



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Eatonville School District No. 404

For the period September 1, 2022 through August 31, 2024

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

July 28, 2025

Board of Directors
Eatonville School District No. 404
Eatonville, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for District operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the District's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, District operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above, we identified areas where the District could make improvements. These recommendations are included with our report as a finding.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of Eatonville School District No. 404 from September 1, 2022 through August 31, 2024.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the District's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended August 31, 2024 and 2023, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Use of restricted funds – professional learning and local revenue for enrichment activities
- Associated Student Body activities at Eatonville Middle School – student council minutes and ASB expenditures
- Payroll – electronic funds transfers
- Procurement – purchases
- Compliance with supplemental contracts for enrichment activities
- Apportionment – compliance with certification requirements
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Eatonville School District No. 404 September 1, 2022 through August 31, 2024

2025-001 The District did not obtain approval from the Office of Superintendent of Public Instruction before placing an enrichment levy on the February 13, 2024 ballot, as required by state law.

Background

In March 2018, the Legislature passed Engrossed Second Substitute Senate Bill (E2SSB) 6362. Beginning with the 2019-2020 school year, the bill modified basic education funding requirements to ensure that school district local revenues are used solely for the purposes of enriching the state's statutory program of basic education. One requirement is that all school districts that submit an enrichment levy to voters must first demonstrate how they will spend the levy revenues, then obtain approval from the Office of Superintendent of Public Instruction (OSPI). School districts must complete a levy expenditure plan, and OSPI must approve it before the enrichment levy can be placed on the ballot. This requirement was effective for levies placed on ballots after January 1, 2020.

Description of Condition

The District placed an enrichment levy on the February 13, 2024 ballot in Pierce County without first obtaining OSPI's approval. The levy was requested for the initial year in the amount of \$6,219,584 to pay expenses of educational programs and operations.

Cause of Condition

District officials said they did not know about the requirement to submit a levy expenditure plan to OSPI for approval before submitting an enrichment levy to voters.

Effect of Condition

The District did not obtain OSPI's approval of the enrichment levy expenditure plan before including the levy on the ballot. Without this approval, the District could not ensure that the funds were used solely to enrich the state's program of basic education, as outlined by RCW 84.52.053(4).

The District retroactively created a levy expenditure plan and obtained approval from OSPI on April 14, 2025.

Recommendation

We recommend the District ensure it receives OSPI's approval for a levy expenditure plan before submitting an enrichment levy to voters, as required by state law (RCW 84.52.053(4)).

We also recommend the District's Board of Directors hold a public hearing on this audit finding within 30 days of the issuance of our Office's report, as required by state law (RCW 28A.320.245).

District's Response

The District agrees with the State Auditor's finding that it did not obtain OSPI's approval for its 2025-2030 Enrichment Levy Expenditure Plan. The District ensures all future submissions under RCW 84.52.053(4), and is including a copy of the Schedule of Audit Findings and Responses in its levy files for future reference.

The District passed its first enrichment levy in 2018 under the new requirements of E2SSB 6362, during the tenure of a previous Business Manager. At that time, the Business Manager provided clear guidance on distinguishing between state- and federally-funded costs versus locally funded costs. To ensure accurate reporting, the District utilized multiple resources, including the District Chart of Accounts, the Washington State School District Accounting Manual, and OSPI Monthly Apportionment Reports. These resources supported the consistent practice of recording local levy revenues and expenditures under sub-fund 1, and state and federal revenues and expenditures under sub-fund 0, as defined in the School District Accounting Manual.

While the current Business Manager was not initially aware of RCW 84.52.053(4), the District has maintained consistent accounting practices that align with state guidance in distinguishing and recording revenue and expenditures by source.

When the State Auditor’s Office inquired about the OSPI-approved levy plan for the 2025–2030 Enrichment Levy, which was approved by voters in February 2024, the current Business Manager became aware that no such plan had been submitted to OSPI during the levy planning process. The Business Manager promptly addressed the issue, and OSPI subsequently approved the District’s submitted plan. The approved plan outlines general categories of levy-funded expenditures that exclude those already funded by the state legislature or through state and federal grant programs.

The District began receiving funds from the 2025–2030 Enrichment Levy in January of the current school year. Its accounting practices have remained consistent with those used during the previous enrichment levy. Revenues and expenditures are recorded accurately in the appropriate sub-funds, ensuring that local levy dollars are—and will continue to be—spent in compliance with Washington State law.

Auditor’s Remarks

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

Applicable Laws and Regulations

RCW 84.52.053 (4)(b), Levies by school districts authorized – When – Procedure.

RCW 28A.505.240, Enrichment levy spending plans – Preballot approval – Revised spending plan for voter-approved levies.

RCW 28A.150.276, Local Revenues – Enrichment of program of basic education – “Local revenues” defined. RCW 28A.320.245, Responses to audit findings on use of local revenues – Policies – Hearings – Disciplinary actions

RELATED REPORTS

Financial

Our opinion on the District's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the District's financial statements. That report is available on our website, <https://portal.sao.wa.gov//ReportSearch>.

Federal grant programs

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the District's major federal program, which is listed in the Schedule of Findings and Questioned Costs section of the separate financial statement and single audit report. That report is available on our website, <https://portal.sao.wa.gov//ReportSearch>.

INFORMATION ABOUT THE DISTRICT

Eatonville School District No. 404, located in Pierce County, served approximately 1,900 students during the 2023-2024 school year. The District has one high school, one middle school, and three elementary schools; two serving K-5, and another serving K-8.

The District is governed by five independently elected Board Members. The Superintendent is appointed by the Board and is responsible for the day-to-day operations of the District as well as its approximately 125 certificated and 105 classified employees.

Contact information related to this report

Contact:	Krista Heersink, Director of Business Services
Telephone:	(360) 641-1037
Website:	https://www.eatonville.wednet.edu/

Information current as of report publish date.

Audit history

You can find current and past audit reports for Eatonville School District No. 404 at <https://portal.sao.wa.gov//ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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