consider these deficiencies in internal controls to be a material weakness, which led to material noncompliance.

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

Cause of Condition

District staff did not know about the prevailing wage rate contract clause requirement, and that the District needed to obtain all certified payroll reports each week. Instead, staff relied on the contractors and their subcontractors to submit weekly certified payroll to the Washington State Department Labor and Industries (L&I) website. Although staff said they checked that the contractors and subcontractors uploaded their weekly certified payrolls to the L&I system before the District paid them, staff did not review the submissions weekly.

Effect of Condition

Without adequate internal controls to ensure it includes the prevailing wage rate clauses in its contracts and collects all weekly certified payroll reports, the District cannot demonstrate it complied with federal wage rate requirements. The District could also be liable for paying any additional wages if the contractors did not pay prevailing wage rates to laborers working on the contracts.

The District was required to collect a total of 244 weekly certified payroll reports. During the audit, the District subsequently collected all of them.

Recommendation

We recommend the District develop internal controls to ensure compliance with federal prevailing wage rate requirements. This should include inserting prevailing wage rate clauses into contracts, as well as implementing effective monitoring processes to collect and review all weekly certified payroll reports timely from contractors and subcontractors.

District's Response

Bethel School District appreciates the State Auditor's Office review of the federal public works contracts used to improve air quality in our buildings. The District takes seriously its role for stewardship of public resources and prides itself on developing and maintaining systems of strong internal controls. The District generally has not used federal funds for public works contracts.

The District is taking steps to ensure future federal funding construction projects are in compliance by including federal prevailing wage rate clauses in the contracts. Ensuring staff are appropriately trained on the federal requirements and obtaining the weekly certified payroll reports.

The District will continue its established process for reviewing certified payroll reports and documents this review on project spreadsheets, this review ensured that the contractors were paying the federal prevailing rate or higher.

Auditor's Remarks

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

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

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

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

Title 29 CFR, Section 3.3 – *Weekly statement with respect to payment of wages*, and Section 3.4 – *Submission of weekly statements and the preservation and inspection of weekly payroll records*, establishes requirements for contractor or subcontractor submission of weekly certified payroll reports.

Title 29 CFR, Section 5.5 – *Contract provisions and related matters* establishes the requirements for the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part with federal funds the clauses listed, which includes but is not limited to the minimum wages to be paid and payrolls and basic records to be maintained (submission of weekly certified payrolls).

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Bethel School District No. 403 September 1, 2021 through August 31, 2022

2022-002 The District did not have adequate internal controls for ensuring compliance with allowable activities and costs, and restricted purpose requirements.

Assistance Listing Number and Title:	32.009, COVID-19 – Emergency Connectivity Fund Program
Federal Grantor Name:	Federal Communications Commission
Federal Award/Contract Number:	ECF2190021036
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Known Questioned Cost Amount:	\$355,740
Prior Year Audit Finding:	N/A

Background

The Emergency Connectivity Fund (ECF) Program provides funding to meet the needs of students and school staff who would otherwise lack access to connected devices and broadband connections sufficient to engage in remote learning. This is referred to as “unmet need.” In the fiscal year 2022, the District spent \$355,740 in ECF Program funds to purchase iPads for preschool and Transition to Kindergarten students.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

Allowable activities and costs

ECF Program recipients may only seek reimbursement for eligible devices and services provided to students and staff with unmet need. Recipients are prohibited from seeking reimbursement for eligible equipment and services used solely at the school or held for future use (i.e., warehousing).

Restricted purpose – unmet need

When submitting applications to the Federal Communications Commission (FCC), schools provided an estimate of their students' and staff's unmet need. However, when requesting reimbursement, the District could only request program funds for eligible equipment and services provided to students and school staff with actual unmet need.

Description of Condition

Allowable activities and costs/restricted purpose – unmet need

The District estimated unmet need for eligible equipment when it applied for ECF Program funds. However, our audit found the District's internal controls were ineffective for ensuring it documented the determination of actual unmet need and only requested reimbursement for equipment provided to students. Specifically, the District purchased iPads, based on its estimate of unmet need, and it requested reimbursement for these purchases totaling \$355,740. However, the District did not provide the iPads to the students with unmet need. Instead, they were stored in the District's warehouse.

We consider these deficiencies in internal controls to be material weaknesses that led to material noncompliance.

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

Cause of Condition

Allowable activities and costs/restricted purpose – unmet need

District staff thought they had complied with the federal requirements by warehousing the EFC-funded iPads. However, employees were not familiar with all the program's regulations and federal requirements.

Effect of Condition and Questioned Costs

Allowable activities and costs/restricted purpose – unmet need

Our audit found 1,210 ECF funded devices, which totaled \$355,740, were not distributed to students or staff with unmet need. As a result, we are questioning these costs.

Federal regulations require the State Auditor's Office to report known questioned costs that are greater than \$25,000 for each type of compliance requirement.

Recommendation

We recommend the District work with the granting agency to determine audit resolution.

We further recommend the District establish and follow internal controls to ensure staff fully understand the requirements for ECF awards. Specifically, the District should request reimbursement only for eligible equipment and services provided to students with unmet need and maintain documentation demonstrating compliance.

District's Response

Bethel School District does not concur with the State Auditor's office. The District was aware of the Emergency Connectivity Fund (ECF) program requirement, which was to seek reimbursement for devices and services for student and staff who had an "unmet need." Due to the unique and challenging circumstances of the COVID-19 pandemic, the district addressed the immediate need of our students, by distributing iPads to students to keep them engaged and allow them to continue their learning progression during the COVID-19 pandemic.

Bethel School District followed the Governor's order and closed all school buildings in March of 2020. Prior to the pandemic, the district provided iPads to all K-12 students, as a part of our Technology commitment to the community. This allowed for a more seamless transition for students and staff to continue to operate and educate students, using the continuous learning models.

After applying for and being awarded the ECF grant, our intent was to utilize these funds for our preschool students. We ordered the iPads in June of 2021, however due to distribution delays, the iPads were not received by the first day of school in September of 2021. Due to this delay, Bethel did not want to disrupt student learning, and chose to distribute an older model of iPads to students, that were scheduled for surplus. This allowed our teachers and students to meet and begin their school year without a disruption in their learning.

Auditor's Remarks

The State Auditor's Office is sympathetic to the significant challenges the District faced during the COVID-19 pandemic, and deeply respects its commitment to student learning despite these challenges. SAO knows that in many cases, governments across Washington received significant pandemic-era federal funds without also receiving clear guidance on how to use them. Then, and now, SAO continues to advocate for clear, timely guidance from federal agencies to make sure Washington governments are not put in a difficult position at audit time.

However, when auditing federal programs of any kind, governments must provide documentation to substantiate that they met the award requirements. As is our practice and audit standards require, we will review the status of this finding during our next audit. We value our partnership with the District in striving for transparency in public service.

Applicable Laws and Regulations

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

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

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

Title 47 CFR Part 54, Universal Service, Subpart Q, Emergency Connectivity Fund, describes the ECF Program requirements.

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*

Bethel School District No. 403 September 1, 2021 through August 31, 2022

Board of Directors
Bethel School District No. 403
Spanaway, 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 Bethel School District No. 403, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated September 26, 2023.

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.

REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We noted certain other matters that we have reported to the management of the District in a separate letter dated September 26, 2023.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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

September 26, 2023

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

Bethel School District No. 403 September 1, 2021 through August 31, 2022

Board of Directors
Bethel School District No. 403
Spanaway, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Adverse and Unmodified Opinions

We have audited the compliance of Bethel School District No. 403, with the types of compliance requirements identified as subject to audit 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, 2022. The District's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Adverse Opinion on 32.009 – COVID-19 – Emergency Connectivity Fund Program

In our opinion, because of the significance of the matter described in the Basis for Adverse and Unmodified Opinions section of our report, the District did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 32.009 – COVID-19 – Emergency Connectivity Fund Program for the year ended August 31, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

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 identified in the summary of auditor's results section of the accompany Schedule of Findings and Questioned Costs for the year ended August 31, 2022.

Basis for Adverse and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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)* are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination on the District’s compliance with the compliance requirements referred to above.

Matter Giving Rise to Adverse Opinion on 32.009 – COVID-19 – Emergency Connectivity Fund Program

As described in the accompanying Schedule of Findings and Questioned Costs and in Finding 2022-002, the District did not comply with the requirements regarding 32.009 – COVID-19 – Emergency Connectivity Fund Program for allowable activities and costs, and restricted purposes special tests requirements. Compliance with such requirements is necessary, in our opinion for the District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District’s federal programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures also disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2022-001 and 2022-002 that we consider to be material weaknesses.

District's Response to Findings

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

September 26, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Bethel School District No. 403 September 1, 2021 through August 31, 2022

Board of Directors
Bethel School District No. 403
Spanaway, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of Bethel School District No. 403, as of and for the year ended August 31, 2022, and the related notes to the financial statements, as listed in the financial section of our report.

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 and the accounting practices prescribed by the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual). Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of Bethel School District No. 403, as of the year ended August 31, 2022, and the regulatory basis of changes in financial position thereof for the year then ended, on the basis of accounting as described in Note 1.

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 Bethel School District No. 403, as of August 31, 2022, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Governmental Auditing Standards*. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and adverse audit opinions.

Matter Giving Rise to 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. As described in Note 1 of the financial statements, the government-wide financial statements are prepared by the District in accordance with state law using accounting practices prescribed by the Accounting Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory 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 and pervasive.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2022, the District adopted new accounting guidance for financial reporting for leases as required by the Accounting Manual. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of state law and the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

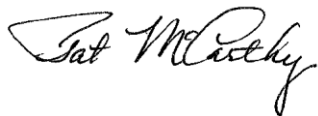
Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2023 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 effectiveness of 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.



Pat McCarthy, State Auditor

Olympia, WA

September 26, 2023

**Bethel School District No. 403
September 1, 2021 through August 31, 2022**

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Bethel School District No. 403

Balance Sheet - Governmental Funds

August 31, 2022

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Assets							
Cash and Cash Equivalents	14,384,067.85	197,823.89	358,102.28	1,937,342.83	1,550,284.24	0.00	18,427,621.09
Minus Warrants Outstanding	-4,474,793.19	-8,197.00	0.00	-39,739.80	0.00	0.00	-4,522,729.99
Taxes Receivable	18,002,937.28		22,776,894.04	2,547,224.73	0.00	0.00	43,327,056.05
Due From Other Funds	177,841.22	0.00	0.00	3,719,295.20	0.00	0.00	3,897,136.42
Due From Other Governmental Units	10,359,702.30	0.00	0.00	0.00	0.00	0.00	10,359,702.30
Accounts Receivable	200,851.26	800.00	0.00	0.00	0.00	0.00	201,651.26
Interfund Loans Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	512,727.21	0.00	0.00	0.00	0.00	0.00	512,727.21
Prepaid Items	473,756.51	0.00	0.00	0.00	0.00	0.00	473,756.51
Investments	26,694,713.74	1,396,834.70	34,314,455.13	233,813,599.26	715,225.65	0.00	296,934,828.48
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	0.00	0.00	0.00	0.00
Self-Insurance Security Deposit	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS	66,331,804.18	1,587,261.59	57,449,451.45	241,977,722.22	2,265,509.89	0.00	369,611,749.33
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred Outflows of Resources - Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	66,331,804.18	1,587,261.59	57,449,451.45	241,977,722.22	2,265,509.89	0.00	369,611,749.33
LIABILITIES							
Accounts Payable	7,854,828.78	28,670.47	0.00	6,368,728.07	0.00	0.00	14,252,227.32
Contracts Payable Current	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accrued Interest Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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

Bethel School District No. 403

Balance Sheet - Governmental Funds

August 31, 2022

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Accrued Salaries	518,433.98	0.00	0.00	0.00	0.00	0.00	518,433.98
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LIABILITIES:							
Payroll Deductions and Taxes Payable	400,952.43	0.00	0.00	0.00	0.00	0.00	400,952.43
Due To Other Governmental Units	38,392.31	435.00	0.00	2,333.38	0.00	0.00	41,160.69
Deferred Compensation Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Estimated Employee Benefits Payable	756,214.52	0.00	0.00	0.00	0.00	0.00	756,214.52
Due To Other Funds	3,719,295.20	0.00	0.00	177,841.22	0.00	0.00	3,897,136.42
Interfund Loans Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deposits	0.00	0.00	0.00	445,737.49	0.00	0.00	445,737.49
Unearned Revenue	37,457.59	134,594.61	0.00	0.00	0.00	0.00	172,052.20
Matured Bonds Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Matured Bond Interest Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Arbitrage Rebate Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL LIABILITIES	13,325,574.81	163,700.08	0.00	6,994,640.16	0.00	0.00	20,483,915.05
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	15,218.32	0.00	0.00	0.00	0.00	0.00	15,218.32
Unavailable Revenue - Taxes Receivable	18,002,937.28	0.00	22,776,894.04	2,547,224.73	0.00	0.00	43,327,056.05
TOTAL DEFERRED INFLOWS OF RESOURCES	18,018,155.60	0.00	22,776,894.04	2,547,224.73	0.00	0.00	43,342,274.37
FUND BALANCE:							
Nonspendable Fund Balance	986,483.72	0.00	0.00	0.00	0.00	0.00	986,483.72
Restricted Fund Balance	3,000,552.04	1,423,561.51	34,672,557.41	221,805,452.07	2,265,509.89	0.00	263,167,632.92
Committed Fund Balance	4,155,000.00	0.00	0.00	5,616,858.76	0.00	0.00	9,771,858.76
Assigned Fund Balance	24,721,110.19	0.00	0.00	5,013,546.50	0.00	0.00	29,734,656.69

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

Bethel School District No. 403

Balance Sheet - Governmental Funds

August 31, 2022

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Unassigned Fund Balance	2,124,927.82	0.00	0.00	0.00	0.00	0.00	2,124,927.82
TOTAL FUND BALANCE	34,988,073.77	1,423,561.51	34,672,557.41	232,435,857.33	2,265,509.89	0.00	305,785,559.91
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	66,331,804.18	1,587,261.59	57,449,451.45	241,977,722.22	2,265,509.89	0.00	369,611,749.33

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

Bethel School District No. 403

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

For the Year Ended August 31, 2022

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	37,921,208.70	968,584.53	45,626,187.00	9,444,641.49	4,099.31		93,964,721.03
State	241,374,538.08		0.00	13,385,515.25	1,507,985.70		256,268,039.03
Federal	33,330,211.61		-232,145.72	0.00	0.00		33,098,065.89
Other	229,862.31			0.00	0.00	0.00	229,862.31
TOTAL REVENUES	312,855,820.70	968,584.53	45,394,041.28	22,830,156.74	1,512,085.01	0.00	383,560,688.26
EXPENDITURES:							
CURRENT:							
Regular Instruction	169,265,820.00						169,265,820.00
Special Education	41,063,492.56						41,063,492.56
Vocational Education	11,132,730.65						11,132,730.65
Skill Center	3,673,151.24						3,673,151.24
Compensatory Programs	17,579,828.11						17,579,828.11
Other Instructional Programs	1,184,789.07						1,184,789.07
Federal Stimulus COVID-19	7,737,346.19						7,737,346.19
Community Services	2,811,073.07						2,811,073.07
Support Services	63,434,036.15						63,434,036.15
Student Activities/Other		869,220.16				0.00	869,220.16
CAPITAL OUTLAY:							
Sites				5,518,348.65			5,518,348.65
Building				40,273,901.22			40,273,901.22
Equipment				2,881,664.59			2,881,664.59
Instructional Technology				4,603,816.15			4,603,816.15
Energy				9,582.04			9,582.04
Transportation Equipment					122,147.28		122,147.28
Sales and Lease						0.00	0.00
Other	958,951.62						958,951.62
DEBT SERVICE:							
Principal	396,800.30		17,385,000.00	2,872,615.19	0.00		20,654,415.49

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

Bethel School District No. 403

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

For the Year Ended August 31, 2022

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Interest and Other Charges	411,805.87		12,871,610.33	66,110.35	0.00		13,349,526.55
Bond/Levy Issuance				717,001.98	0.00		717,001.98
TOTAL EXPENDITURES	319,649,824.83	869,220.16	30,256,610.33	56,943,040.17	122,147.28	0.00	407,840,842.77
REVENUES OVER (UNDER) EXPENDITURES	-6,794,004.13	99,364.37	15,137,430.95	-34,112,883.43	1,389,937.73	0.00	-24,280,154.51
OTHER FINANCING SOURCES (USES) :							
Bond Sales & Refunding Bond Sales	0.00		18,470,615.83	150,717,001.98	0.00		169,187,617.81
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	639,709.84		0.00	4,594,319.05	0.00		5,234,028.89
Transfers Out (GL 536)	-4,594,319.05		0.00	-639,709.84	0.00	0.00	-5,234,028.89
Other Financing Uses (GL 535)	0.00		-18,382,757.25	0.00	0.00		-18,382,757.25
Other	13,462.92		0.00	0.00	53,647.59		67,110.51
TOTAL OTHER FINANCING SOURCES (USES)	-3,941,146.29		87,858.58	154,671,611.19	53,647.59	0.00	150,871,971.07
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-10,735,150.42	99,364.37	15,225,289.53	120,558,727.76	1,443,585.32	0.00	126,591,816.56
BEGINNING TOTAL FUND BALANCE	45,723,224.19	1,324,197.14	19,447,267.88	111,877,129.57	821,924.57	0.00	179,193,743.35
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	34,988,073.77	1,423,561.51	34,672,557.41	232,435,857.33	2,265,509.89	0.00	305,785,559.91

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

BETHEL SCHOOL DISTRICT NO. 403
Notes to the Financial Statements
September 1, 2021 through August 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fund Accounting

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

Governmental Funds

General Fund

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

Capital Projects Funds

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

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

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

Debt Service Fund

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

Special Revenue Fund

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

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

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

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 expensed during the year of acquisition. For federal grants, the recognition of expenditures is dependent on the obligation date.

(Obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.)

Budgets

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

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

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

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

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

The government's fund balance classifications policies and procedures.

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

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

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

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

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

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

The Superintendent and the Chief Financial Officer have the authority to create Assignments of fund balance.

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

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

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

Cash and Cash Equivalents

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

Inventory

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

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

Accounting and Reporting Changes

Leases

For the year ended August 31, 2022, the district implemented guidance for the presentation and disclosures of leases, as required by the School District Accounting Manual. These changes were in response to the provisions of GASB Statement No. 87.

As a result, the impact to the district of the adoption of the new lease requirements includes the restatement of the beginning balances for lease liabilities presented on the Schedule of Long-Term Liabilities. Information regarding the District's leases are presented in the Leases note, as applicable.

NOTE 2: DEPOSITS AND INVESTMENTS

The Pierce 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 mostly 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 investments held by Pierce County are deposited with the Washington State Local Government investment pool (LGIP). This is a voluntary investment pool and the LGIP is not rated. The district reports its investment in the pool based on the amount deposited at the LGIP. The LGIP values investments at amortized cost. The pool maintains a weighted average maturity not to exceed 60 days.

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 with the Pierce County Treasurer Investment Pool as of August 31, 2022 was \$296,934,828.

NOTE 3: SIGNIFICANT EFFECTS OF 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 were 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 continuous learning models.

Many of the precautionary measures put in place during the 2019–20 school year remain in effect and are affecting district for the 2022-2023 school year in new ways.

The District began a hybrid learning model in March 2021. In an effort to try limit the decrease in enrollment, the District created the Bethel Virtual Academy (BVA). BVA provides services for students K-12 who prefer a distance learning model.

The 2022–2023 enrollment is down 651. FTE when compared to the Adopted Budget. The district has relocated resources and reduced other spending to address this. The district is looking at a long-term plan to reduce costs. 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 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 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 DRS total collective net pension liabilities for the pension plans school districts participate in are shown here.

The Collective Net Pension Liability

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

The Collective Net Pension Liability or (Asset) as of June 30, 2022				
	Total Pension Liability	Plan fiduciary net position	Participating employers' net pension liability	Plan fiduciary net position as a percentage of the total pension liability
PERS 1	11,877,621,000	9,093,254,000	2,784,367,000	76.56%
SERS 2/3	8,478,821,000	8,747,471,000	(268,650,000)	103.17%
TRS 1	8,739,146,000	6,837,316,000	1,901,830,000	78.24%
TRS 2/3	22,946,845,000	23,143,631,000	(196,786,000)	100.86%

Detailed information about the pension plans' fiduciary net position is available in the separately issued DRS report. 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 [Annual Financial Reports](#) or <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, 2022, was as follows:

Plan	Retirees and Beneficiaries Receiving Benefits	Inactive Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members
PERS 1	41,154	196	632
SERS 2	13,480	7,186	33,622
SERS 3	13,819	9,896	31,861
TRS 1	29,731	63	111
TRS 2	7,026	3,428	27,202
TRS 3	18,956	8,681	54,336

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 all plans were effective as of September 1, 2020. PERS contribution rates changed on July 1, 2021. TRS and SERS plans will not have a contribution rate change until September 1, 2021. The pension plan contribution rates (expressed as a percentage of covered payroll) for fiscal year 2022 are listed below:

	From this date	Through this date	Member rate	Employer rate	
PERS 1	7/1/2021	8/31/2022	6.00%	10.25%	
TRS 1	9/1/2021	8/31/2022	6.00%	14.42%	
TRS 2	9/1/2021	8/31/2022	8.05%	14.42%	
TRS 3	9/1/2021	8/31/2022	*	14.42%	**
SERS 2	9/1/2021	8/31/2022	7.76%	11.65%	
SERS 3	9/1/2021	8/31/2022	*	11.65%	**
<i>Note: The Employer rates include .0018 DRS administrative expense.</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 (Asset)

At June 30, 2022, the school district reported a total liability of \$40,308,127 for its proportionate shares of the individual plans’ collective net pension liability and \$7,864,913 for its proportionate shares of net pension assets. Proportion of net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2022, the district’s proportionate share of each plan’s net pension liability is reported below:

June 30, 2022	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	1,887,176	3,793,020	8,562,495	10,765,408
Proportionate Share of the Net Pension Liability (Assets)	8,573,851	(4,552,799)	31,734,276	(3,312,114)

At June 30, 2022, the school district's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below.

Allocation percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year share of the Net Pension Liability or Assets	0.307928%	1.694695%	1.668618%	1.683105%
Prior year share of the Net Pension Liability	0.323495%	1.941468%	1.703927%	1.705235%
Net difference percentage	-.015567%	-0.246773%	-0.035309%	-0.022130%

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, 2021, with the results rolled forward to June 30, 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.75% total economic inflation, 3.25% salary inflation
Salary increases	In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.00%

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. 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, 2021, valuation were based on the results of the *2013–2018 Demographic Experience Study Report and the 2021 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report.

Long-term Expected Rate of Return

OSA selected a 7.00% 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, 2022, are summarized in the following table:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20.00%	1.50%
Tangible Assets	7.00%	4.70%
Real Estate	18.00%	5.40%
Global Equity	32.00%	5.90%
Private Equity	23.00%	8.90%

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 7.00 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 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 7.00 percent on pension plan investments was applied to determine the total pension liability.

Sensitivity of the Net Pension Liability (Asset)

The following table presents the Bethel School District's proportionate share of the collective net pension liability or asset calculated using the discount rate of 7.00%, as well as what the net pension liability or asset would be if it were calculated using a discount rate that is one

percentage-point lower (6.00%) or one percentage-point higher (8.00%) 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 or asset.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
PERS 1	\$3,719,876,000	\$2,784,367,000	\$1,967,887,000
Allocation Percentage	0.307928%	0.307928%	0.307928%
Proportionate Share of NPL	\$11,454,547	\$8,573,851	\$6,059,679
SERS 2/3	\$927,172,000	(\$268,650,000)	(\$1,255,926,000)
Allocation Percentage	1.694695%	1.694695%	1.694695%
Proportionate Share of NPL	\$15,746,635	(\$4,552,799)	(\$21,284,120)
TRS 1	\$2,582,448,000	\$1,901,830,000	\$1,306,883,000
Allocation Percentage	1.668618%	1.668618%	1.668618%
Proportionate Share of NPL	\$43,091,190	\$31,734,276	\$21,806,884
TRS 2/3	\$3,565,129,000	(\$196,786,000)	(\$3,255,167,000)
Allocation Percentage	1.683105%	1.683105%	1.683105%
Proportionate Share of NPL	\$60,004,849	(\$3,312,114)	(\$54,787,865)

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

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 regards to sharing of benefit costs.

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the K–12 school districts and ESDs. The District’s retirees (approximately 642) 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 PERS 1, 2, or 3; TRS 1, 2, or 3; or SERS 2 and 3 plans.

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 2022.

Members not eligible for Medicare			
(or enrolled in Part A only)	Type of Coverage		
Descriptions	Employee	Employee & Spouse	Full Family
Kaiser Permanente NW Classic	\$768.23	\$1,531.47	\$2,103.90
Kaiser Permanente NW CDHP	\$643.88	\$1,277.21	\$1,708.47
Kaiser Permanente WA Classic	\$813.24	\$1,621.48	\$2,227.66
Kaiser Permanente WA CDHP	\$641.39	\$1,272.99	\$1,702.94
Kaiser Permanente WA Sound Choice	\$659.19	\$1,313.37	\$1,804.01
Kaiser Permanente WA Value	\$721.89	\$1,438.79	\$1,976.46
UMP Classic	\$718.68	\$1,432.35	\$1,967.61
UMP Select	\$647.73	\$1,290.45	\$1,772.50
UMP CDHP	\$638.69	\$1,270.29	\$1,700.24

UMP Plus-Puget Sound High Value Network	\$687.13	\$1,369.26	\$1,880.86
UMP Plus-UW Medicine Accountable Care Network	\$687.13	\$1,369.26	\$1,880.86

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 Descriptions	Type of Coverage		
	Employee	Employee & Spouse ¹	Full Family ¹
Kaiser Permanente NW Senior Advantage	\$172.79	\$340.58	\$913.01
Kaiser Permanente WA Medicare Plan	\$175.69	\$346.39	N/A
Kaiser Permanente WA Classic	N/A	N/A	\$952.57
Kaiser Permanente WA Sound Choice	N/A	N/A	\$837.03
Kaiser Permanente WA Value	N/A	N/A	\$884.06
UMP Classic	\$364.87	\$724.74	\$1,260.00

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

Funding Policy

The School Employees Benefits Board (SEBB) Program administers health insurance and other benefits to all employees in school districts and charter schools, and union-represented employees of educational service districts in Washington. The SEBB studies, designs, and approves comprehensive and cost-effective insurance benefit plans for school employees and establishes eligibility criteria for participation in these plans. The SEB Board is separate and independent from the Public Employees Benefits Board (PEBB).

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

The 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. 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.

For the fiscal year 2021-22, the Bethel School District paid \$34,604,436 in total to HCA-SEBB.

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. 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](#).

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 the [OFM](#) website.

NOTE 6: LEASES

The district is committed under various leases in its general fund and capital projects funds. The District leases office facilities, office and computer equipment and other assets under a variety of agreements. Although lease terms vary current leasing arrangements will mature in 2026. We expect to renew a lease of office facilities December 2022.

As of August 31, 2022, the principal and interest requirements to maturity are as follows:

Year ended August 31	Principal	Interest	Total
2023	\$ 2,041,549	26,476	\$ 2,068,024
2024	\$ 524,945	\$ 5,576	\$ 530,521
2025	\$ 9,074	\$ 355	\$ 9,429
2026	\$ 9,291	\$ 138	\$ 9,429
Total	\$ 2,584,858	\$ 32,545	\$ 2,617,402

Changes in lease liabilities are presented in the accompanying Schedule of Long-Term Liabilities.

NOTE 7: OTHER SIGNIFICANT COMMITMENTS

The District has active construction projects as of August 31, 2022:

Project	Project Budget	Project to date Expenditures	Additional Local Funds Committed
New Bethel High School	210,000,000	9,377,447	200,622,553
Naches Trail Replacement	54,000,000	8,372,768	45,627,232

Elementary #19	50,000,000	6,783,054	43,216,946
Katherine Johnson Elementary	47,200,000	39,791,063	7,408,937
CHS Phase II	39,700,000	18,372,837	21,327,163
GKHS Expansion	39,600,000	13,395,712	26,204,288
Evergreen Elementary Renovation	34,000,000	41,791	33,958,209
PCSC Evergreen building	9,500,000	127,458	9,372,542
Camas Prairie Traffic Safety	2,000,000	17,100	1,982,900
District Storage Building	1,200,000	88,750	1,111,250
Server Building Tenant Improvement	1,000,000	404,304	595,696
TCKK Roof Replacement	1,000,000	2,220	997,780
SMS Health Clinic	735,000	54,740	680,260
GKHS Drainage Improvement	350,000	19,698	330,302
NEW BHS PC Annex	300,000	154,415	145,585
Frontier Middle School Lighting	300,000	0	300,000
ESC Generator	100,000	9,062	90,938
Bus Wash Improvements	100,000	3,452	96,548
LAB/Fences/Gates	40,000	14,324	25,676
Spanaway Middle School Fencing	40,000	6,687	33,313
SME Fences/Gates	25,000	6,335	18,665
TOTAL	491,190,000	97,043,217	394,146,783

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, 2022:

Fund	Amount
General Fund	\$7,122,853
ASB Fund	\$27,631
Capital Projects Fund	\$149,701,324
Transportation Fund	\$811,120

NOTE 8: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District’s capital assets are insured in the amount of \$938,987,467 for fiscal year 2022. In the opinion of the District’s insurance consultant, the amount is sufficient to adequately fund replacement of the District’s assets.

NOTE 9: LONG-TERM DEBT

Long-Term Debt

The accompanying Schedule of Long-Term Liabilities provides more details of the outstanding debt and liabilities of the district and summarizes the district’s debt transactions for year ended August 31, 2022.

The following is a summary of changes in long-term debt of the District for the fiscal year ended August 31, 2022:

Governmental activities	Balance at Sept. 1, 2021	Increases	Decreases	Balance at Aug. 31, 2022	Due within One Year
General Obligation Bonds	\$242,030,000	147,925,000	\$35,435,000	354,520,000	52,405,000

Long-term debt at August 31, 2022, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
UTGO QSCB Bonds, 2009C	17,445,000	0-17,445,000	12/1/2026	1.615%	17,445,000
UTGO Bonds, 2014	54,750,000	6,590,000-8,020,000	12/1/2025	4.00% - 5.00%	45,910,000
UTGO Bonds, 2019	124,330,000	0-15,575,000	12/1/2038	4.00% - 5.00%	110,825,000
UTGO Refunding Bonds, 2020	44,830,000	8,590,000-14,530,000	12/1/2027	2.00% - 4.00%	32,415,000
UTGO Refunding Bonds, 2021	147,925,000	1,500,000-35,285,000	12/1/2041	4.00%	147,925,000
Total General Obligation Bonds	\$389,280,000				\$354,520,000

Debt service requirements on long-term debt as of August 31, 2022, are as follows:

Years Ending August 31	Principal	Interest	Total
2023	52,405,000	13,842,987	66,247,987
2024	39,165,000	11,950,087	51,115,087
2025	16,595,000	10,850,487	27,445,487
2026	11,450,000	10,142,387	21,592,387
2027	21,205,000	9,697,318	30,902,318
2028-2032	76,605,000	38,537,000	115,142,000
2033-2037	59,075,000	24,195,875	83,270,875
2038-2042	78,020,000	6,146,200	84,166,200
Total	354,520,000	125,362,340	479,882,341

At August 31, 2022, the District had \$57,449,451 available in the Debt Service Fund to service the general obligation bonds.

Refunded Debt

On November 17, 2021, the District issued \$15,650,000 in general obligation bonds with an average interest cost of 1.04 percent to refund \$18,050,000 of outstanding 2011 Unlimited Tax General Obligation Bonds, with an average interest rate of 3.82 percent. The net proceeds of \$18,382,757, including a Debt Service fund contribution of \$341,846 and after payment of 86,081 in underwriting fees, insurance, and other issuance costs were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent and were used to retire the 2011 UTGO Bonds on their call date of December 1, 2021. As a result, the 2011 UTGO Bonds are no longer outstanding.

The district refunded the 2011 UTGO 2011 Bonds to reduce its total debt service payments in years 2021 through 2028 by \$2,732,040 and to obtain an economic gain, (difference between the present values of the debt service payments on the old and new debt), of \$2,529,505.

Cash Flows Difference		
Old Debt Service Cash Flows	\$22,120,031	
Contribution to the Debt Service Fund	(\$331,846)	
New Debt Service Cash Flows		\$19,056,144
Total	\$21,788,185	\$19,056,144
Cash Flow Savings		\$2,732,041
Economic Gain		
Present Value of Cash Flows Savings		\$2,529,505

NOTE 10: INTERFUND BALANCES AND TRANSFERS

The following table depicts interfund transfer activity:

Transferred From (Fund) 535 or 536	Transferred To (Fund) 965 9900 or 9901	Amount	Description
General Fund	Capital Projects Fund	4,594,319	Resolutions 12, 27, 34, 35, 39
Capital Project Fund	General Fund	639,710	Technology Levy

NOTE 11: ENTITY RISK MANAGEMENT ACTIVITIES

The District is a member of the 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 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. Membership as of August 31, 2022 includes 36 school 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, Automotive 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 \$350,000. Members are responsible for a standard deductible of \$5,000 for each claim (some member deductibles vary), while the program is responsible for the \$350,000 SIR. Insurance carriers cover insured losses over \$355,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$350,000 SIR. The program also purchases a Stop Loss Policy with an attachment point of \$8,170,808, which is fully funded in its annual budget.

Property insurance is subject to a per-occurrence SIR of \$350,000. Members are responsible for a \$10,000 deductible amount for each claim (some member deductibles vary), while the

program is responsible for the \$350,000 SIR. Insurance carriers cover insured losses over \$360,000 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.

Privacy, Security, and Technology (Cyber) insurance is subject to a per-occurrence SIR of \$250,000. Members are responsible for a \$25,000 deductible for each claim, while the program is responsible for the remaining \$225,000 SIR.

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, 2022 were \$3,244,410.

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

Unemployment

The district self-insures for unemployment compensation and contracts with a third party, Equifax, to administer its unemployment claims. Actual employee claims are paid by the State of Washington, Department of Employment Security and reimbursed by the district. Funds are designated in the General Fund for payment of loss claims resulting from work stoppage, layoffs, or other emergencies resulting in benefit claims.

At August 31, 2022, the amount of liabilities was \$756,214. This liability is the district's best estimate based on available information. Changes in the reported liability since September 1, 2016 resulted in the following:

	September 1 Liability	Current Year Claims and Changes in Estimates	Claim Payments	August 31 Balance
2016-17	560,602	154,587	103,268	611,920
2017-18	611,920	184,235	61,508	734,648
2018-19	734,648	177,624	87,449	824,823
2019-20	824,823	232,001	206,029	798,850
2020-21	798,850	373,992	203,294	628,152
2021-22	628,152	151,043	279,106	756,215

Worker's Compensation

The District contracts with the Puget Sound Worker's Compensation Trust which is a self-insured pool providing insurance for on-the-job injuries for school districts. The Trust helps injured workers return to the workplace and assists the district in assessing workplace safety and implementation of loss control programs. Participating school districts own the Trust with all premiums building equity to help offset the ultimate costs. Bethel School District's total 2021-22 to the Trust were \$2,189,840. A copy of the Puget Sound Worker's Compensation Trust report can be obtained by writing:

Puget Sound Workers' Compensation Trust
800 Oakesdale Avenue SW

NOTE 12: PROPERTY TAXES

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

NOTE 13: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association by passing Resolution 1 dated September 1, 1960, and has remained in the joint venture ever since. The District's current equity of \$203,298 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid

administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

NOTE 14: FUND BALANCE CLASSIFICATION DETAILS

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

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items	\$986,484				
Restricted Fund Balance					
For Other Items	\$40,000				
For Fund Purpose		\$1,423,062			\$2,265,509
For Carryover of Restricted Revenues	\$1,407,652				
For Skill Centers	\$1,291,930				
For Food Service	\$260,970				
For Debt Service				\$34,672,557	
Restricted from Bond Proceeds			\$200,422,332		
Restricted from State Proceeds			\$15,316,588		
Restricted from Other Proceeds			\$567,763		
Restricted from Impact Fee Proceeds			\$5,492,120		
Restricted from Mitigation Fee Proceeds			\$6,649		
Committed Fund Balance					
Other Commitments	\$4,155,000		5,616,859		
Assigned Fund Balance					
Contingencies	\$4,130,000				
Other Capital Projects	0		5,013,546		
Other Purposes	\$20,591,110				
Unassigned Fund Balance	\$2,124,928				

The Board of Directors adopted resolutions 27 and 39 to transfer from the General Fund to the Capital Projects Fund. The balance remaining in these resolutions is \$4,155,000. The following commitments are for land purchase and major remodels. The amount of committed fund balance that has been set aside in the General Fund may only be used for these purposes.

NOTE 15: DEFINED CONTRIBUTION PENSION

457 Plan – Deferred Compensation Plan

District employees have the option of participating in a deferred compensation plan as defined in §457 of the Internal Revenue Code that is administered by the state deferred compensation plan, or the District. The District does not make employer contributions to the 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) at {contribution rate in dollars or as a percentage of salary}. The employer contribution rate is set by {authority under which rates are established, such as the District’s governing body or a union contract}.

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

Voluntary Employees’ Benefits Association (VEBA)

VEBA Trust is a non-profit, multiple employee voluntary employees’ beneficiary association authorized under Internal Revenue Code 501(c)(g). The Trust is managed by a board of trustees appointed by the Association of Washington School Principals, Washington Association of School Administrators, and Washington Association of School Business Officials. The Trust provides health reimbursement plan for employees and eligible dependents. The plan can be used to reimburse employees for qualified health expenses during employment and after retirement. Plan assets are assets of the District employees, not the school district, and are therefore not reflected on the financial statements.

NOTE 16: TERMINATION BENEFITS

Compensated Absences

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

Under the provisions of RCW 28A.400.210, sick leave accumulated by District employees is reimbursed at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buyout of an amount up to

the maximum annual accumulation of 12 days. For buyout purposes, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

These expenditures are recorded when paid, except termination sick leave that is accrued upon death, retirement, or upon termination provided the employee is at least 55 years of age and has sufficient years of service. Vested sick leave was computed using the vesting method.

NOTE 17: OTHER DISCLOSURES

Pierce County Skills Center

The District is the host district for the Pierce County Skill Center (PCSC), a regional program designed to provide career and technical education opportunities to students in participating districts. The purpose of a Skill Center is to enhance the career and technical education course offerings among districts by avoiding unnecessary duplication of courses.

The PCSC was created through an agreement of the seven-member districts. The PCSC is governed by an Administrative Council, comprised of the superintendents, or their appointed representatives, of each member district. The PCSC administration is handled through a director, employed by the Bethel School District.

As host district, the District has the following responsibilities:

1. Employ staff of the PCSC.
2. Act as fiscal agent for the PCSC and maintain separate accounts and fund balances for each fund.
3. Review and adopt the PCSC budget as a part of the District's overall budget.
4. Provide such services as may be mutually agreed upon by the District and the PCSC.

Sources of Funding

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

Capital Improvements

The District collects an annual fee from all participating districts for the Capital Maintenance Fund. These funds are used to for the maintenance and related capital improvements of Skill Center facilities. Fees are collected from each member district in accordance with the

interlocal agreement signed by all member districts. Any amounts collected that have not been expended for capital purposes are recorded as a restriction of the District's General Fund balance.

Unspent Funds

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

The following districts are member districts of the PCSC:

- Eatonville School District
- Fife School District
- Franklin Pierce School District
- Orting School District
- Sumner School District
- Steilacoom School District
- Tacoma School District
- University Place School District
- White River School District

Bethel School District No. 403
Schedule of Long-Term Liabilities

For the Year Ended August 31, 2022

Description	Beginning Outstanding Debt September 1, 2021	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2022	Amount Due Within One Year
Voted Debt					
Voted Bonds	242,030,000.00	147,925,000.00	35,435,000.00	354,520,000.00	52,405,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt and Liabilities					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Leases	6,227,781.95	0.00	3,671,746.68	2,556,035.27	2,046,990.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	6,380,392.95	0.00	159,125.76	6,221,267.19	373,276.00
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
Other Liabilities					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities:					
Net Pension Liabilities TRS 1	11,472,504.00	20,261,772.00	0.00	31,734,276.00	
Net Pension Liabilities TRS 2/3	0.00	0.00	0.00	0.00	
Net Pension Liabilities SERS 2/3	0.00	0.00	0.00	0.00	
Net Pension Liabilities PERS 1	3,950,632.00	4,623,219.00	0.00	8,573,851.00	
Total Long-Term Liabilities	270,061,310.90	172,809,991.00	39,265,872.44	403,605,429.46	54,825,266.00

Other postemployment benefits other than pensions (OPEB) liabilities are not presented in the Schedule of Long Term Liabilities.

Bethel School District No. 403
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	National School Lunch Program	10.555	227WAWA3N10 99/227WAWA3 N1199	631,939	-	631,939	-	4
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	National School Lunch Program	10.555	227WAWA3N10 99/227WAWA3 N1199	37,198	-	37,198	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	National School Lunch Program	10.555	227WAWA3N10 99/227WAWA3 N1199	71,426	-	71,426	-	
Total ALN 10.555:				740,563	-	740,563	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Summer Food Service Program for Children	10.559	227WAWA3N10 99/227WAWA3 N1199	10,835,838	-	10,835,838	-	
Total Child Nutrition Cluster:				11,576,401	-	11,576,401	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	COVID 19 - Pandemic EBT Administrative Costs	10.649	n/a	5,814	-	5,814	-	

Forest Service Schools and Roads Cluster

The accompanying notes are an integral part of this schedule.

Bethel School District No. 403
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients	Note
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Office of Treasurer)	Schools and Roads - Grants to States	10.665	N/A	55,064	-	55,064	-	
Total Forest Service Schools and Roads Cluster:				55,064	-	55,064	-	
FEDERAL COMMUNICATIONS COMMISSION, FEDERAL COMMUNICATIONS COMMISSION	COVID 19 - Emergency Connectivity Fund Program	32.009	-	-	355,740	355,740	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Title I Grants to Local Educational Agencies	84.010	203986	4,232,933	-	4,232,933	-	5,6
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Title I Grants to Local Educational Agencies	84.010	270290	54,786	-	54,786	-	
Total ALN 84.010:				4,287,719	-	4,287,719	-	
Special Education Cluster (IDEA)								
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Special Education Grants to States	84.027	A307463	3,727,522	-	3,727,522	-	

The accompanying notes are an integral part of this schedule.

**Bethel School District No. 403
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Special Education Grants to States	84.027	A338429	195,851	-	195,851	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Special Education Grants to States	84.027	X312062	952,505	-	952,505	-	
Total ALN 84.027:				4,875,878	-	4,875,878	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Special Education Preschool Grants	84.173	A366837	101,013	-	101,013	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Special Education Preschool Grants	84.173	A388030	695	-	695	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Special Education Preschool Grants	84.173	X371055	79,753	-	79,753	-	

The accompanying notes are an integral part of this schedule.

Bethel School District No. 403
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
			Total ALN 84.173:	181,461	-	181,461	-	
			Total Special Education Cluster (IDEA):	5,057,339	-	5,057,339	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Impact Aid	84.041	710710	133,407	-	133,407	-	
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Career and Technical Education -- Basic Grants to States	84.048	174841	112,980	-	112,980	-	
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Career and Technical Education -- Basic Grants to States	84.048	178102	1,046	-	1,046	-	
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Career and Technical Education -- Basic Grants to States	84.048	174974	27,897	-	27,897	-	
			Total ALN 84.048:	141,923	-	141,923	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	Indian Education Grants to Local Educational Agencies	84.060		-	96,490	96,490	-	

The accompanying notes are an integral part of this schedule.

Bethel School District No. 403
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Education for Homeless Children and Youth	84.196	457536	32,131	-	32,131	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	English Language Acquisition State Grants	84.365	403073	149,915	-	149,915	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	525304	525,185	-	525,185	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Student Support and Academic Enrichment Program	84.424	431092	258,863	-	258,863	-	6
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	COVID 19 - Education Stabilization Fund	84.425	84.425D- 120522	6,203,589	-	6,203,589	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	COVID 19 - Education Stabilization Fund	84.425	84.425U- 138243	594,008	-	594,008	-	

The accompanying notes are an integral part of this schedule.

Bethel School District No. 403
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	COVID 19 - Education Stabilization Fund	84,425	84,425U- 137140	1,858,484	-	1,858,484	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	COVID 19 - Education Stabilization Fund	84,425	84,425W- 459002	2,703	-	2,703	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	COVID 19 - Education Stabilization Fund	84,425	84,425U- 140003	4,144	-	4,144	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	COVID 19 - Education Stabilization Fund	84,425	84,425U- 140602	8,310	-	8,310	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	COVID 19 - Education Stabilization Fund	84,425	84,425U- 140067	15,790	-	15,790	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	COVID 19 - Education Stabilization Fund	84,425	84,425U- 712185	52,335	-	52,335	-	
			Total ALN 84.425:	8,739,363	-	8,739,363	-	

The accompanying notes are an integral part of this schedule.

Bethel School District No. 403
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Every Student Succeeds Act/Preschool Development Grants	93,434	710710	3,852	-	3,852	-	
Total Federal Awards Expended:				30,966,976	452,230	31,419,206	-	

The accompanying notes are an integral part of this schedule.

BETHEL SCHOOL DISTRICT NO. 403
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDING AUGUST 31, 2022

NOTE 1—BASIS OF ACCOUNTING

This Schedule is prepared on the same basis of accounting as the Bethel School District's financial statements. The Bethel 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 Bethel School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3—PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the Bethel School District's local matching share, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles 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 4—NONCASH AWARDS

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

NOTE 5—SCHOOLWIDE PROGRAMS

The Bethel School District operates a "schoolwide program" in ten elementary buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the district in its schoolwide program: Title 1 (84.010): \$2,783,498.

NOTE 6—TRANSFERABILITY

As allowed by federal regulations, the Bethel School District elected to transfer program funds. The district expended \$ 79,338.58 from its Title IV, Part A (84.424) on allowable activities of the Title I, Part A Grants to Local Educational Agencies (84.010). This amount is reflected in the expenditures of Title I, Part A Grants to Local Educational Agencies (84.010).



THOMAS G. SEIGEL
 Superintendent
 DR. BRIAN LOWNEY
 Assistant Superintendent
 DR. DAVID HAMMOND
 Assistant Superintendent

**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER
 UNIFORM GUIDANCE**

**Bethel School District No. 403
 September 1, 2021 through August 31, 2022**

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

Finding ref number: 2022-001	Finding caption: The District did not have adequate internal controls for ensuring compliance with federal wage rate requirements.
Name, address, and telephone of District contact person: Joanne Klein 516 176th Street E. Spanaway, WA 98387-8399	
Corrective action the auditee plans to take in response to the finding: <i>District will include federal prevailing wage rate clauses in all federal contracts. We will also obtain the weekly certified payroll reports.</i>	
Anticipated date to complete the corrective action: 9/1/2023	

<p>Finding ref number: 2022-002</p>	<p>Finding caption: The District did not have adequate internal controls for ensuring compliance with allowable activities and costs, and restricted purpose requirements.</p>
<p>Name, address, and telephone of District contact person: Joanne Klein 516 176th Street E. Spanaway, WA 98387-8399</p>	
<p>Corrective action the auditee plans to take in response to the finding: <i>The District does not concur with the finding or questioned costs. The district had every intention to provide these iPads to the preschool students who were not in the district technology plan. However, the pandemic caused many distribution delays. The decision was made to provide these students with older surplus iPads. Since the iPads shipment was expected after the students returned to school.</i> <i>The District will work with the FCC to resolve this finding. District does not have any other Emergency Connectivity Grants.</i></p>	
<p>Anticipated date to complete the corrective action: 11/1/2023</p>	

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. 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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