



Office of the Washington State Auditor  
Pat McCarthy

## Financial Statements and Federal Single Audit Report

# Bellevue School District No. 405

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

*Published November 27, 2023*

Report No. 1033593



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

November 27, 2023

Board of Directors  
Bellevue School District No. 405  
Bellevue, Washington

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

Please find attached our report on Bellevue School District No. 405's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### **Bellevue School District No. 405** **September 1, 2021 through August 31, 2022**

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

The results of our audit of Bellevue School District No. 405 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 identified 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.

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>
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 \$753,114.

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

### Bellevue School District No. 405 September 1, 2021 through August 31, 2022

#### **2022-001    The District did not have adequate internal controls to ensure compliance with federal requirements for allowable activities and costs.**

<b>Assistance Listing Number and Title:</b>	84.425 COVID -19 Education Stabilization Fund
<b>Federal Grantor Name:</b>	U.S. Department of Education
<b>Federal Award/Contract Number:</b>	N/A
<b>Pass-through Entity Name:</b>	Office of Superintendent of Public Instruction
<b>Pass-through Award/Contract Number:</b>	COVID-19, 84.425D-120182 COVID-19, 84.425D-120498 COVID-19, 84.425U-138114 COVID-19, 84.425U-140001 COVID-19, 84.425U-140600 COVID-19, 84.425U-137051 COVID-19, 84.425U-712113
<b>Known Questioned Cost Amount:</b>	\$25,903
<b>Prior Year Audit Finding:</b>	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 \$8,594,626 in federal funding under its ESF awards. This included \$4,451,082 in the Elementary and Secondary School Emergency Relief (ESSER I and II) Fund subprogram (84.425D), and \$4,143,544 in the American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER III) subprogram (84.425U).

Federal regulations establish principles and standards for determining allowable direct and indirect costs for federal awards. The Office of Superintendent of Public

Instruction (OSPI) establishes the indirect cost rate for each award, and school districts cannot exceed this approved rate when claiming reimbursement. If there are changes to the rate during a multi-year award, districts must adjust the amount claimed, if needed, to ensure they do not exceed the approved rate.

### ***Description of Condition***

Although the District's internal controls were adequate for ensuring it materially complied with the program's allowable activities and allowable costs requirements, it charged the incorrect indirect cost rate for its ESSER II award (84.425D).

### ***Cause of Condition***

Management and staff did not know the District needed to manually adjust its OSPI-issued unrestricted indirect cost rate for ESSER awards that covered two fiscal years. Instead, the District relied on the rate posted in the iGrants system.

### ***Effect of Condition and Questioned Costs***

We reviewed all indirect costs charged to the program. We found the District charged \$25,903 more in indirect costs than allowable because it did not use the correct rate for its ESSER II award. 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. We question costs when we find the District has not complied with grant regulations and/or when it does not have adequate documentation to support expenditures.

### ***Recommendation***

We recommend the District ensure it uses the correct OSPI-issued unrestricted indirect cost rate for the fiscal period when charging costs to federal awards.

### ***District's Response***

*The Bellevue School District concurs with this finding. The Budget Department's internal procedures will be updated to include instructions for budget analysts to verify the correct indirect rate is used when preparing and reviewing grant claims. A shared document showing the historical indirect rates will continue to be updated annually and used as a reference to verify the correct rate is used in any given fiscal year. When preparing claims for reimbursement, a budget analyst will compare the indirect rate that is hard-coded in OSPI's iGrants claim system to the calculated*

*maximum indirect rate allowable for the fiscal year in which expenditures are incurred to ensure the correct indirect rate is used. When reviewing the claims for reimbursement, the reviewer will check the grant claim for accuracy, including verifying the indirect rate on the grant claims agrees to the calculated maximum indirect rate allowable.*

### ***Auditor's Remarks***

We appreciate the steps the District has taken to address the issue. We will review the condition during our next 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 403, Factors affecting allowability of costs, describes the cost principles for how direct and indirect costs should be charged to federal programs.



## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Bellevue School District No. 405 September 1, 2021 through August 31, 2022

#### **2022-002 The District did not have adequate controls for ensuring compliance with federal requirements for assessment system security.**

<b>Assistance Listing Number and Title:</b>	84.010 – Title I Grants to Local Educational Agencies
<b>Federal Grantor Name:</b>	U.S. Department of Education
<b>Federal Award/Contract Number:</b>	N/A
<b>Pass-through Entity Name:</b>	Office of Superintendent of Public Instruction
<b>Pass-through Award/Contract Number:</b>	203834
<b>Known Questioned Cost Amount:</b>	\$0
<b>Prior Year Audit Finding:</b>	N/A

#### ***Background***

The objective of the Title I program is to improve the teaching and learning of children who are at risk of not meeting state academic standards and who reside in areas with high concentrations of children from low-income families. During the 2021–2022 school year, the District spent \$1,943,148 in Title I program funds.

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

States, in consultation with school districts, must establish and maintain an assessment system that is valid, reliable, and consistent with relevant professional and technical standards. States must have formal, well-documented policies and procedures to maintain test security and ensure that districts implement them for all standardized tests. The Office of Superintendent of Public Instruction (OSPI) provides templates for all districts to document their Test Security and Building

Plans for each assessment they administer. OSPI also provides detailed guidance and manuals on test security.

### *Description of Condition*

The District did not have adequate controls for ensuring it complied with assessment system security requirements. Specifically, the District did not have the required written Test Security and Building Plans in place for all the 29 schools we reviewed that administered the following standardized tests: Washington-Access to Instruction and Measurement (WA-AIM), Smarter Balanced Assessments (SBA), World-Class Instructional Design and Assessment (WIDA), and Washington Comprehensive Assessment of Science (WCAS).

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

### *Cause of Condition*

District staff did not fully understand OSPI's requirement to document written Test Security and Building Plans. Staff thought that their process of training test coordinators and communicating the testing requirements to them was sufficient to comply with the requirement.

### *Effect of Condition*

Without documented Test Security and Building Plans, the District cannot demonstrate it implemented and complied with OSPI's assessment system security requirements for any of the four standardized tests it administered in the 2021–2022 school year.

### *Recommendation*

We recommend the District improve its internal controls and establish policies and procedures to comply with OSPI's assessment system security requirements. Specifically, the District should establish written Test Security and Building Plans for all standardized tests it will administer.

## ***District's Response***

*The Bellevue School District concurs with this finding. The District did not have a written Test Security and Building Plan (OSPI TSBP) for each school.*

*For our corrective action, the District will create a SharePoint site to retain each school's annual OSPI TSBP for all standardized state tests starting with the 2023-2024 school year. The District Manager of Data, Testing & Research will provide instructions, professional development, and guidance for each school. Each school's OSPI TSBP will be retained on the SharePoint site. The District Manager of Data, Testing & Research will verify that each school complies.*

## ***Auditor's Remarks***

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

## ***Applicable Laws and Regulations***

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 34 CFR, Part 200, Title I – *Improving the Academic Achievement of the Disadvantaged*, Section 78 – Allocation of funds to school attendance areas and schools.

Title 20 U.S. Code section 6311(b)(2)(B)(iii) requires state and local education agencies to establish and maintain valid and reliable assessment systems, consistent with relevant professional and technical standards.

## 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*

#### **Bellevue School District No. 405 September 1, 2021 through August 31, 2022**

Board of Directors  
Bellevue School District No. 405  
Bellevue, 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 Bellevue School District No. 405, 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 November 7, 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.

## **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

November 7, 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

#### **Bellevue School District No. 405 September 1, 2021 through August 31, 2022**

Board of Directors  
Bellevue School District No. 405  
Bellevue, Washington

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

#### **Opinion on Each Major Federal Program**

We have audited the compliance of Bellevue School District No. 405, 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.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

#### **Basis for Opinion on Each Major Federal Program**

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 opinion 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.

### **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 disclosed instances of noncompliance which are 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 Findings 2022-001 and 2022-002. 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 Finding 2022-002 that we consider to be a material weakness.

### **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, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

November 7, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Bellevue School District No. 405 September 1, 2021 through August 31, 2022**

Board of Directors  
Bellevue School District No. 405  
Bellevue, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of Bellevue School District No. 405, 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 Bellevue School District No. 405, 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 Bellevue School District No. 405, 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 November 7, 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.

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Pat McCarthy, State Auditor

Olympia, WA

November 7, 2023

## **FINANCIAL SECTION**

### **Bellevue School District No. 405 September 1, 2021 through August 31, 2022**

#### **FINANCIAL STATEMENTS**

Balance Sheet – Governmental Funds – 2022  
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental  
Funds – 2022  
Statement of Fiduciary Net Position – Fiduciary Funds – 2022  
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2022  
Notes to the Financial Statements – 2022

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

Schedule of Long-Term Liabilities – 2022  
Schedule of Expenditures of Federal Awards – 2022  
Notes to the Schedule of Expenditures of Federal Awards – 2022

Bellevue School District No. 405  
Balance Sheet - Governmental Funds  
August 31, 2022

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>Assets</b>							
Cash and Cash Equivalents	17,943,760.74	2,013,033.87	26,826,610.44	215,472,640.04	3,892,625.42	0.00	266,148,670.51
Minus Warrants Outstanding	-439,406.49	-17,343.77	0.00	-12,764.31	0.00	0.00	-469,514.57
Taxes Receivable	26,388,446.66		48,848,539.12	20,589,460.38	6,850.24		95,833,296.40
Due From Other Funds	26,401,375.36	252,721.39	0.00	553.36	0.00	0.00	26,654,650.11
Due From Other Governmental Units	5,051,934.49	0.00	0.00	0.00	0.00	0.00	5,051,934.49
Accounts Receivable	7,364,282.92	912.18	0.00	0.00	0.00	0.00	7,365,195.10
Interfund Loans Receivable	0.00						0.00
Accrued Interest Receivable	6,260.26	1,744.39	26,467.08	216,305.18	2,940.02	0.00	253,716.93
Inventory	486,562.99	0.00		0.00			486,562.99
Prepaid Items	2,614,276.09	82,866.38			0.00	0.00	2,697,142.47
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments/Cash With Trustee	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
<b>TOTAL ASSETS</b>	<b>85,817,493.02</b>	<b>2,333,934.44</b>	<b>75,701,616.64</b>	<b>236,266,194.65</b>	<b>3,902,415.68</b>	<b>0.00</b>	<b>404,021,654.43</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>							
Deferred Outflows of Resources - Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>85,817,493.02</b>	<b>2,333,934.44</b>	<b>75,701,616.64</b>	<b>236,266,194.65</b>	<b>3,902,415.68</b>	<b>0.00</b>	<b>404,021,654.43</b>
<b>LIABILITIES</b>							
Accounts Payable	5,518,474.04	86,172.14	0.00	10,645,178.40	334,380.78	0.00	16,584,205.36
Contracts Payable Current	706.40	0.00		0.00	0.00	0.00	706.40
Accrued Interest Payable			0.00				0.00

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



Bellevue School District No. 405  
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	1,703,282.95	0.00		45,785.50			1,749,068.45
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
<b>LIABILITIES:</b>							
Payroll Deductions and Taxes Payable	9,788,073.53	0.00		10,759.93			9,798,833.46
Due To Other Governmental Units	205,600.38	0.00		0.00	0.00	0.00	205,600.38
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	2,294,856.39						2,294,856.39
Due To Other Funds	253,274.75	67,521.02	0.00	26,333,854.34	0.00	0.00	26,654,650.11
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	10,000.00	0.00		0.00			10,000.00
Unearned Revenue	1,397,214.23	0.00	0.00	0.00	0.00		1,397,214.23
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
<b>TOTAL LIABILITIES</b>	<b>21,171,482.67</b>	<b>153,693.16</b>	<b>0.00</b>	<b>37,035,578.17</b>	<b>334,380.78</b>	<b>0.00</b>	<b>58,695,134.78</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue	7,377,421.99	166,126.62	-637,159.46	-5,117,695.79	-92,453.84	0.00	1,696,239.52
Unavailable Revenue - Taxes Receivable	26,388,446.66		48,848,539.12	20,589,460.38	6,850.24		95,833,296.40
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>33,765,868.65</b>	<b>166,126.62</b>	<b>48,211,379.66</b>	<b>15,471,764.59</b>	<b>-85,603.60</b>	<b>0.00</b>	<b>97,529,535.92</b>
<b>FUND BALANCE:</b>							
Nonspendable Fund Balance	3,100,839.08	82,866.38	0.00	0.00	0.00	0.00	3,183,705.46
Restricted Fund Balance	1,203,123.82	1,931,248.28	27,490,236.98	140,737,818.56	3,653,638.50	0.00	175,016,066.14
Committed Fund Balance	58,637.59	0.00	0.00	17,723,161.14	0.00	0.00	17,781,798.73
Assigned Fund Balance	5,900,000.00	0.00	0.00	25,297,872.19	0.00	0.00	31,197,872.19

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

Bellevue School District No. 405  
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	20,617,541.21	0.00	0.00	0.00	0.00	0.00	20,617,541.21
TOTAL FUND BALANCE	30,880,141.70	2,014,114.66	27,490,236.98	183,758,851.89	3,653,638.50	0.00	247,796,983.73
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	85,817,493.02	2,333,934.44	75,701,616.64	236,266,194.65	3,902,415.68	0.00	404,021,654.43

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

Bellevue School District No. 405

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
<b>REVENUES:</b>							
Local	64,886,428.71	2,590,170.37	107,337,708.20	44,486,914.62	34,739.13		219,335,961.03
State	229,511,450.32		0.00	0.00	1,094,953.51		230,606,403.83
Federal	33,956,021.27		0.00	0.00	0.00		33,956,021.27
Other	1,700,506.77			271,460.00	0.00	0.00	1,971,966.77
<b>TOTAL REVENUES</b>	<b>330,054,407.07</b>	<b>2,590,170.37</b>	<b>107,337,708.20</b>	<b>44,758,374.62</b>	<b>1,129,692.64</b>	<b>0.00</b>	<b>485,870,352.90</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	198,986,122.32						198,986,122.32
Special Education	56,370,134.26						56,370,134.26
Vocational Education	9,776,323.22						9,776,323.22
Skill Center	0.00						0.00
Compensatory Programs	12,480,502.98						12,480,502.98
Other Instructional Programs	2,777,820.23						2,777,820.23
Federal Stimulus COVID-19	7,910,457.12						7,910,457.12
Community Services	6,068,766.12						6,068,766.12
Support Services	57,800,633.73						57,800,633.73
Student Activities/Other		2,344,218.76				0.00	2,344,218.76
<b>CAPITAL OUTLAY:</b>							
Sites				2,679,560.40			2,679,560.40
Building				49,720,095.39			49,720,095.39
Equipment				5,796,482.57			5,796,482.57
Instructional Technology				6,068,174.95			6,068,174.95
Energy				0.00			0.00
Transportation Equipment					4,338,144.38		4,338,144.38
Sales and Lease				0.00			0.00
Other	550,551.04						550,551.04
<b>DEBT SERVICE:</b>							
Principal	228,950.50		99,200,000.00	0.00	0.00		99,428,950.50

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

Bellevue School District No. 405

**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	11,836.54		33,304,213.38	0.00	0.00		33,316,049.92
Bond/Levy Issuance				563,427.81	0.00		563,427.81
<b>TOTAL EXPENDITURES</b>	<b>352,962,098.06</b>	<b>2,344,218.76</b>	<b>132,504,213.38</b>	<b>64,827,741.12</b>	<b>4,338,144.38</b>	<b>0.00</b>	<b>556,976,415.70</b>
REVENUES OVER (UNDER) EXPENDITURES	-22,907,690.99	245,951.61	-25,166,505.18	-20,069,366.50	-3,208,451.74	0.00	-71,106,062.80
<b>OTHER FINANCING SOURCES (USES):</b>							
Bond Sales & Refunding Bond Sales	0.00		3,466.00	115,435,852.50	0.00		115,439,318.50
Long-Term Financing	449,764.06			0.00	0.00		449,764.06
Transfers In	23,743,826.14		0.00	0.00	0.00		23,743,826.14
Transfers Out (GL 536)	0.00		0.00	-23,743,826.14	0.00	0.00	-23,743,826.14
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	91,478.12		0.00	618,026.80	158,135.49		867,640.41
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>24,285,068.32</b>		<b>3,466.00</b>	<b>92,310,053.16</b>	<b>158,135.49</b>	<b>0.00</b>	<b>116,756,722.97</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>1,377,377.33</b>	<b>245,951.61</b>	<b>-25,163,039.18</b>	<b>72,240,686.66</b>	<b>-3,050,316.25</b>	<b>0.00</b>	<b>45,650,660.17</b>
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>29,502,764.37</b>	<b>1,768,163.05</b>	<b>52,653,276.16</b>	<b>111,518,165.23</b>	<b>6,703,954.75</b>	<b>0.00</b>	<b>202,146,323.56</b>
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>ENDING TOTAL FUND BALANCE</b>	<b>30,880,141.70</b>	<b>2,014,114.66</b>	<b>27,490,236.98</b>	<b>183,758,851.89</b>	<b>3,653,638.50</b>	<b>0.00</b>	<b>247,796,983.73</b>

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

Bellevue School District No. 405  
Statement of Fiduciary Net Position  
August 31, 2022

	Custodial Funds	Private Purpose Trust
<b>ASSETS:</b>		
Imprest Cash	0.00	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	0.00	21,934.12
Minus Warrants Outstanding	0.00	0.00
Due From Other Governmental Units	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	22.40
Investments	0.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	0.00
Capital Assets, Land	0.00	0.00
Capital Assets, Buildings	0.00	0.00
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	0.00
Accum Depreciation, Equipment	0.00	0.00
<b>TOTAL ASSETS</b>	<b>0.00</b>	<b>21,956.52</b>
<b>LIABILITIES:</b>		
Accounts Payable	0.00	0.00
Due To Other Governmental Units	0.00	0.00
<b>TOTAL LIABILITIES</b>	<b>0.00</b>	<b>0.00</b>
<b>NET POSITION:</b>		
<b>Restricted for:</b>		
Restricted For Intact Trust Principal	0.00	0.00
Restricted for Individuals, Organizations, and Other Governments - CF	0.00	
Restricted for Individuals, Organizations, and Other Governments - PPT		0.00
Restricted For Other Purposes	0.00	21,956.52
<b>TOTAL NET POSITION</b>	<b>0.00</b>	<b>21,956.52</b>

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

Bellevue School District No. 405  
Statement of Changes in Fiduciary Net Position  
For the Year Ended August 31, 2022

	Custodial Funds	Private Purpose Trust
<b>ADDITIONS:</b>		
<b>Contributions:</b>		
Private Donations	0.00	7,193.00
Employer		0.00
Members		0.00
Other	0.00	0.00
<b>TOTAL CONTRIBUTIONS</b>	<b>0.00</b>	<b>7,193.00</b>
<b>Investment Income:</b>		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	0.00	-539.46
Less Investment Expenses	0.00	0.00
Net Investment Income	0.00	-539.46
<b>Other Additions:</b>		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
<b>TOTAL ADDITIONS</b>	<b>0.00</b>	<b>6,653.54</b>
<b>DEDUCTIONS:</b>		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	0.00	
Other	0.00	5,000.00
<b>TOTAL DEDUCTIONS</b>	<b>0.00</b>	<b>5,000.00</b>
Net Increase (Decrease)	0.00	1,653.54
Net Position - Beginning Balance	0.00	20,302.98
Prior Year(s) Corrections or Restatements	0.00	0.00
<b>NET POSITION--ENDING</b>	<b>0.00</b>	<b>21,956.52</b>

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

**BELLEVUE SCHOOL DISTRICT NO. 405**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 1, 2021 Through August 31, 2022**

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

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

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

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

**Fund Accounting**

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

**Governmental Funds**

General Fund

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

### Capital Projects Funds

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

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

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

### Debt Service Fund

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

### Special Revenue Fund

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

### Permanent Funds

These funds are used to report resources that are legally restricted such that only earnings, and not principal, may be expended. Amounts in the Permanent Fund may only be spent in support of the District's programs and may not be used to the benefit of any individual.

## **Fiduciary Funds**

Fiduciary funds include pension and other employee benefit trust funds, private-purpose trust funds, and custodial funds, and are used to account for assets that are held by the district in a fiduciary capacity.

### Private-Purpose Trust Fund

This fund is used to account for resources that are legally held in trust by the District. The trust agreement details whether principal and interest may both be spent, or whether only interest may be spent. Money from a Private-Purpose Trust Fund may not be used to support the District's programs, and may be used to benefit individuals, private organizations, or other governments.

### Custodial Funds

These funds are used to account for assets that the District holds on behalf of others in a purely custodial capacity.



## **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 inter district 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 Deputy Superintendent of Finance and Operations are the only persons who 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.

### **Receivables and Payables**

The District's receivables and payables reflect current financial resources or obligations that are expected to be collected or paid within one year, with the exception of \$6,247,676.72 Leases Receivable in the General Fund due to the accounting and reporting requirements for GASB Statement No. 87. This portion reflects the present value of leases to be collected and paid in future years.

Information regarding GASB 87 are presented in Note 1 below, Accounting and Reporting Changes.

### **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:

- Lease receivables and Deferred Inflows for leases where the District is a lessor are presented on the Balance Sheet.

- Beginning balances for lease liabilities presented on the Schedule of Long-Term Liabilities have been restated to reflect implementation of these requirements.

Information regarding the District's leases are presented in Note 7: Leases.

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

The King County Treasurer is the *ex officio* treasurer for the District and holds all accounts of the District. In accordance with state investment laws, the District's governing body has entered into a formal interlocal agreement with King County to have all funds not required for immediate expenditure be invested in the King County Investment Pool (the "Pool"). The funds invested are the District's funds as well as the Private-Purpose Trust and Custodial Funds for which the District has fiduciary responsibility but does not own. All of the District's investments in the Pool are considered to be cash equivalents due to the availability of those funds to the District. As of August 31, 2022, the District had the following cash in financial institutions:

	Carrying		Effective
Government Funds	Amount	Market Value	Duration
King County Treasurer's Investment Pool	\$271,249,724	\$264,956,731	1.09 years
U.S. Bank	<u>\$1,191,740</u>	<u>\$1,191,740</u>	
Total Cash Deposits:	<u>\$272,441,464</u>	<u>\$266,148,471</u>	
Private Purpose Trust and Custodial Funds			
King County Treasurer's Investment Pool	\$22,455	\$21,934	1.09 years
U.S. Bank	<u>\$ 0</u>	<u>\$ 0</u>	
Total cash Deposits:	<u>\$22,455</u>	<u>\$21,934</u>	

Total Cash Deposits with Financial Instructions: \$272,463,919 \$266,170,405

The district's participation in the King County Investment Pool (the "Pool") is voluntary and the pool does not have a credit rating. The district reports its investment in the pool at the fair value amount, which is [not] the same as the value of the pool per share. The fair value of the district's investment in the pool is measured using a net asset value (NAV) as determined by the pool. The effective duration of the pool was 1.09 years as of August 31, 2022.

### **Impaired Investments:**

As of August 31, 2022, all impaired commercial paper investments have completed enforcement events. The King County Impaired Investment Pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. King County expects the monthly distributions to continue for at least five to ten years. The Impaired Pool also held the residual investments in one commercial paper asset that was part of completed enforcement events where the Impaired Pool

accepted the cash-out option. According to the County, the District's share of the Impaired Investment Pool principal is \$83,923 and the District's fair value of these investments is \$49,177. However, in 2008 when the five commercial paper assets (Victoria Finance LLC, two in Mainsail II LLC, Rhinebridge LLC, and Cheyne Financial LLC) were first determined to be impaired, the investment environment was volatile and uncertain. It was not known whether these impaired assets would have any value and be sold or restructured or whether any investor would itself remain viable. Accordingly, the District chose to be conservative and record a loss greater than that recommended by the County. As of August 31, 2022, the loss recorded by the District is equal to the principal in the Impaired Pool, and, therefore, these assets are not shown in the District's financial statements. As cash is received by the County on these investments, the retainage balances are reduced, the cash is placed in the Pool member's unrestricted cash accounts, and the District recognizes revenue, thus reducing the overall loss.

### **Interest Rate Risk**

As of August 31, 2022, the Pool's average duration was 1.09 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

### **Credit Risk**

As of August 31, 2022, the district's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, corporate notes (rated at least "A"), municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1"), certificates of deposit issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

## **NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES**

### **Litigation**

The District is a party to various pending legal actions arising out of the normal conduct of its operations. Two of these litigation matters include Washington Law Against Discrimination (WLAD) claims. These claims are not set to go to trial until early and mid-2023, therefore, the final resolution of these proceedings is not feasible to predict. Although the plaintiffs have alleged monetary damages, this by no means demonstrates what the actual damages to the District would be as proven at a trial, if any. However, it is probable or likely possible that the ultimate liability, if any, could materially affect the operations and the financial position of the District.

## **NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

### **Enrollment**

The District has experienced decreasing enrollment since the 2019-20 school year and anticipates enrollment to drop for the next 10 years due to these major factors: COVID-19 pandemic, declining national birthrates, and increased housing costs. The following measures have been made to support the District's stability including delaying construction on new facilities, reviewing long term facility plans to ensure facilities are not overbuilt. With the enrollment decline having the greatest impact at the elementary level, the District is currently considering the consolidation of elementary schools. Additional considerations include staff reassignments, staff reductions through attrition and the elimination of some positions and exploring other district-wide cost cutting measures.

In addition to these planned strategies, initiatives to address ways to increase enrollment by providing innovative opportunities for students are being explored.

### **Instructional Program Offerings**

During the 2022-23 school year, the District implemented a new start up program called Bellevue Digital Discovery. This is a separate school limited to primarily in-district K-12 students with the future vision of expanding to enroll out-of-district students. Students in K-6 are funded at the Basic Education per pupil rate. Secondary students are funded at the lower Alternative Learning Experience (ALE) per pupil rate. District certificated staff and counselors act as mentors to help support a smooth transition for students to successfully complete courses, in addition to providing a full range of support services for students, including social-emotional supports and peer-peer interaction.

### **Transitional Kindergarten**

This is a pilot program, initiated by OSPI. Bellevue School District has implemented this program in one elementary school for the latter part of the 2022/2023 school year. The District may expand this program to other elementary schools if there is community demand and funding is available.

### **Bond Issuance and Sale**

On November 3, 2022, the Board of Directors authorized the issuance and sale of general bond obligations in the principal amount not to exceed \$70 million to provide funds necessary to acquire, construct, equip, modernize and make other capital improvements to the facilities of the District as approved by the qualified electors of the District at a special election held on February 11, 2020.

## Levy Certification

On November 3, 2022, the Board of Directors authorized the King County to collect Education and Operations Levy funds on behalf of the District up to the amount permitted by law. While the voters approved up to \$70 million in property taxes to be assessed in 2022 and collected in 2023, the final levy collections are limited by the amount authorized in statute (RCW 84.52.0531) and any excess amount authorized by the voters must be reduced. Based on the final 2023 levy calculations released from the Office of the Superintendent of Public Instruction, the estimated amount to be collected in 2023 is approximately \$61 million.

## **NOTE 5: PENSION PLANS**

### General Information

The Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, prepares a stand-alone annual comprehensive 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 (Asset)

The collective net pension liability or asset 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 or (Asset)	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, 2021. PERS contribution rates changed on July 1, 2021. Contribution rates for TRS and SERS plans changed on 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	
<b>PERS 1</b>	7/1/2021	8/31/2022	6.00%	10.25%	
<b>TRS 1</b>	9/1/2021	8/31/2022	6.00%	14.42%	
<b>TRS 2</b>	9/1/2021	8/31/2022	8.05%	14.42%	
<b>TRS 3</b>	9/1/2021	8/31/2022	*	14.42%	**
<b>SERS 2</b>	9/1/2021	8/31/2022	7.76%	11.65%	
<b>SERS 3</b>	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 **\$49,009,844** for its proportionate shares of the individual plans' collective net pension liability and **\$9,170,545** for its proportionate shares of net pension assets. Proportions of net pension amounts are 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	\$2,240,464	\$4,357,625	\$10,477,304	\$12,806,379
Proportionate Share of the Net Pension Liability (Asset)	\$10,178,911	\$(5,230,500)	\$38,830,933	\$(3,940,045)

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

Change in Proportionate Shares	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share	0.365574%	1.946957%	2.041767%	2.002198%
Prior year proportionate share	0.343412%	2.022561%	2.131939%	2.131245%
Net difference percentage	<b>0.022162%</b>	<b>-0.075604%</b>	<b>-0.090172%</b>	<b>-0.129047%</b>

## 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% 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%. 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% on pension plan investments was applied to determine the total pension liability.

## Sensitivity of the Net Pension Liability (Asset)

The following table presents the Bellevue 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.

<b>Sensitivity of the Net Pension Liability or Asset to Changes in the Discount Rate</b>			
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
<b>PERS 1</b>	\$3,719,876,000	\$2,784,367,000	\$1,967,887,000
Allocation Percentage	0.365574%	0.365574%	0.365574%
Proportionate Share	\$13,598,885	\$10,178,911	\$7,194,076
<b>SERS 2/3</b>	\$929,172,000	(\$268,650,000)	(\$1,255,926,000)
Allocation Percentage	1.946957%	1.946957%	1.946957%
Proportionate Share	\$18,090,580	(\$5,230,500)	(\$24,452,340)
<b>TRS 1</b>	\$2,582,448,000	\$1,901,830,000	\$1,306,883,000
Allocation Percentage	2.041767%	2.041767%	2.041767%
Proportionate Share	\$52,727,565	\$38,830,933	\$26,683,503
<b>TRS 2/3</b>	\$3,565,129,000	(\$196,786,000)	(\$3,255,167,000)
Allocation Percentage	2.002198%	2.002198%	2.002198%
Proportionate Share	\$71,380,934	(\$3,940,045)	(\$65,174,881)

## **NOTE 6: 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 1,208) 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, 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.

<b>Members not eligible for Medicare (or enrolled in Part A only)</b>			
<b>Descriptions</b>	<b>Type of Coverage</b>		
	<b>Employee</b>	<b>Employee &amp; Spouse</b>	<b>Full Family</b>
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.

<b>Members enrolled in Part A and B of Medicare</b>	<b>Type of Coverage</b>		
<b>Descriptions</b>	<b><u>Employee</u></b>	<b><u>Employee &amp; Spouse<sup>1</sup></u></b>	<b><u>Full Family<sup>1</sup></u></b>
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. The amount collected 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 Bellevue School District paid \$36,584,911.04 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 Annual Comprehensive Financial Report, which is available on the [OFM](#) website.



## **NOTE 7: LEASES**

Lessee: The Bellevue School District is a lessee for another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Leases entered into after GASB Statement 87 implementation, September 1, 2021, are recognized as an Expenditure and an Other Financing Source in the District's financial statements based on present value for the entire term of the lease. The District recognizes leases with total payments over the lease term of \$100,000 or greater, grouped by lease type. The District is committed under various leases for eighty (80) copier machines located in schools and offices. The leasing arrangements are as follows: Each of the District's copier leases are for noncancellable terms of 60 months. Present value is determined by the discount rates of the lessor.

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

Year ended August 31	Principal	Interest	Total
2023	\$244,939.71	\$11,306.96	\$256,246.67
2024	\$174,807.91	\$ 6,837.05	\$181,644.96
2025	\$ 92,011.91	\$ 3,868.09	\$ 95,880.00
2026	\$ 94,025.74	\$ 1,854.26	\$ 95,880.00
2027	\$ 32,267.17	\$ 212.83	\$ 32,479.00
Total	\$638,051.44	\$24,079.19	\$662,130.63

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

### **Lease of Capital Assets (owned by the District)**

Lessor: The Bellevue School District is a lessor for noncancellable lease of buildings and land considered excess capacity. At the commencement of the leases, the District measured the lease receivable at present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, and subsequently amortized on a straight-line basis over the remaining terms of the lease. Leases entered into prior to GASB Statement 87 implementation are measured using the implementation date of September 1, 2021. The district uses judgement and analysis to determine discount rates for leases.

A brief description of leasing arrangements are as follows:

Three Points Elementary School Property: The District owns a surplus school building located on NE 28<sup>th</sup> Street which it leases to Bellevue Christian School. The current lease commenced on July 1, 2017 and terminates on June 30, 2024.

Land Leases, Cell Towers: The District has nine (9) land lease agreements which grant tenants the right to use a portion of the property for the placement of communications facilities. Current leases have termination dates ranging from 05/31/2036 to 12/31/2048.

Lease income includes principal and interest for the fiscal year ended August 31, 2022 as detailed below:

	Lease Income
Three Point Elementary School Property	\$190,786.00
Cell Towers	\$285,565.60
<b>Total Lease Income</b>	<b>\$476,351.60</b>

## NOTE 8: OTHER SIGNIFICANT COMMITMENTS

### Construction in Progress

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

Project	Project Authorization Amount	Expended as of 8/31/22	Additional Local Funds Committed
<i>Elementary Schools</i>			
Puesta del Sol	\$59,220,000	\$51,808,986	\$7,411,014
<i>High Schools</i>			
Newport Modernization	125,000,000	11,048,625	113,951,375
Transitions	30,000,000	1,564,561	28,435,439
Total	\$214,220,000	\$64,422,172	\$149,797,828

### 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	\$25,329,137
ASB Fund	229,447
Capital Projects Fund	122,847,696
Transportation Vehicle Fund	2,763,507
Total	\$151,169,787

## **NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS**

The District's capital assets are insured in the amount of \$1,086,399,185 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 10: LONG-TERM DEBT**

### **Long-Term Debt**

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	\$743,670,000	\$98,680,000	\$99,200,000	\$743,150,000	\$56,910,000

### **Detail of Bond Issues**

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

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
General Obligation Bonds					
2012 GO	\$100,000,000	\$4,300,000- \$6,205,000	12/1/2031	5.00 – 3.00%	\$52,165,000
2012 GO Refunding	\$59,140,000	\$8,105,000- \$10,305,000	12/1/2023	3.00%	\$18,410,000
2013 GO	\$100,000,000	\$4,000,000- \$6,200,000	12/1/2032	5.00-4.00%	\$56,000,000
2014 GO	\$95,000,000	\$4,185,000- \$6,610,000	12/1/2033	5.00-3.125%	\$64,535,000
2015 GO Refunding	\$74,570,000	\$10,555,000- \$13,155,000	12/1/2027	5.00-3.00%	\$71,390,000
2015 GO	\$90,145,000	\$3,615,000- \$6,015,000	12/1/2034	5.00-4.00%	\$62,125,000
2016 GO & Refunding	\$231,795,000	\$5,805,000- \$23,350,000	12/1/2035	5.00-3.00%	\$204,365,000
2018 GO	\$89,820,000	\$3,325,000- \$6,530,000	12/1/2037	5.00-4.00%	\$77,440,000
2019 GO	\$94,080,000	\$3,035,000- \$5,905,000	12/1/2038	5.00-3.00%	\$76,040,000
2021B GO	\$60,680,000	\$2,175,000- \$4,715,000	12/01/2040	5.00-4.00%	\$60,680,000
Total					\$743,150,000

## Amortization Schedule

The annual requirements to amortize bonded debt outstanding as of August 31, 2022, including interest, are as follows:

Years Ending August 31	Bonds		Total
	Principal	Interest	
2023	\$56,910,000.00	\$30,647,562.50	\$87,557,562.50
2024	\$63,795,000.00	\$27,814,037.50	\$91,609,037.50
2025	\$56,180,000.00	\$24,917,712.50	\$81,097,712.50
2026	\$58,945,000.00	\$22,234,712.50	\$81,179,712.50
2027	\$60,750,000.00	\$19,654,750.00	\$80,404,750.00
2028-2032	\$275,125,000.00	\$59,360,812.50	\$334,485,812.50
2033-2037	\$135,470,000.00	\$16,803,481.25	\$152,273,481.25
2038-2041	\$35,975,000.00	\$1,941,450.00	\$37,916,450.00
Total	\$743,150,000.00	\$203,374,518.75	\$946,524,518.75

At August 31, 2022, the District had \$26,826,610.44 available in the Debt Service Fund to service the general obligation bonds.

## Bonds Authorized But Unissued

### 2020 Bond Authorization

On February 11, 2020, the voters of the District voted in favor of a ballot measure to authorize the sale of \$675,000,000 of unlimited tax general obligation bonds for continuation of the rebuilding, constructing, equipping, modernizing, and improving the facilities of the District.

On September 23, 2021, the board approved a resolution authorizing the issuance and sale of general obligation bonds. The bonds dated October 12, 2021, in the aggregate amount of \$98,680,000 plus \$16,320,000 of premium generated by the sale of bonds was the first series of bonds issued under the 2020 bond authorization. The bonds were issued in two parts; 2021A bonds (\$38,000,000 plus \$825,000 premium) and 2021B bonds (\$60,680,000 plus \$15,495,000 premium). The final maturity date for the 2021A bonds was 06/01/2022.

Following the October 12, 2021 sale, the District had a total of \$560,000,000 bonds authorized but unissued at the end of the 2021-22 fiscal year.

## Short-Term Debt

The District had no short-term borrowings during the year ending August 31, 2022.

## **NOTE 11: INTERFUND BALANCES AND TRANSFERS**

In 2021-2022, there was a transfer of \$23,743,826.14 from the Capital Projects Fund to the General Fund for expenditures associated with the application and modernization of technology systems for operations and instruction including, but not limited to continued support of training, ongoing licensing and fees for capital and instructional technology systems, and ongoing training related to the installation and integration of these products and services.

The following table depicts interfund transfer activity:

Transferred From (Fund) 535 or 536	Transferred To (Fund) 965 9900 or 9901	Amount	Description
CPF 536	GF 9901	\$23,743,826.14	Technology-related transactions

## **NOTE 12: ENTITY RISK MANAGEMENT ACTIVITIES**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District mitigates these risks through participation in an insurance pool for property and liability coverage and a combination of self-insurance for unemployment compensation and industrial injury.

### **Property and Liability Insurance**

Bellevue School District is a member of Schools Insurance Association of Washington (SIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or 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, Auto Liability, Equipment Breakdown, Crime, Wrongful Acts Liability, and Cyber 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 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, consisting of eight members, is selected by the membership from the east and west side of the state and is responsible for conducting the business affairs of the program. The board of directors has contracted with Clear Risk Solutions to perform day-to-day administration of the program. This program has no employees.

### **Commercial Insurance**

The District continues to carry commercial insurance for all other risks of loss, including excess workers' compensation, excess catastrophic medical, and storage tank pollution liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Unemployment Insurance & Industrial Insurance (Worker's Compensation)**

The District is self-insured for unemployment compensation for all its eligible employees. Unemployment compensation claims are paid by the Washington State Department of Employment Security and then reimbursed by the District.

The District is self-insured for injuries incurred on the job for up to \$425,000. Insurance is purchased for claims in excess of \$425,000. Industrial insurance claims are paid by the District after claims have been approved by the Washington State Department of Labor and Industries. Beginning in August 1995, the District established and continues to maintain estimated liability reserves for payment of future unemployment compensation and industrial insurance claims. The District charges each program at a rate estimated to provide coverage for the current year's claims plus required reserves for surety. All expenses related to the program are charged directly to the liability accounts.

The District reports all of its risk management activities, including claim settlements and judgments in its General Fund.

At August 31, 2022, the amount of liabilities totaled \$482,784 and \$1,574,828 for Unemployment and Industrial Insurance, respectively. This liability is the District's best estimate based on available information. Changes in the reported liability since September 1, 2020, resulted in the following:

<b>Unemployment Insurance</b>				
Fiscal Year	9/1/20XX Liability	Current Year Claims and Changes in Estimates	Claim Payments	8/31/20XX Balance
2020-21	\$ 0	\$ 1,903,623	\$ (1,272,279)	\$ 631,344
2021-22	\$ 631,344	\$ 0	\$ (148,560)	\$ 482,784

<b>Industrial Insurance</b>				
Fiscal Year	9/1/20XX Liability	Current Year Claims and Changes in Estimates	Claim Payments	8/31/20XX Balance
2020-21	\$ 246,035	\$ 1,296,981	\$ (954,558)	\$ 588,458
2021-22	\$ 588,458	\$ 1,645,821	\$ (659,452)	\$ 1,574,828

## **NOTE 13: PROPERTY TAXES**

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

### **Tax Abatements**

As of December 31, 2021, the County provides tax abatement through four programs - the Current Use Program, the Historic Preservation Program, the Single-family Dwelling Improvement Program, and the Multifamily Housing Property Tax Exemption program. Of these, King County has entered into agreements that affect the levy rate assessed by the District

in two of the four programs – the Current Use Program and the Single-family Dwelling Improvement Program. Both of these programs are property tax abatements. The property tax system in the state of Washington is budget-based, which means the taxing authority determines a budget or dollar amount and adjusts the rates for the taxpayers based on the assessed valuation of their property. The tax abatements did not result in a reduction or loss of revenue to the District because, pursuant to state law, these taxes were effectively reallocated to other property taxpayers. Only tax abatement programs that are material and attributable to activities in Bellevue School District are disclosed below.

#### Current Use Programs

The Current Use Programs provide property tax abatements to landowners to voluntarily preserve open space, farmland or forestland via four programs on their property pursuant to RCW 84.33.130 and RCW 84.34.010.

*Public Benefit Rating System (PBRs)* enrollment and associated tax savings are based on a point system. Points are awarded for each PBRs resource category a property qualifies for such as protecting buffers to streams and wetlands, ground water protection, preserving significant wildlife habitat, conserving farmland and native forestland and preserving historic landmarks.

*Timber Land* enrollment requires a property to have between five and twenty acres of manageable forestland, and be zoned accordingly. Land participating in this program must be devoted primarily to the growth, harvest and management of forest crops for commercial purposes and must be managed according to an approved forest stewardship plan.

*Farm and Agricultural Land* enrollment requires land to be used for the production of livestock or agricultural commodities for commercial purposes.

*Forestland* enrollment requires a property to have more than twenty acres of eligible forestland primarily devoted to the growth and harvest of timber.

An owner of land desiring current use classification must submit an application to the County Assessor. Once enrolled, a participating property is assessed at a “current use” value, which is lower than the “highest and best use” assessment value that would otherwise apply to the property.

When land no longer meets the requirements for the respective classifications, abated taxes and applicable penalties and interest are collected.

#### Single-family Dwelling Improvement Program

The Single-family Dwelling Improvement Program provides property tax abatement to encourage home improvements to single-family dwellings under RCW 84.36.400. Any physical improvement to single-family dwellings upon real property shall be exempt from taxation for the three (3) assessment years subsequent to the completion of the improvement. Abatement



is obtained through application by the property owner, including proof that the improvements have been made and equal 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvements, not to exceed 30 percent of the pre-improvement value of the structure.

Below summarizes the tax abatement programs and the total amount of taxes abated during the calendar year ended December 31, 2021.

<b>Tax Abatement Program</b>	<b>Total Amount of Taxes Abated</b>
Single-Family Dwelling Improvement	\$15,893.34
Current Use	\$93,312.15

## **NOTE 14: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS**

### **King County Director's Association**

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 District joined KCDA on May 22, 1964 and has remained in the joint venture ever since. The District's current equity of \$358,670.18 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.

### **Puget Sound Joint Purchasing Cooperative**

The District is a member of the Puget Sound Joint Cooperative (PSJPC). PSJPC is an organization comprised of approximately 131 school districts throughout the State of Washington formed to ensure that member districts receive competitive bid pricing for food, supplies and commodity processing. The primary focus of the joint purchasing agency is Child Nutrition Programs. The District became a member on September 1, 2009 and pays a fee that is based on the total equivalent lunches as reported on the last OSPI report 1800 D – Expenditures and Revenues per Equivalent Lunch, with a minimum fee of \$150. Annual fees are determined by the Cooperative Board and are assessed to each member district to reimburse the Cooperative for administrative, legal, insurance, and other costs. For the 2021-22 fiscal year, the District paid an annual fee of \$900.

### **Washington Network for Innovative Careers (WaNIC)**

The District operates a Satellite Campus of the Washington Network for Innovative Careers (WANIC) Skill Center, hosted by the Lake Washington School District. A Skill Center is a regional

cooperative program, designed to enhance the availability and offering of career and technical education programs by avoiding unnecessary duplication of course offerings and allowing for participation from multiple districts.

The WANIC Skill Center was created by an agreement of seven member districts. In the agreement, the Lake Washington School District is designated as the host district and fiscal agent for the Skill Center, responsible for accounting and fiscal matters relating to the Skill Center. The Skill Center is governed by an Administrative Council, comprised of the superintendents of all participating districts, or their assigned representative. Administration of the Skill Center is handled through a director, who is an employee of the Lake Washington School District.

A Satellite Campus is considered an extension of the Skill Center Core Campus. Satellite campuses do not report enrollment apart from the Core Campus, and so do not receive apportionment funding directly from the state. The District is responsible for hiring the teachers who will work on the Satellite Campus program(s), but as the District does not receive direct state funding, it requires that the Core Campus reimburse the District for the cost of the instructors.

## **NOTE 15: FUND BALANCE CLASSIFICATION DETAILS**

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

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund
<b>Nonspendable Fund Balance</b>					
Inventory and Prepaid Items	\$3,100,839.08	\$82,866.38			
<b>Restricted Fund Balance</b>					
Carryover of Restricted Revenues	\$1,203,123.82				
Debt Service			\$27,490,236.98		
Restricted to Fund Purposes		\$1,931,248.28			\$3,653,638.50
Bond Proceeds				\$140,717,818.56	
Other Proceeds				\$20,000.00	
<b>Committed Fund Balance</b>					
Levy Proceeds				\$17,723,161.14	
Other Purposes	58,637.59				
<b>Assigned Fund Balance</b>					
Other Purposes	\$5,900,000.00				
Fund Purposes				\$25,297,872.19	
<b>Unassigned Fund Balance</b>	\$20,617,541.21				
<b>Total Fund Balance</b>	\$30,880,141.70	\$2,014,114.66	\$27,490,236.98	\$183,758,851.89	\$3,653,638.50

The board of directors has established a minimum fund balance policy for the General Fund to provide for financial stability and contingencies within the District. The policy is that the District shall maintain a minimum fund balance within the range of 5-6% of the prior year's actual expenditures. Portions of fund balance that are set aside for the purpose of meeting this policy are recorded on the financial statements as a part of Unassigned Fund Balance. Of the Unassigned Fund Balance of \$20,617,541.21 at year-end, \$19,412,915.39 has been set aside to meet this policy which is 5.5% of the District's 2021-22 General Fund expenditures.

## **NOTE 16: DEFINED CONTRIBUTION PENSION AND OPEB PLANS**

### **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 of Washington's Department of Retirement Systems. The District made employer contributions to the plan for some certificated administrators at a contribution rate of \$500 per month or \$6,000 annually. All other certificated administrators receive employer contributions through the 403(b) Plan. The employer contribution rate is set by a union contract. For the year ended August 31, 2022, the District contributed \$19,500 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 The employer contribution rate is set by a union contract. During the 2021-2022 fiscal year, the District made contributions to the plan for certificated administrators at a contribution rate of \$500 per month or \$6,000 annually. and cabinet members at a contribution rate of \$1,000 per month or \$12,000 annually.

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 the District. Plan assets are assets of the District employees, not the school district, and are therefore not reflected on the financial statements. For the year ended August 31, 2022, the District made \$611,000.00 in employer contributions to the plan.

## **NOTE 17: 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 termination payment method.

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

As of August 31, 2022, the amount of accrued sick and vacation leave was \$290,556.08 and \$3,275,413.97 respectively, both of which are reported as long-term liabilities in the Schedule of Long-Term Liabilities.

No unrecorded liability exists for other employee benefits.

Bellevue School District No. 405  
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
<b>Voted Debt</b>					
Voted Bonds	743,670,000.00	98,680,000.00	99,200,000.00	743,150,000.00	56,910,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
<b>Non-Voted Debt and Liabilities</b>					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Leases	417,237.84	449,764.05	228,950.45	638,051.44	244,939.71
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	5,151,808.24	3,975,101.09	3,656,434.17	5,470,475.16	3,565,970.05
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
<b>Other Liabilities</b>					
<b>Non-Voted Notes Not Recorded as Debt</b>	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities:					
Net Pension Liabilities TRS 1	14,354,301.00	24,476,632.00	0.00	38,830,933.00	
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	4,193,865.00	5,985,046.00	0.00	10,178,911.00	
<b>Total Long-Term Liabilities</b>	<b>767,787,212.08</b>	<b>133,566,543.14</b>	<b>103,085,384.62</b>	<b>798,268,370.60</b>	<b>60,720,909.76</b>

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

**Bellevue School District No. 405**  
**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 OSPI)	National School Lunch Program	10.555	N/A	8,153,170	-	8,153,170	-	4,7
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	N/A	521,248	-	521,248	-	5,7
Total ALN 10.555:				8,674,418	-	8,674,418	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Summer Food Service Program for Children	10.559	N/A	107,492	-	107,492	-	4
Total Child Nutrition Cluster:				8,781,910	-	8,781,910	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Pandemic EBT Administrative Costs	10.649	N/A	3,063	-	3,063	-	
Forest Service Schools and Roads Cluster								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via Office of State Treasurer)	Schools and Roads - Grants to States	10.665	N/A	6,362	-	6,362	-	
Total Forest Service Schools and Roads Cluster:				6,362	-	6,362	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	203834	1,943,148	-	1,943,148	-	2,6,8
Special Education Cluster (IDEA)								

The accompanying notes are an integral part of this schedule.

**Bellevue School District No. 405**  
**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 OSPI)	Special Education Grants to States	84.027	307362	3,897,675	-	3,897,675	-	2,7
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	338427	701,083	-	701,083	-	7
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Special Education Grants to States	84.027	312024	409,136	-	409,136	-	2,7
<b>Total ALN 84.027:</b>				<b>5,007,894</b>	<b>-</b>	<b>5,007,894</b>	<b>-</b>	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	366741	69,017	-	69,017	-	2,7
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	371008	18,164	-	18,164	-	2,7
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Special Education Preschool Grants	84.173	388069	10,000	-	10,000	-	2,7
<b>Total ALN 84.173:</b>				<b>97,181</b>	<b>-</b>	<b>97,181</b>	<b>-</b>	
<b>Total Special Education Cluster (IDEA):</b>				<b>5,105,075</b>	<b>-</b>	<b>5,105,075</b>	<b>-</b>	

The accompanying notes are an integral part of this schedule.

**Bellevue School District No. 405**  
**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 Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA OSPI)	Career and Technical Education -- Basic Grants to States	84.048	174812	88,310	-	88,310	-	2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	English Language Acquisition State Grants	84.365	403134	411,990	-	411,990	-	2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	525333	169,321	-	169,321	-	2
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D- 120182	93	-	93	-	2,7
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D- 120498	4,450,989	-	4,450,989	-	2,7
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U- 138114	3,212,267	-	3,212,267	-	2,7
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U- 140001	40,822	-	40,822	-	2,7
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U- 140600	6,232	-	6,232	-	2,7
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U- 137051	846,127	-	846,127	-	2,7

*The accompanying notes are an integral part of this schedule.*



**Bellevue School District No. 405**  
**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 OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U- 712113	38,096	-	38,096	-	2,7
Total ALN 84.425:				8,594,626	-	8,594,626	-	
Total Federal Awards Expended:				25,103,805	-	25,103,805	-	

**Bellevue School District No. 405**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ending August 31, 2022**

**Note 1 - Basis of Accounting**

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Bellevue School District's financial statements. The Bellevue 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 Bellevue School District has not elected to use the 10% 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 Bellevue School District's local matching share, may be more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 4-- Unit Cost Contracts**

Under certain programs, the district receives a fixed amount for the activity regardless of the district's expenditures. Expenditures for these programs are listed as the amount received from the grantor.

**Note 5-- Non Cash Awards**

The amount of food commodities reported on the schedule is the value of food commodities distributed by the Bellevue School District during the current year and priced as prescribed by the U.S. Department of Agriculture.

**Note 6- Schoolwide Programs**

The Bellevue School District operated a "schoolwide program" in four elementary buildings and one middle school. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students rather than limit services to certain targeted students. The following federal program amounts were expended by the District in its schoolwide programs: Title I (84.010) \$1,509,934.

**Note 7 - Multiple Grants per Federal ALN**

Certain programs have more than one grant and are listed separately on the Schedule of Expenditures of Federal Awards. To provide more clarity, additional information is provided below:

	ALN	Other ID	Amount
<b>National School Lunch Program:</b>			
National School Lunch Program - Cash Assistance	10.555	N/A	\$8,153,170
USDA Commodities	10.555	N/A	\$521,248
<b>Total</b>			<b>\$8,674,417</b>
<b>Special Education - Grants to States:</b>			
Individuals with Disabilities Education Act (IDEA)	84.027	307362	\$3,897,675
Safety Net	84.027	338427	\$701,083
Special ED ARP	84.027	312024	\$409,136
<b>Total</b>			<b>\$5,007,894</b>
<b>Special Education Preschool - Grants to States:</b>			
Preschool Individuals with Disabilities Education Act (IDEA)	84.173	366741	\$69,017
Preschool Safety Net	84.173	371008	\$18,164
Special Ed Inclusion	84.173	388069	\$10,000
<b>Total</b>			<b>\$97,181</b>
<b>Elementary and Secondary School Emergency Relief Fund</b>			
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425	84.425D-120182	93
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425	84.425D-120498	4,450,989
<b>Total</b>			<b>\$4,451,081</b>
<b>Elementary and Secondary School Emergency Relief Fund</b>			
:OVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief	84.425	84.425U-138114	3,212,267
:OVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief	84.425	84.425U-140001	40,822
:OVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief	84.425	84.425U-140600	6,232
:OVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief	84.425	84.425U-137051	846,127
:OVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief	84.425	84.425U-712113	38,096
<b>Total</b>			<b>4,143,544</b>

**Note 8 - Transferability**

As allowed by federal regulations, the Bellevue School District elected to transfer program funds. The district expended \$110,457.08 from its Title IV, Part A Student Support and Academic Enrichment Program (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).

**Note 9 - Donated COVID-19 Testing Supplies**

During the 2021-22 fiscal year, the District received a total of 44,080 COVID-19 test kits from the Washington State Department of Health (DOH) with a fair market value of \$241,449.20 as part of the DOH Learn to Return program which was funded by the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) federal grant award.



12111 NE First Street, Bellevue, Washington 98005 / P.O. Box 90010, Bellevue, Washington 98009-9010

## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

### Bellevue School District No. 405 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).

<b>Finding ref number:</b> 2022-001	<b>Finding caption:</b> The District did not have adequate internal controls to ensure compliance with federal requirements for allowable activities and costs.
<b>Name, address, and telephone of District contact person:</b> Jenny Hall, Director of Budget 12111 N.E. 1st Street Bellevue, WA 98005 (425) 456 - 4069	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The Bellevue School District concurs with this finding. The Budget Department's internal procedures will be updated to include instructions for budget analysts to verify the correct indirect rate is used when preparing and reviewing grant claims. A shared document showing the historical indirect rates will continue to be updated annually and used as a reference to verify the correct rate is used in any given fiscal year. When preparing claims for reimbursement, a budget analyst will compare the indirect rate that is hard-coded in OSPI's iGrants claim system to the calculated maximum indirect rate allowable for the fiscal year in which expenditures are incurred to ensure the correct indirect rate is used. When reviewing the claims for reimbursement, the reviewer will check the grant claim for accuracy, including verifying the indirect rate on the grant claims agrees to the calculated maximum indirect rate allowable.</i>	
<b>Anticipated date to complete the corrective action:</b> September 30, 2023	

<b>Finding ref number:</b> 2022-002	<b>Finding caption:</b> The District did not have adequate controls to ensure compliance with federal requirements for test assessment system security.
<b>Name, address, and telephone of District contact person:</b> Tom Duenwald, Director of Educational Technology 12111 N.E. 1st Street Bellevue, WA 98005 (425) 456 - 4250	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The Bellevue School District concurs with this finding. The District did not have a written Test Security and Building Plan (OSPI TSBP) for each school.</i> <i>For our corrective action, the District will create a SharePoint site to retain each school's annual OSPI TSBP for all standardized state tests starting with the 2023-2024 school year. The District Manager of Data, Testing &amp; Research will provide instructions, professional development, and guidance for each school. Each school's OSPI TBSP will be retained on the SharePoint site. The District Manager of Data, Testing &amp; Research will verify that each school complies.</i>	
<b>Anticipated date to complete the corrective action:</b> January 1, 2024	

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