



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Seattle School District No. 1

For the period September 1, 2022 through August 31, 2023

Published May 23, 2024

Report No. 1034841



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

May 23, 2024

Superintendent and Board of Directors
Seattle School District No. 1
Seattle, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Seattle School District No. 1'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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Seattle School District No. 1 September 1, 2022 through August 31, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Seattle School District No. 1 are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

We issued an unmodified opinion on the District’s compliance with requirements applicable to each of its major federal programs, with the exception of the 32.009 – COVID-19 Emergency Connectivity Fund Program on which we issued an adverse opinion on compliance with applicable requirements.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
10.553	Child Nutrition Cluster – School Breakfast Program
10.555	Child Nutrition Cluster – National School Lunch Program
10.559	Child Nutrition Cluster – Summer Food Service Program for Children
32.009	COVID-19 – Emergency Connectivity Fund Program
84.027	Special Education Cluster (IDEA) – Special Education Grants to States
84.027	COVID-19 – Special Education Cluster (IDEA) – Special Education Grants to States
84.173	Special Education Cluster (IDEA) – Special Education Preschool Grants
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 \$2,263,571.

The District did not qualify 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 Finding 2023-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Seattle School District No. 1 September 1, 2022 through August 31, 2023

2023-001 The District did not have adequate internal controls for ensuring compliance with allowable activities and costs, equipment, and restricted purpose requirements.

Assistance Listing Number and Title:	32.009, COVID-19 – Emergency Connectivity Fund Program
Federal Grantor Name:	Federal Communications Commission
Federal Award/Contract Number:	ECF202109384 ECF202109551 ECF202109553 ECF202109554
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Known Questioned Cost Amount:	\$12,609
Prior Year Audit Finding:	2022-001

Background

The Emergency Connectivity Fund (ECF) Program provides funding to meet the needs of students and school staff who would otherwise lack access to connected devices and broadband connections sufficient to engage in remote learning. This is referred to as “unmet need.” In fiscal year 2023, the District spent \$1,077,043 in ECF Program funds to purchase laptops and broadband services for students.

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

Allowable activities and costs

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

Equipment

The Federal Communications Commission (FCC) requires ECF Program recipients to maintain inventories of the devices and services they have purchased with program funds. The FCC also requires inventory records to include specific elements, such as the type of equipment or service provided, equipment make/model and serial number, name of the students or employees provided the equipment or service, dates they used the equipment or service and more.

Restricted purpose – unmet need

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

Restricted purpose – per-location and per-user limitations

The FCC imposed per-location and per-user limitations to maximize the use of limited funds. Under the program, eligible schools could only be reimbursed for one connected device and Wi-Fi hotspot services per student or school employee with unmet need, and no more than one fixed broadband connection per location, such as a student's or employee's residence.

Description of Condition

Allowable activities and costs/restricted purpose – unmet need

The District estimated unmet need for eligible equipment and services when it applied for ECF Program funds. However, our audit found the District's internal controls were ineffective for ensuring it documented the determination of actual unmet need and only requested reimbursement for equipment and services provided to students. Specifically, the District purchased laptops and Wi-Fi hotspot services, based on its estimate of unmet need, and it requested reimbursement for these purchases totaling \$1,077,043. However, the District did not maintain

documentation showing it provided each laptop and Wi-Fi hotspot services paid with program funds to a student or employee with unmet need.

Equipment

The District maintains asset inventories; however, our audit found the District's internal controls were ineffective for ensuring it included all required elements necessary to demonstrate compliance with federal requirements. Specifically, for 48 percent of Wi-Fi hotspot services purchased with ECF Program funds, the District did not include names of the students serviced.

Restricted purpose – per-location and per-user limitations

Our audit found the District's internal controls were ineffective for demonstrating it complied with the FCC's per-location and per-user limitations. Specifically, the District did not maintain documentation showing it monitored or had a tracking process in place to ensure it only provided one device or connection per user and location.

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

Cause of Condition

As communicated in the prior audit finding, the District thought the determination of unmet need provided during the application process was sufficient to comply with this requirement. Since the funding spanned two fiscal years, the District had already distributed devices and requested reimbursement before the prior audit identified this issue. The District did not take any additional action and is waiting for audit resolution from the federal grantor.

Allowable activities and costs/restricted purpose – unmet need

Although employees in the District's Finance Department knew that another department received an ECF Program award, they said they did not know the program was federally funded and, therefore, were unaware of all its regulations. Further, they did not know about the requirement to request reimbursement only for actual unmet need, and thought the estimate of unmet need provided during the application process was sufficient to comply with this requirement.

Equipment

Due to the size and decentralized structure of the District, school staff did not consistently record student names and identification information into the district-wide asset management system.

Restricted purpose – per-location and per-user limitations

Staff said they did not know the District could not provide more than one device and/or connection per student and employee. Moreover, staff informed us that due to the wide volume of devices and Wi-Fi hotspot services that were funded by federal, state and local grants, it was not logistically feasible to establish internal controls to monitor the program specific devices students checked out throughout the school year.

Effect of Condition and Questioned Costs

Allowable activities and costs/restricted purpose – unmet need

We used statistical sampling to select and test 29 laptops and 29 Wi-Fi hotspots to determine whether the District had documentation supporting it provided eligible equipment and services to students with actual unmet needs. We noted the District could not demonstrate it fulfilled the unmet need requirement for 24 laptops and 19 Wi-Fi hotspots. Further, we identified an additional two laptops the District distributed to students that had multiple ECF-funded laptops, therefore the District did not comply with the per-location and per-user limitations requirement. Because the District did not have documentation supporting whether it provided all eligible equipment and services to students with actual unmet need, it cannot demonstrate compliance with the program's requirements. Given the nature of the program and circumstances, it is likely that at least some of the equipment and services the District charged to the award addressed unmet needs. However, the lack of a documented assessment of students' actual unmet need means that most costs could be unsupported.

In total, we identified \$12,609 of overpayments related to the purchase of 26 laptops and services for 19 Wi-Fi hotspots. Based on projection of our statistical sample, we identified an additional \$846,116 of estimated overpayments.

Federal regulations require the Office of the Washington State Auditor to report known and likely questioned costs that are greater than \$25,000 for each type of compliance requirement. We question costs when we find the District does not have adequate documentation to support expenditures.

Equipment

Without maintaining proper asset and service inventory records, as the FCC requires, the District cannot demonstrate compliance with this requirement. Because of the missing information, the District cannot effectively track the use of federally funded equipment and services.

Restricted purpose – per-location and per-user limitations

Because the District provided more than one device per student and received reimbursement for them, it did not comply with the FCC's requirement. As noted in the allowable activities and costs section above, we are questioning the costs related to these devices.

Recommendation

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

We further recommend the District establish and follow internal controls to ensure staff fully understand the requirements for ECF awards. Specifically, the District should:

- Request reimbursement only for eligible equipment and services provided to students and staff with unmet need and maintain documentation demonstrating compliance.
- Maintain inventories that include all required elements to track the use of equipment and services paid with ECF Program funds.
- Monitor to confirm it provides no more than one device per student and employee, and no more than one Wi-Fi hotspot service per location, in compliance with the ECF Program's requirements.

District's Response

The District does not concur with the audit finding or the \$858,725 of questioned costs. This finding is the same as reported in the 21/22 audit. The District still contends that the costs were allowable. The issues regarding internal controls and reporting were not brought to the District's attention until 10 months into the 22/23 audit period, leaving no time for discussion or changes in interpretation and process.

The audit's condition states that our internal controls were ineffective for ensuring we requested reimbursement only for students and staff with a documented unmet need and that our internal controls were ineffective for demonstrating per location and per user limitations. Based on guidance from the Federal Communications Commission (excerpted below), the District contends we have spent all funds for allowable costs, that those costs were reasonable and necessary, and for students and staff with unmet needs.

Districts were able to determine whether students and staff had unmet needs. For our district this meant addressing instances where students may have shared a home device with other siblings; student or staff devices were too old or slow to function properly when running multiple required applications; and / or student owned devices did not have the appropriate security in place to protect students during remote learning (especially from unauthorized websites). Home drives, where all educational digital resources were stored, couldn't be accessed unless using a district issued device. Additionally, the district's technical support could not access personally owned devices to provide for thousands of trouble tickets and support issues students faced during remote learning.

Based on these factors, unmet need was defined broadly, but within allowed parameters and inventory records were kept, albeit, not perfectly.

Devices for remote learning could also be used at school. During the pandemic in Washington State we experienced times when classrooms, schools and or districts were closed by the health department and state regulations because of outbreaks. Districts had to be prepared to support remote learning each day with constantly changing guidance on who was allowed to be in person.

Seattle Public Schools followed guidance from the Federal Communications Commission outlined in a document titled: "Emergency Connectivity Fund Common Misconceptions",

"Misconception #2: If schools have returned to in-class instruction for the upcoming school year, they are not eligible to participate.

Answer: This is false. Equipment and services provided to students or school staff who would otherwise lack sufficient access to connected devices, and/or broadband internet access connection while off campus is eligible for Emergency Connectivity Fund Support."

Additionally, from the Federal Communications Commission Order FCC-CIRC21-93-043021, question 77: “We think schools are in the best position to determine whether their students and staff have devices and broadband services sufficient to meet their remote learning needs, and we recognize that they are making such decisions in the midst of a pandemic. We, therefore, will not impose any specific metrics or process requirements on those determinations.” And from question 51: “...we are sensitive to the need to provide some flexibility during this uncertain time. If those connected devices were purchased for the purpose of providing students...with devices for off-campus use consistent with the rules we adopt today, we will not prohibit such on-campus use.”

Finally, SAO did not apply any reasonable measure to reduce questioned costs but did state they know that at least some of the equipment addressed unmet needs, while still choosing to question all costs. That is clearly out of alignment with the FCC guidance.

There are no corrective actions to take at this time as the funding source has been exhausted and the timeline has passed.

Auditor’s Remarks

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

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

Applicable Laws and Regulations

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

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

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

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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Seattle School District No. 1 September 1, 2022 through August 31, 2023

This schedule presents the status of findings reported in prior audit periods.

Audit Period: September 1, 2021 through August 31, 2022	Report Reference No.: 1032730	Finding Ref. No.: 2022-001	ALN(s): 32.009
Federal Program Name and Granting Agency: Federal Communications Commission		Pass-Through Agency Name: N/A	
Finding Caption: The District did not have adequate internal controls for ensuring compliance with allowable activities and costs, and restricted purpose requirements.			
Background: The Emergency Connectivity Fund (ECF) Program provides funding to meet the needs of students and school staff who would otherwise lack access to connected devices and broadband connections sufficient to engage in remote learning. This is referred to as “unmet need.” In fiscal year 2022, the District spent \$4,912,945 in ECF Program funds to purchase laptops and tablet computers for students and school staff. Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls. Allowable activities and costs ECF Program recipients may only seek reimbursement for the eligible devices and services provided to students and staff with unmet need. Recipients are prohibited from seeking reimbursement for eligible equipment and services purchased for use solely at the school or held for future use (i.e., warehousing). Restricted purpose – unmet need When submitting applications to the Federal Communications Commission (FCC), schools only had to provide an estimate of their students’ and staff’s unmet need. However, when requesting reimbursement, the District could only request program funds for eligible equipment and services provided to students and school staff with actual unmet need. Restricted purpose – per-location and per-user limitations The FCC imposed per-location and per-user limitations to maximize the use of limited funds. Under the program, eligible schools could only be reimbursed for one connected device and Wi-Fi hotspot per student or school			

employee with unmet need, and no more than one fixed broadband connection per location, such as a student's or employee's residence.

Restricted purpose – per-location and per-user limitations

The FCC imposed per-location and per-user limitations to maximize the use of limited funds. Under the program, eligible schools could only be reimbursed for one connected device and Wi-Fi hotspot per student or school employee with unmet need, and no more than one fixed broadband connection per location, such as a student's or employee's residence.

Status of Corrective Action: (check one)

Fully Corrected Partially Corrected Not Corrected Finding is considered no longer valid

Corrective Action Taken:

When this finding brought up during last audit, Seattle School District already completed all claims of the funding from OSPI, therefore no corrective action is taken for the funding. Department of Technology was informed to use grant funding per contract. We are still waiting response from Federal Communications Commission for remedy action.

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*

Seattle School District No. 1 September 1, 2022 through August 31, 2023

Superintendent and Board of Directors
Seattle School District No. 1
Seattle, 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 Seattle School District No. 1, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 10, 2024.

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 style with a large initial "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

May 10, 2024

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

Seattle School District No. 1 September 1, 2022 through August 31, 2023

Superintendent and Board of Directors
Seattle School District No. 1
Seattle, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Adverse and Unmodified Opinions

We have audited the compliance of Seattle School District No. 1, 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, 2023. The District's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

In our opinion, because of the significance of the matter described below, the District did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 32.009 – COVID-19 – Emergency Connectivity Fund Program for the year ended August 31, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the accompanying Schedule of Findings and Questioned Costs for the year ended August 31, 2023.

Basis for Adverse and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the 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 relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

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

As described in the accompanying Schedule of Findings and Questioned Costs and in Finding 2023-001, the District did not comply with the requirements regarding 32.009 – COVID-19 – Emergency Connectivity Fund Program for activities allowed, allowable costs, equipment and the restricted purposes special test requirements. Compliance with such requirements is necessary, in our opinion for the District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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.

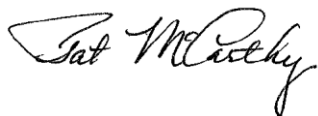
However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2023-001 that we consider to be a material weakness.

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.



Pat McCarthy, State Auditor

Olympia, WA

May 10, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Seattle School District No. 1 September 1, 2022 through August 31, 2023

Superintendent and Board of Directors
Seattle School District No. 1
Seattle, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of Seattle School District No. 1, as of and for the year ended August 31, 2023, 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 Seattle School District No. 1, as of the year ended August 31, 2023, 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 Seattle School District No. 1, as of August 31, 2023, 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.

Matter of Emphasis

As discussed in Note 1 to the financial statements, in 2023, the District adopted new accounting guidance for financial reporting for Subscription Based Information Technology Arrangements (SBITA) as required by the Accounting Manual. Our opinion was 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 May 10, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

May 10, 2024

**Seattle School District No. 1
September 1, 2022 through August 31, 2023**

FINANCIAL STATEMENTS

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Seattle Public Schools No. 001

Balance Sheet - Governmental Funds

August 31, 2023

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Assets							
Cash and Cash Equivalents	168,577,283.11	3,971,066.48	1,401,115.86	392,328,740.66	0.00	0.00	566,278,206.11
Minus Warrants Outstanding	-13,806,463.41	-87,391.48	0.00	-10,645,363.18	0.00	0.00	-24,539,218.07
Taxes Receivable	92,898,949.75		-42,198.36	174,017,888.12	0.00	0.00	266,874,639.51
Due From Other Funds	42,987,544.65	0.00	0.00	0.00	0.00	0.00	42,987,544.65
Due From Other Governmental Units	26,123,040.93	0.00	0.00	0.00	0.00	0.00	26,123,040.93
Accounts Receivable	2,195,356.71	34,495.37	0.00	22,845,570.32	0.00	0.00	25,075,422.40
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	297,240.83	10,941.80	4,005.61	1,148,955.10	0.00	0.00	1,461,143.34
Inventory	2,462,576.45	0.00	0.00	0.00			2,462,576.45
Prepaid Items	0.00	0.00			0.00	0.00	0.00
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments/Cash With Trustee	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	321,735,529.02	3,929,112.17	1,362,923.11	579,695,791.02	0.00	0.00	906,723,355.32
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred Outflows of Resources - Other	2,619,429.51	0.00	37,650.68	6,127,141.93	0.00	0.00	8,784,222.12
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,619,429.51	0.00	37,650.68	6,127,141.93	0.00	0.00	8,784,222.12
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	324,354,958.53	3,929,112.17	1,400,573.79	585,822,932.95	0.00	0.00	915,507,577.44
LIABILITIES							
Accounts Payable	21,134,756.78	197,371.54	0.00	32,514,694.76	0.00	0.00	53,846,823.08
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00

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

Seattle Public Schools No. 001
Balance Sheet - Governmental Funds

August 31, 2023

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Accrued Salaries	43,624,938.59			0.00			43,624,938.59
Anticipation Notes Payable	0.00		0.00		0.00		0.00
LIABILITIES:							
Payroll Deductions and Taxes Payable	28,256,300.60			30,838.18			28,287,138.78
Due To Other Governmental Units	0.00			0.00		0.00	0.00
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	3,979,758.52						3,979,758.52
Due To Other Funds	0.00	159,743.01		42,828,901.64		0.00	42,988,644.65
Interfund Loans Payable	0.00			0.00			0.00
Deposits	280,878.33			3,771,705.70			4,052,584.03
Unearned Revenue	0.00			0.00			0.00
Matured Bonds Payable							0.00
Matured Bond Interest Payable							0.00
Arbitrage Rebate Payable	0.00			0.00			0.00
TOTAL LIABILITIES	97,276,632.82	357,114.55	0.00	79,146,140.28	0.00	0.00	176,779,887.65
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	0.00			21,656,033.33			21,656,033.33
Unavailable Revenue - Taxes Receivable	92,898,949.75		-42,198.36	174,017,888.13			266,874,639.52
TOTAL DEFERRED INFLOWS OF RESOURCES	92,898,949.75		-42,198.36	195,673,921.46	0.00	0.00	288,530,672.85
FUND BALANCE:							
Nonspendable Fund Balance	2,462,576.45			0.00			2,462,576.45
Restricted Fund Balance	16,261,552.89	3,571,997.62	1,442,772.15	1,106,657.05			22,382,979.71
Committed Fund Balance	0.00			299,187,278.57			299,187,278.57
Assigned Fund Balance	115,455,246.62			10,708,935.59			126,164,182.21

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

Seattle Public Schools No. 001

Balance Sheet - Governmental Funds

August 31, 2023

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Unassigned Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL FUND BALANCE	134,179,375.96	3,571,997.62	1,442,772.15	311,002,871.21	0.00	0.00	450,197,016.94
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	324,354,958.53	3,929,112.17	1,400,573.79	585,822,932.95	0.00	0.00	915,507,577.44

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

Seattle Public Schools No. 001

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

For the Year Ended August 31, 2023

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	206,652,702.85	5,399,036.04	33,389.19	353,326,268.69	0.00		565,411,396.77
State	702,781,502.93		0.00	13,453,200.02	0.00		716,234,702.95
Federal	77,610,299.76		0.00	1,077,042.97	0.00		78,687,342.73
Other	40,418,921.24			0.00	0.00	0.00	40,418,921.24
TOTAL REVENUES	1,027,463,426.78	5,399,036.04	33,389.19	367,856,511.68	0.00	0.00	1,400,752,363.69
EXPENDITURES:							
CURRENT:							
Regular Instruction	496,355,209.01						496,355,209.01
Special Education	211,456,691.88						211,456,691.88
Vocational Education	20,578,152.68						20,578,152.68
Skill Center	1,456,416.17						1,456,416.17
Compensatory Programs	86,338,056.59						86,338,056.59
Other Instructional Programs	48,249,016.72						48,249,016.72
Federal Stimulus COVID-19	21,934,150.94						21,934,150.94
Community Services	1,840,828.62						1,840,828.62
Support Services	226,594,376.43						226,594,376.43
Student Activities/Other		5,224,529.59				0.00	5,224,529.59
CAPITAL OUTLAY:							
Sites				0.00			0.00
Building				264,681,445.04			264,681,445.04
Equipment				5,655,316.46			5,655,316.46
Instructional Technology				26,120,170.46			26,120,170.46
Energy				0.00	0.00		0.00
Transportation Equipment					0.00		0.00
Sales and Lease							0.00
Other	8,563,578.92						8,563,578.92
DEBT SERVICE:							
Principal	738,836.73		2,691,000.00	336,150.91	0.00		3,765,987.64

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

Seattle Public Schools No. 001

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

For the Year Ended August 31, 2023

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Interest and Other Charges	109,634.77		169,345.55	9,284.21	0.00		288,264.53
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	1,124,214,949.46	5,224,529.59	2,860,345.55	296,802,367.08	0.00	0.00	1,429,102,191.68
REVENUES OVER (UNDER) EXPENDITURES	-96,751,522.68	174,506.45	-2,826,956.36	71,054,144.60	0.00	0.00	-28,349,827.99
OTHER FINANCING SOURCES (USES) :							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	10,794,859.64			1,791,586.28	0.00		12,586,445.92
Transfers In	44,274,706.44		2,860,345.55	0.00	0.00		47,135,051.99
Transfers Out (GL 536)	0.00		0.00	-47,135,051.99	0.00	0.00	-47,135,051.99
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	76,944.22		0.00	76,500.00	0.00		153,444.22
TOTAL OTHER FINANCING SOURCES (USES)	55,146,510.30		2,860,345.55	-45,266,965.71	0.00	0.00	12,739,890.14
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-41,605,012.38	174,506.45	33,389.19	25,787,178.89	0.00	0.00	-15,609,937.85
BEGINNING TOTAL FUND BALANCE	175,784,388.34	3,397,491.17	1,409,382.96	285,215,692.32	0.00	0.00	465,806,954.79
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	134,179,375.96	3,571,997.62	1,442,772.15	311,002,871.21	0.00	0.00	450,197,016.94

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

Seattle Public Schools No. 001

Statement of Fiduciary Net Position

August 31, 2023

	Custodial Funds	Private Purpose Trust
ASSETS:		
Imprest Cash	0.00	4,000.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	0.00	2,299,810.97
Minus Warrants Outstanding	0.00	-14,500.00
Due From Other Governmental Units	0.00	1,100.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	6,502.31
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
TOTAL ASSETS	0.00	2,296,913.28
LIABILITIES:		
Accounts Payable	0.00	850.00
Due To Other Governmental Units	0.00	0.00
TOTAL LIABILITIES	0.00	850.00
NET POSITION:		
Restricted for:		
Restricted For Intact Trust Principal	0.00	374,500.00
Restricted for Individuals, Organizations, and Other Governments - CF	0.00	
Restricted for Individuals, Organizations, and Other Governments - PPT		1,921,563.28
Restricted For Other Purposes	0.00	0.00
TOTAL NET POSITION	0.00	2,296,063.28

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

Seattle Public Schools No. 001

Statement of Changes in Fiduciary Net Position

For the Year Ended August 31, 2023

	Custodial Funds	Private Purpose Trust
ADDITIONS:		
Contributions:		
Private Donations	0.00	106,085.47
Employer		0.00
Members		0.00
Other	0.00	0.00
TOTAL CONTRIBUTIONS	0.00	106,085.47
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	0.00	55,369.29
Less Investment Expenses	0.00	0.00
Net Investment Income	0.00	55,369.29
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	0.00	161,454.76
DEDUCTIONS:		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	0.00	
Other	0.00	171,012.25
TOTAL DEDUCTIONS	0.00	171,012.25
Net Increase (Decrease)	0.00	-9,557.49
Net Position - Beginning Balance	0.00	2,305,620.77
Prior Year(s) Corrections or Restatements	0.00	0.00
NET POSITION--ENDING	0.00	2,296,063.28

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

Seattle School District #1
Notes to the Financial Statements
September 1, 2022 through August 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Seattle School District #1 (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.

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

For the fiscal year, the District only has a single Fiduciary Fund, a Private-Purpose Trust Fund.

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.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the

amount of the transaction can be readily determined. Revenues are considered “available” when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end. Categorical program claims and interdistrict billings are measurable and available and are, therefore, 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.

District 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.

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, Deputy Superintendent and the Assistant Superintendent for Business and Finance are the only persons who have the authority to approve 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 in 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 (or payables) reflect current financial resources (obligations) that are expected to be collected (paid) within one year.

Inventory

Inventory is valued at cost using the weighted average 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.

Capitalization Threshold for Leases and Subscription-Based Information Technology Arrangements (SBITAs)

The District follows the modified accrual basis of accounting in its treatment of leases and SBITAs. Agreements are evaluated regarding the lease term, payments, and discount rates as well as materiality to the District's financial position. The District's capitalization threshold for recognition of leases and SBITA's is \$100,000. Arrangements that are considered short term or do not meet capitalization thresholds are treated as revenues and expenditures in the current year.

Accounting and Reporting Changes

Subscription-Based Information Technology Arrangements (SBITAs)

For the year ended August 31, 2023, the district implemented guidance for the presentation and disclosures of SBITAs, as required by the School District Accounting Manual. These changes were in response to the provisions of GASB Statement No. 96.

As a result, the impact to the district of the adoption of the new lease requirements includes:

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

Information regarding the District's SBITAs are presented in the Note 6 – Subscription Based Information Technology Arrangements, as applicable.

NOTE 2: DEPOSITS AND INVESTMENTS

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

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

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

- Certificates, notes, or bonds of the United States, its agencies, or any corporation wholly owned by the government of the United States,

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

The District's participation in the King County Investment Pool is voluntary and the pool is not rated by a nationally recognized statistical rating organization (NRSRO). The fair value of the district's investment in the pool is measured using a net asset value (NAV) as determined by the pool. The pool maintains an average effective duration of 0.64 years on August 31, 2023.

The District's investments as of August 31, 2023, are as follows:

Type of Investment	Fund	Carrying Amount	Fair Value
County Treasurer's Investment Pool			
	General	\$167,192,718	\$164,573,282
	Capital Projects	\$395,499,969	\$389,372,827
	Debt Service	\$1,438,724	\$1,401,116
	Associated Student Body	\$3,853,433	\$3,847,838
	Private Purpose Trust	\$2,303,231	\$2,299,811
Total		\$570,288,076	\$561,494,875

NOTE 3: 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, 2023				
	Total Pension Liability	Plan fiduciary net position	Participating employers' net pension liability	Plan fiduciary net position as a percentage of the total pension liability
PERS 1	\$11,508,253,000	\$9,225,521,000	\$2,282,732,000	80.16%
SERS 2/3	9,283,864,000	9,427,008,000	(143,144,000)	101.54%
TRS 1	8,491,576,000	7,225,059,000	1,266,517,000	85.09%
TRS 2/3	24,937,867,000	25,060,682,000	(122,815,000)	100.49%

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 Comprehensive Financial Report](#) or <http://www.drs.wa.gov>.

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, 2023, was as follows:

Plan	Retirees and Beneficiaries Receiving Benefits	Inactive Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members
PERS 1	39,461	147	509
SERS 2	14,574	7,467	36,946
SERS 3	15,131	10,099	30,532
TRS 1	28,636	49	81
TRS 2	7,396	3,853	29,068
TRS 3	20,870	8,967	52,794

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 Chapters 41.32 and 41.34 RCW. TRS eligibility for membership requires service as a certificated, public-school employee working in an instructional, administrative, or supervisory capacity. 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 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 a single plan for accounting purposes.

TRS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are calculated using 2% of the member's Average Final Compensation (AFC) times the member's years of service – up to a maximum of 60%. TRS 1 members were vested after the completion of five years of eligible service; divided by twelve. AFC is the average of the member's two consecutive highest-paid fiscal years.

Members are eligible for retirement at any age after 30 years of service, 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).

TRS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits for Plan 2 are calculated using 2% of the member's Average Final Compensation (AFC) times the member's years of service. Retirement defined benefits for Plan 3 are calculated using 1% of AFC times the member's years of service. AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. TRS Plan 2/3 has no cap on years of service credit.

Members are eligible for retirement with a full benefit at age 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 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

Other TRS Plan 2/3 benefits include a Cost-of-Living Adjustment (COLA) based on the Consumer Price Index, capped at 3% annually.

Annuities purchased with plan 3 defined contributions that are invested within the WSIB TAP are considered defined benefits. Plan 3 WSIB TAP annuities are actuarially reduced if a survivor benefit is chosen and TAP annuities include a COLA of 3% annually.

TRS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contribution upon separation. Members have multiple withdrawal options, including purchase of an annuity.

PERS Plan Information

PERS was established in 1947, and its retirement benefit provisions are contained in Chapters 41.34 and 41.40 RCW. PERS is a cost-sharing, multiple-employer retirement system. PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% times the member's Average Final Compensation (AFC) times the member's years of services. 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.

PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from inactive status before age 65 may also receive actuarially reduced benefits. 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 Chapters 41.34 and 41.35 RCW. SERS members include classified employees of school districts and educational service districts.

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 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 a single plan for accounting purposes.

SERS provides retirement, disability, and death benefits. Retirement benefits for Plan 2 are calculated as 2% times the member's Average Final Compensation (AFC) times the

member's years of service. Defined benefits for Plan 3 are calculated using 1% times the member's AFC times the member's years of service. AFC is the monthly average of the member's 60 consecutive highest-paid service credit months.

Members are eligible for retirement with a full benefit at age 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 Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen.

Other SERS Plan 2/3 benefits include a Cost-of-Living Adjustment (COLA) based on the Consumer Price Index, capped at 3% annually. Other benefits include duty and non-duty disability payments and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

SERS 3 defined contributions benefits are totally dependent on employee contributions and the investment earnings on those contributions. Annuities purchased with plan 3 defined contributions that are invested within the WSIB TAP are considered defined benefits. Plan 3 WSIB TAP annuities are actuarially reduced if a survivor benefit is chosen and TAP annuities include a 3% annually.

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 state statute in accordance with Chapters 41.40 and 41.45 RCW for PERS, Chapters 41.35 and 41.45 RCW for SERS, and Chapters 41.32 and 41.45 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, 2022. PERS contribution rates changed on July 1, 2023. The pension plan contribution rates (expressed as a percentage of covered payroll) for fiscal year 2023 are listed below:

	From this date	Through this date	Member rate	Employer rate	
PERS 1	7/1/2022	6/30/2023	6.00%	10.39%	
PERS 1	7/1/2023	8/31/2023	6.00%	9.39%	
SERS 2	9/1/2022	8/31/2023	7.76%	11.79%	
SERS 3	9/1/2022	8/31/2023	*	11.79%	**
TRS 1	9/1/2022	8/31/2023	6.00%	14.69%	
TRS 2	9/1/2022	8/31/2023	8.05%	14.69%	
TRS 3	9/1/2022	8/31/2023	*	14.69%	**
<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, 2023, the school district reported a total liability of \$93,294,321 for its proportionate shares of the individual plans' collective net pension liability and \$15,394,912 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, 2023 the district's proportionate share of each plan's net pension liability is reported below:

The district's proportionate share of each plan's net pension liability or asset is reported below:

June 30, 2023	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	\$7,380,820	\$14,889,202	\$29,220,584	\$36,671,221
Proportionate Share of the Net Pension Liability (Asset)	\$24,725,011	(\$8,739,089)	\$68,569,310	(\$6,555,823)

At June 30, 2023, the school district's percentage of the proportionate share of the collective net pension liability or asset was as follows and the change in the allocation percentage from the prior period is illustrated below:

Change in Proportionate Share	PERS 1	SERS 2/3	TRS 1	TRS 2/3

Current year proportionate share	1.083132%	6.105103%	5.414006%	5.419389%
Prior year proportionate share	1.223619%	6.496574%	5.607384%	5.552468%
Net difference percentage	-0.140487%	-0.391471%	-0.193377%	-0.133079%

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, 2022, with the results rolled forward to June 30, 2023, 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, 2022, 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 2022 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, 2023, are summarized in the following table:

TRS1, 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 long-term estimate of broad economic inflation consistent with their 2021 CMAs..

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members.

Based on the assumptions described in the DRS Certification Letter, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return, a 7.00% on pension plan investments was applied to determine the total pension liability or (asset).

Sensitivity of the Net Pension Liability (Asset)

The following table presents the Seattle 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 would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate. Amounts are calculated using the school district's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability or asset.

Sensitivity of the Net Pension Liability or Asset to Changes in the Discount Rate			
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
PERS 1	\$3,189,149,000	\$2,282,732,000	\$1,491,643,000
Allocation Percentage	1.083132%	1.083132%	1.083132%
Proportionate Share	\$34,542,708	\$24,725,011	\$16,156,470
SERS 2/3	\$1,168,408,000	(\$143,144,000)	(\$1,224,160,000)
Allocation Percentage	6.105103%	6.105103%	6.105103%
Proportionate Share	\$71,332,514	(\$8,739,089)	(\$74,736,231)
TRS 1	\$1,927,853,000	\$1,266,517,000	\$688,424,000

Allocation Percentage	5.414006%	5.414006%	5.414006%
Proportionate Share	\$104,374,082	\$68,569,310	\$37,271,319
TRS 2/3	\$3,965,509,000	(\$122,815,000)	(\$3,446,561,000)
Allocation Percentage	5.419389%	5.419389%	5.419389%
Proportionate Share	\$214,906,371	(\$6,655,823)	(\$186,782,558)

NOTE 4: 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 benefits 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 K–12 school districts and ESDs. The District’s retirees (approximately 3,227) 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, 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 2023:

Members not eligible for Medicare (or enrolled in Part A only)			
Descriptions	Type of Coverage		
	Employee	Employee & Spouse	Full Family
Kaiser Permanente NW Classic	\$841.77	\$1,678.60	\$2,306.22
Kaiser Permanente NW CDHP	\$700.40	\$1,394.80	\$1,870.59
Kaiser Permanente WA Classic	\$836.57	\$1,668.20	\$2,291.92
Kaiser Permanente WA CDHP	\$699.88	\$1,393.04	\$1,869.16
Kaiser Permanente WA Sound Choice	\$715.63	\$1,426.32	\$1,959.34
Kaiser Permanente WA Value	\$764.09	\$1,523.24	\$2,092.60
UMP Classic	\$805.36	\$1,605.78	\$2,206.10
UMP Select	\$729.13	\$1,453.32	\$1,996.46
UMP CDHP	\$704.42	\$1,402.12	\$1,881.65
UMP Plus-Puget Sound High Value Network	\$766.95	\$1,528.96	\$2,100.47
UMP Plus-UW Medicine Accountable Care Network	\$766.95	\$1,528.96	\$2,100.47

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

Members enrolled in Part A and B of Medicare			
Descriptions	Type of Coverage		
	Employee	Employee & Spouse¹	Full Family¹
Kaiser Permanente NW Senior Advantage	\$176.13	\$347.32	\$974.94
Kaiser Permanente WA Medicare Plan	\$174.59	\$344.24	N/A
Kaiser Permanente WA Classic	N/A	N/A	\$967.96
Kaiser Permanente WA Sound Choice	N/A	N/A	\$877.26
Kaiser Permanente WA Value	N/A	N/A	\$913.60
UMP Classic	\$438.34	\$871.74	\$1,472.06

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 the pay-as-you go financing.

The SEBB collects benefit premiums from all school district entities for covered employees. The premium includes a fee, established in state law. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees who elect to purchase their health care benefits through the state Health Care Authority PEBB plan. This amount is set forth

in the state’s operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

For the fiscal year 2022-23 the Seattle School District paid \$103,267,220 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. Accordingly, these amounts are not shown on the financial statements.

For further information on the results of the actuarial valuation of the employer provided subsidies associates 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 5: LEASES

For the year ended August 31, 2023, 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.

District as Lessee

The District has several long term leases for the facilities used for the Center School and Interagency; warehouse for capital programs, and a copier lease. Significant leasehold improvements were made prior to the commencement of the Center School and Interagency lease.

Total future minimum lease payments for all leases are \$4,192,143 and the future payment liabilities are as follows:

Year Ending August 31	Principal	Interest	Total
2024	471,552.42	9,184.14	\$480,737
2025	474,195.27	6,541.29	\$480,737
2026	454,297.43	3,888.89	\$458,186
2027	942,042.00	63,335.12	\$1,005,377
2028	115,011.06	133.98	\$115,145
2029-2033	720,314.49	44,739.51	\$765,054
2034-2037	862,527.40	\$24,380	\$886,907
Total	\$4,039,940	\$152,203	\$4,192,143

District as Lessor

The District leases out buildings not used by the District. Long term leases include buildings used for Interlake Center, Jefferson Square, Oaktree Village, West Queen Anne condominiums, and Lake City office building. The lease for Jefferson Square can have a variable payment based on property revenue performance. The lease for Interlake can have a variable payment based on cash flow performance. The District also leases out office space on month-to-month leases. Current long term leases have termination dates ranging from 12/1/2024 to 8/1/2085.

Lease income for the fiscal year ended August 31, 2023 is detailed below:

For the Year Ending August 31,	Lease Income	Additional Income
Interlake Center	\$ 93,168	
Jefferson Square	\$ 180,699	\$ 24,505
Oaktree Village	\$ 350,000	
West Queen Anne	\$ 199,066	
Lake City Office Building	\$ 592,841	
Totals	\$ 1,415,774	\$ 24,505

NOTE 6: SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAS)

For the year ended August 31, 2023, the district implemented guidance for the presentation and disclosures of SBITAs, as required by the School District Accounting Manual. These changes were in response to the provisions of GASB Statement No. 96.

The District has several Subscription based IT contracts used for Central Office Staff, Teachers, and schools to be used as learning tools for students.

Long Term subscription-based IT arrangements for the District:

Software	Start Date	Termination Date
Dell-Office 365	1/1/2023	12/31/2025
Ebuilder	2/1/2023	1/31/2026
Gateway/Savvas	9/1/2022	8/31/2025
K12 Insight Let's Talk	1/1/2022	12/31/2024
Powerschool	9/1/2022	8/31/2027
WORLD WIDE TECHNOLOGY, LLC	1/15/2023	1/15/2025

As of August 31, 2023, the principal and interest requirements to maturity are as follows:

Year Ending August 31	Principal	Interest	Total
2024	3,313,976.14	55,592.77	3,369,568.92
2025	2,326,514.01	37,066.95	2,363,580.97
2026	1,822,529.45	24,061.25	1,846,590.70
2027	1,210,301.19	13,872.93	1,224,174.12
2028	1,271,345.78	7,107.09	1,278,452.87
2029-2033	0	0	-
2034-2037	0	0	-
Total	9,944,667	137,701	10,082,368

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

NOTE 7: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The District adopted a Facilities Master Plan (the "Plan") in 1992 that provides direction for the strategic use of all District facilities through 2010 and is the basis for developing its capital improvement program. The Plan was updated in 2008 and again in 2021 expanding the period covered through 2026.

The Plan identifies facility requirements based on student enrollment and demographics, projected space requirements, community use, and a facilities inventory. Planning is accomplished through a community-based approach, including input from the City, community organizations, parents, and District staff, as well as consideration of requirements relating to historical and landmark buildings.

Since 1995, the District has obtained voter approval for a series of major capital levies, divided between two purposes, the Building Excellence Levies (BEX) and the Buildings, Technologies and Athletics Levies (BTA), to further the goals of the Plan. The BTA program focuses on deferred maintenance, code requirements, seismic upgrades, and modernization of athletic facilities, classroom technology and management information systems.

BEX Levies:

In February 2007, Seattle voters approved a six-year \$490 million BEX III Capital Bond (of which the Bonds are a portion), which will help pay for projects divided into three categories: Building Projects, Infrastructure Improvements, and Technology Improvements. The Building Projects component includes the renovations or replacement of seven school facilities and continues the District's long-range plan for renewing aging school buildings throughout the District. The Infrastructure Improvements component includes health and safety upgrades such as replacement or repair of plumbing to ensure drinking water quality, interior upgrades to improve indoor air quality, and replacement and renovation of athletic fields. The Technology Improvements component includes replacement of outdated classroom computers, expansion of a website that keeps families informed of student progress; and improvements to business and academic systems. This levy replaces an expiring capital levy.

The \$694.9 million Building Excellence IV (BEX IV) capital levy was approved by Seattle voters in February 2013. It supports the District's long-range plans to upgrade and renovate

aging school facilities and address enrollment growth. Since 1998, the BEX I, BEX II and BEX III voter approved levies have allowed the District to replace or renovate 37 buildings. BEX IV continues the work to replace or modernize district buildings, infrastructure and technology with previous levies. It has allowed the district to address earthquake and safety issues, capacity needs, building condition and infrastructure improvements, and major preventive maintenance needs throughout the school district. BEX IV projects were chosen based on four criteria as approved by the School Board: safety and security, capacity needs, building condition and maximizing flexibility for programs and services.

In February 2019, Seattle voters approved a six-year \$1.4 billion BEX V Capital levy to replace or modernize aging schools, add classroom space, improve safety and security, provide equitable classroom technology and support for student learning, and improve district systems and infrastructure. BEX V projects were chosen based on five criteria as approved by the School Board: safety and security, right size capacity, building conditions, environment/financial sustainability, and updating technology.

BTA Levies:

BTA III was approved by voters in February 2010. This is a six-year \$270M capital levy that provides funds for projects that will benefit every school in the district and to open five buildings to meet growing student enrollment. There are three components to the BTA III levy: Building Construction (\$140.5M), Academics (\$94.6M) and Technology (\$34.9M).

In February 2016, the voters of Seattle approved a six-year \$475.3 million BTA IV capital levy. BTA IV improves schools in every region of the city. There are three major components to the levy: Building (\$335.4 million), Technology (104.7 million) and Academics/Athletics (\$35.2 million).

In February 2022, the Seattle voters approved a six-year \$783 million BTA V capital levy to be collected from 2023 to 2028. There are three major components to the levy: Building (\$463.1 million), Technology (\$270 million) and Academics/Athletics (\$49.9 million). The levy proceeds will be used to fund student and staff computers, technology systems, and building repairs to maintain the health and safety of our schools. The approved levy replaces the expiring BTA IV levy.

Project	Project Authorized Amount	Accumulated Revenue to 8/31/23	Accumulated Expend. to 8/31/23
BEX III			
Building Construction	\$383,000,000		\$420,747,368
Infrastructure	26,000,000		16,857,942
Technology	42,000,000		41,958,412
BEX III Total	\$451,000,000	\$480,171,764	\$479,564,102
BTA III			
Building Construction	\$140,500,000		\$132,779,167
Academics	94,600,000		110,004,405
Technology	34,900,000		35,223,059
BTA III Total	\$270,000,000	\$291,228,013	\$278,006,631
BEX IV			
Building Construction	\$530,757,952		\$553,380,733

Infrastructure	110,379,960		92,988,799
Technology	53,800,000		53,293,549
BEX IV Total	\$694,937,912	\$737,373,480	\$703,743,587
BTA IV			
Building Construction	\$335,400,000		\$340,469,973
Academics	35,200,000		24,922,498
Technology	104,700,000		99,547,276
BTA IV Total	\$475,300,000	\$503,692,591	\$464,939,747
BEX V			
Building Construction	1,057,120,064		\$448,392,597
Infrastructure	191,181,936		109,875,870
Technology	151,698,000		94,289,199
BEX V Total	\$1,400,000,000	\$839,227,743	\$652,557,666
BTA V			
Building Construction	\$463,067,300		\$7,841,477
Academics	49,892,700		26,406,478
Technology	270,040,000		8,266,860
BTA V Total	\$783,000,000	\$52,835,413	\$42,514,815

NOTE 8: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$500 million per loss occurrence for fiscal year 2022-23. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

NOTE 9: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

General Obligation Bonds

Bonds payable at August 31, 2023, are comprised of the following individual issues:

Issue Name	Rates	Amount Authorized	9/1/22 Beg. Bal	Additions	Reductions	8/31/23 Balance
2020 Refunding Bonds	1.21%	\$20,621,000	\$15,341,000		\$2,691,000	\$12,650,000
Total		\$20,621,000	\$15,341,000		\$2,691,000	\$12,650,000

The following is a schedule of annual requirements to amortize debt at August 31, 2023:

Years Ending August 31	Principal	Interest	Total
2024	2,874,000	135,677	3,009,677
2025	3,059,000	99,783	3,158,783

2026	3,258,000	61,565	3,319,565
2027	3,459,000	20,927	3,479,927
Total	\$12,650,000	\$317,952	\$12,967,952

At August 31, 2023, the District had \$1,442,772 available in the Debt Service Fund to service the general obligation bonds.

NOTE 10: INTERFUND TRANSFERS

Interfund transfers consist of: 1) reimbursement due to the General Fund for salary, inventory issues, and work-order expenditures budgeted, and properly chargeable to other funds, recorded as reductions in expenditures to the General Fund, and expenditures in the reimbursing fund; 2) transfers to Debt Service Fund for debt payments and 3) other interfund transfers as authorized.

The following table depicts interfund transfer activity:

Fund	Transferred To (Fund) 965 9901	Transferred From (Fund) 535 or 536
General	\$44,274,706	
Debt Service	\$2,860,346	
Capital Projects		\$47,135,052
Total	\$47,135,052	\$47,135,052

NOTE 11: 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 is a member of the Washington Schools Risk Management Pool (WSRMP). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. WSRMP was formed in 1986 when educational service districts and school districts in the state of Washington joined by signing the Cooperative Risk Management Pool Account Agreement (Account Agreement) to pool their self-insured losses and jointly purchase insurance and administrative services. Over 90 school and educational service districts have joined WSRMP.

WSRMP allows members to jointly purchase insurance coverage, establish a plan of self-insurance, and provide related services, such as risk management. WSRMP provides the following coverages for its members: property, liability, vehicle, school board liability, crime, employment practices, errors and omissions, equipment breakdown, cyber security, crisis/active shooter coverage, and stop gap liability.

Members make an annual contribution to fund WSRMP. WSRMP purchases reinsurance and excess insurance from unrelated carriers subject to a per-occurrence self-insured retention of \$1

million for property risk \$2M for liability risk shared by WSRMP. Reinsurance or Excess carriers cover losses over the self-insured retention to the maximum limits of each Coverage Agreement. Since WSRMP is a cooperative program, there is a joint liability among the participating members.

Members contract to remain in WSRMP for a minimum of three years and must give notice three years before terminating participation. The Account Agreement is renewed automatically each year after the initial three-year period. Even after termination, a member is still responsible for their share of contributions to WSRMP for any unresolved, unreported, and in-process claims for the period in which they were a signatory to the Account Agreement.

WSRMP is fully funded by its member participants and is governed by a board of directors that consists of one designated representative from each participating member. An executive board is elected at the annual meeting and is responsible for overseeing the business affairs of WSRMP.

The district paid \$5,762,404 in premiums to WSRMP for insurance coverage from September 1, 2022 through August 31, 2023.

Self-Insurance

The District covers and reports its industrial insurance and unemployment compensation out of its General Fund. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not recorded.

Industrial Insurance

The District has been self-insured since July 1974. The District self-insures its industrial insurance claims, currently up to \$800,000 per single incident claim. Insurance is purchased for claims that exceed \$800,000.

The industrial insurance claims management has been assigned to CorVel. The following is a summary of activity:

	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
9/1/2022-8/31/2023	\$1,829,217	\$7,933,726	\$6,015,677	\$3,747,866
9/1/2021-8/31/2022	\$1,713,500	\$6,605,220	\$6,488,903	\$1,829,817

Unemployment Insurance

The District has been self-insured since July 2001 for unemployment benefits for all of its employees. Actual employee claims are paid by the Washington State Department of Employment Security, and then reimbursed by the District. At the end of FY 22-23, the ending liability balance was \$204,567. The following is a summary of activity:

	Beginning Liability (Receivable)	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability (Receivable)
9/1/2021-8/31/2022	\$(330,060)	\$735,749	\$283,679	\$122,010
9/1/2022-8/31/2023	\$122,010	\$822,090	\$739,533	\$204,567

At August 31, 2023, the amount of liabilities for industrial insurance and unemployment benefits totaled \$3,952,433. This liability is the District’s best estimate based on available information.

NOTE 12: PROPERTY TAXES

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

Tax Abatements

For tax year 2023, the City of Seattle entered into tax abatement agreements with property owners. However, tax levy rates were adjusted to ensure no incurrence of loss of total property tax collected.

The following are totals of abated taxes for each tax abatement type, pertaining to the Seattle School District for tax year 2023:

<u>Tax Abatement type</u>	<u>Amount</u>
Current Use	\$ 49,304
Historics	\$ 1,229,235
Home Improvement	\$ 16,475
Multi-Family Tax Exempt	\$ 260,247
Total	<u>\$ 1,555,262</u>

NOTE 13: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The District is a member of the King County Director’s Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts’ purchasing power. The board authorized joining the association by signing Articles of Agreement dated August 18, 1971 and has remained in the joint venture ever since. The District’s current equity of \$237,074 is the accumulation of the annual assignment of KCDA’s operating surplus based upon the percentage derived from KCDA’s total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

NOTE 14: FUND BALANCE CLASSIFICATION DETAILS

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

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund
Nonspendable Fund Balance				
Inventory and Prepaid Items	\$2,462,576			
Restricted Fund Balance				
From Bond Proceeds			\$607,656	
From State Proceeds			\$499,001	
For Fund Purposes		\$3,571,997		
For Carryover of Restricted Revenues	\$16,261,553			
For Debt Service				\$1,442,772
Committed Fund Balance				
For Economic Stabilization				
For Levy Proceeds			\$282,475,985	
For Other Purposes			\$16,711,294	
Assigned Fund Balance				
Other Capital Projects				
Other Purposes	\$115,455,247			
Fund Purposes			\$10,708,936	
Unassigned Fund Balance				

On August 19, 2015, the board of directors took action to commit a portion of the District's ending balance towards an economic stabilization account, requiring at least 3% of the District's total prior year operating expenditures be set aside. If the balance falls below the minimum level of 3%, a plan to replenish the fund will be developed. The amount of fund balance that has been set aside may only be used for that purpose unless specific action is taken by the board.

On May 10, 2023, the board of directors adopted resolution 2022/23-16 to authorize the use of the economic stabilization account as a part of the fiscal stabilization plan for the 2023-24 fiscal year. As a part of the resolution, the District has established a six year repayment plan to restore the economic stabilization account back to the minimum 3% threshold.

NOTE 15: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS

457 Plan – Deferred Compensation Plan

District employees have the option of participating in a deferred compensation plan as defined in §457 of the Internal Revenue Code that is administered by the state deferred compensation plan.

403(b) Plan – Tax Sheltered Annuity (TSA)

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under two types of deferrals: elective deferrals (employee contribution) and non-elective contribution (employer matching).

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

NOTE 16: TERMINATION BENEFITS

Compensated Absences

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

Under the provisions of RCW 28A.400.210, sick leave accumulated by District employees is reimbursed at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buyout of an amount up to the maximum annual accumulation of 12 days. For buyout purposes, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

These expenditures are recorded when paid, except termination sick leave that is accrued upon death, retirement, or upon termination provided the employee is at least 55 years of age and has sufficient years of service. Vested sick leave was computed using 25% of per diem value of all accumulated sick leave of the employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments, plus related Social Security and Medicare taxes.

Note 17: SUBSEQUENT EVENTS

COVID-19 Pandemic

In February 2020, Governor Inslee declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, canceling public events, limiting gathering sizes, and requiring people to stay home unless they were leaving for an essential function. On April 6, 2020, the Governor closed all public and private K–12 school buildings throughout the remainder of the 2019–20 school year through the 2020-21 school year. For 2021-22, in-person learning resumed with adjustments as needed. Parents continue to have an option for students to continue distance learning if they so choose.

The district has continued to experience the effects of decreased enrollment in the 2023-2024 school year due to the impact of Covid. The main impact of enrollment loss is a decrease in state funding. Federal ESSER funds awarded to the district have mitigated some of the COVID related spending the district has made to address the needs of students that have been

disproportionally impacted by the pandemic. These one-time federal relief funds will continue to be used through 2023-2024, when they will then expire.

The District expects continued enrollment decline in 2023-2024, 2024-2025 and 2025-2026. As such, the District plans to reduce expenditures and was given authorization to use the economic stabilization fund as plans for continued fiscal reductions continue in future years.

The District has experienced an unanticipated increase in unemployment compensation costs due to staff layoffs. Unemployment compensation cost are expected to increase \$582,655 during the 2023-2024 school year.

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

There has been no change on the negotiations for the Public Private Partnership between the City, School District, and One Roof Partnership related to the Memorial Stadium Project.

Seattle Public Schools No. 001
Schedule of Long-Term Liabilities

For the Year Ended August 31, 2023

Description	Beginning Outstanding Debt September 1, 2022	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2023	Amount Due Within One Year
Voted Debt					
Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt and Liabilities					
Non-Voted Bonds	15,341,000.00	0.00	2,691,000.00	12,650,000.00	2,874,000.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Leases	17,573,804.00	0.00	1,074,988.00	16,498,816.00	473,957.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	6,918,000.00	1,918,047.00	106,047.00	8,730,000.00	1,829,817.00
Compensated Absences	41,086,093.00	1,089,706.00	0.00	42,175,799.00	4,188,335.00
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
Other Liabilities					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities:					
Net Pension Liabilities TRS 1	106,642,902.00	0.00	38,073,592.00	68,569,310.00	
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	34,070,055.00	0.00	9,345,043.00	24,725,012.00	
Total Long-Term Liabilities	221,631,854.00	3,007,753.00	51,290,670.00	173,348,937.00	9,366,109.00

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

Seattle School District No. 1
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023

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 OSPI)	School Breakfast Program	10.553	619804	1,417,825	-	1,417,825	-	6
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	National School Lunch Program	10.555	6198	6,721,734	-	6,721,734	-	6
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	National School Lunch Program	10.555	619811	1,586,829	-	1,586,829	-	6
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	National School Lunch Program	10.555	6998	1,850,095	-	1,850,095	-	4
			Total ALN 10.555:	10,158,658	-	10,158,658	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Summer Food Service Program for Children	10.559	6198.03	31,214	-	31,214	-	6
			Total Child Nutrition Cluster:	11,607,697	-	11,607,697	-	
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	15,017	-	15,017	-	6
			Total Forest Service Schools and Roads Cluster:	15,017	-	15,017	-	
FEDERAL COMMUNICATIONS COMMISSION, FEDERAL COMMUNICATIONS COMMISSION	COVID 19 - Emergency Connectivity Fund Program	32.009		-	1,077,043	1,077,043	-	
NATIONAL ENDOWMENT FOR THE ARTS, NATIONAL ENDOWMENT FOR THE ARTS	Promotion of the Arts Grants to Organizations and Individuals	45.024		-	76,790	76,790	-	3

The accompanying notes are an integral part of this schedule.

Seattle School District No. 1
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023

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		
NATIONAL ENDOWMENT FOR THE ARTS, NATIONAL ENDOWMENT FOR THE ARTS	Promotion of the Arts Grants to Organizations and Individuals	45.024		-	9,354	9,354	-	3
Total ALN 45.024:				-	86,144	86,144	-	
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES, THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES (via Washington State Library)	Grants to States	45.310	PD23-068 LS- 252490-OLS-22	1,001	-	1,001	-	
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES, THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES (via Washington State Library)	Grants to States	45.310	PD23-067 LS- 252490-OLS-22	652	-	652	-	
Total ALN 45.310:				1,653	-	1,653	-	
NATIONAL SCIENCE FOUNDATION, NATIONAL SCIENCE FOUNDATION (via University of Washington)	STEM Education (formerly Education and Human Resources)	47.076	BPO 25149 UWSC9883 (NSF Award # DRL1720578)	(1,716)	-	(1,716)	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	FPG-2035	11,885,900	-	11,885,900	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	FPG-2041	58,512	-	58,512	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	GR0271502	25,320	-	25,320	-	

The accompanying notes are an integral part of this schedule.

**Seattle School District No. 1
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	GR0270353	75,855	-	75,855	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	GR0270608	2,250	-	2,250	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	GR0271101	24,829	-	24,829	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	GR0270948	(7,377)	-	(7,377)	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	GR0271102	28,703	-	28,703	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	GR0270364	56,867	-	56,867	-	
			Total ALN 84.010:	12,150,859	-	12,150,859	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Migrant Education State Grant Program	84.011	GR0282583	(13,424)	-	(13,424)	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Migrant Education State Grant Program	84.011	FPG-2040	121,465	-	121,465	-	

The accompanying notes are an integral part of this schedule.

Seattle School District No. 1
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Migrant Education State Grant Program	84.011	Interlocal Agreement 20230658	5,001	-	5,001	-	
			Total ALN 84.011:	113,042	-	113,042	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	FPG-2041	475,492	-	475,492	-	
Special Education Cluster (IDEA)								
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	Special Education Grants to States	84.027	GR0307780	11,711,576	-	11,711,576	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	Special Education Grants to States	84.027	GT--00630	1,586,995	-	1,586,995	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	COVID-19 Special Education Grants to States	84.027	GR0312285	2,850,028	-	2,850,028	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	COVID-19 Special Education Grants to States	84.027	GR0371299	150,814	-	150,814	-	
			Total ALN 84.027:	16,299,413	-	16,299,413	-	

The accompanying notes are an integral part of this schedule.

**Seattle School District No. 1
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023**

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 OSPI)	Special Education Preschool Grants	84.173	GR0367171	285,017	-	285,017	-	
Total Special Education Cluster (IDEA):				16,584,430	-	16,584,430	-	
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via OSPI)	Career and Technical Education -- Basic Grants to States	84.048	GR0176022	(1,706)	-	(1,706)	-	
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via OSPI)	Career and Technical Education -- Basic Grants to States	84.048	GR0176163	333,326	-	333,326	-	
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via OSPI)	Career and Technical Education -- Basic Grants to States	84.048	GR0176223	20,026	-	20,026	-	
Total ALN 84.048:				351,646	-	351,646	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	Indian Education Grants to Local Educational Agencies	84.060		-	148,497	148,497	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	Indian Education Grants to Local Educational Agencies	84.060		-	1	1	-	
Total ALN 84.060:				-	148,498	148,498	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	School Safety National Activities	84.184		-	776,016	776,016	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Education for Homeless Children and Youth	84.196	GR0457586	67,838	-	67,838	-	

The accompanying notes are an integral part of this schedule.

**Seattle School District No. 1
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	English Language Acquisition State Grants	84.365	FPG-1496	870,593	-	870,593	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	FPG-1498	1,377,282	-	1,377,282	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	Student Support and Academic Enrichment Program	84.424	FPG-1248	1,808,891	-	1,808,891	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D 619813	216,939	-	216,939	-	6
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D 619814	1,009,171	-	1,009,171	-	6
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D 619815	21,787	-	21,787	-	6
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U GR0138054	11,923,684	-	11,923,684	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U GR0137091	6,729,358	-	6,729,358	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425W GR0459599	280,207	-	280,207	-	

The accompanying notes are an integral part of this schedule.

Seattle School District No. 1
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023

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 OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U GR0140045	91,240	-	91,240	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U GR0140046	27,865	-	27,865	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U GR0140669	57,259	-	57,259	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D GR0143117	30,923	-	30,923	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D GR0135908	1,211	-	1,211	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D GR0142223	15,947	-	15,947	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D GR0144553	9,263	-	9,263	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D GR0145021	9,540	-	9,540	-	
			Total ALN 84.425:	20,424,394	-	20,424,394	-	

CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079		-	503,585	503,585	-	
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The accompanying notes are an integral part of this schedule.

**Seattle School District No. 1
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023**

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		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Substance Abuse and Mental Health Services Administration Center for Mental Health Services)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	23SM87482A (1H79SM08748 2-01)	42,375	-	42,375	-	
CDC NATIONAL CENTER FOR CHRONIC DISEASE PREVENTION AND HEALTH PROMOTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Drug-Free Communities Support Program Grants	93.276		-	123,134	123,134	-	3
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via SOWA (School Out of WA- YMCA))	Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	DocuSign Envelope ID: 17D573DB-F749-4013-BA1A-D1018AD59722	35,957	-	35,957	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via OSPI)	Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	GR0900214	6,077	-	6,077	-	
Head Start Cluster	Head Start	93.600		-	1,155,535	1,155,535	-	3
Total ALN 93.566:				42,034	-	42,034	-	

The accompanying notes are an integral part of this schedule.

**Seattle School District No. 1
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	-	-	4,853,320	4,853,320	-	3
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600	-	278,746	278,746	278,746	-	3
Total Head Start Cluster:				-	6,287,601	6,287,601	-	
Medicaid Cluster								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via HCA)	Medical Assistance Program	93.778	N/A	102,521	-	102,521	-	6
Total Medicaid Cluster:				102,521	-	102,521	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via King County -Behavioral Health and Recovery Division)	Opioid STR	93.788	Contract# 6277321	48,075	-	48,075	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via King County -Behavioral Health and Recovery Division)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	Contract# 6277321	301,445	-	301,445	-	

The accompanying notes are an integral part of this schedule.

**Seattle School District No. 1
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023**

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		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via King County-DCHS/Behavioral Health and Recovery Division)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	Contract# 6277321	52,933	-	52,933	-	
Total ALN 93.959:				354,378	-	354,378	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via OSPI)	Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	93.981	GR0930623	13,851	-	13,851	-	
Total Federal Awards Expended:				66,450,352	9,002,021	75,452,373	-	

The accompanying notes are an integral part of this schedule.

Seattle Public Schools District

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023**

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the Seattle School District's financial statements. The Seattle 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 – Indirect Cost Rate

The Seattle School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The Seattle School District's used the following Federal Restricted and Unrestricted Rates:

Fiscal Year	Restricted Rates	Unrestricted Rates
FY 2021/2022	5.27%	12.02%
FY 2022/2023	4.66%	9.06%
FY 2023/2024	3.44%	14.33%

Note 3 – Program Costs/Matching Contributions

The amounts shown as current year expenses represent only the federal award portion of the program costs. Entire program costs, including the Seattle 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 – Noncash Awards-Food Commodities

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

Note 5 – Schoolwide Program

The district operates a "schoolwide program" in 36 buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts (direct expenditures) were expended by Seattle School District in its schoolwide programs:

Title I Grants to Local Educational Agencies	84.010	\$	5,149,402.22
Total		\$	5,149,402.22

Note 6 – 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.



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

**Seattle School District No. 1
September 1, 2022 through August 31, 2023**

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).

<p>Finding ref number: 2023-001</p>	<p>Finding caption: The District did not have adequate internal controls for ensuring compliance with allowable activities and costs, equipment, and restricted purpose requirements.</p>
<p>Name, address, and telephone of District contact person: Kristy Magyar, Accounting Director 2445 3rd Avenue S. Seattle WA 98104 (206) 252-0274</p>	
<p>Corrective action the auditee plans to take in response to the finding: <i>The District does not concur with the audit finding or the \$858,725 of questioned costs. This finding is the same as reported in the 21/22 audit. The District still contends that the costs were allowable. The issues regarding internal controls and reporting were not brought to the District's attention until 10 months into the 22/23 audit period, leaving no time for discussion or changes in interpretation and process.</i> <i>The audit's condition states that our internal controls were ineffective for ensuring we requested reimbursement only for students and staff with a documented unmet need and that our internal controls were ineffective for demonstrating per location and per user limitations. Based on guidance from the Federal Communications Commission (excerpted below), the District contends we have spent all funds for allowable costs, that those costs were reasonable and necessary, and for students and staff with unmet needs.</i> <i>Districts were able to determine whether students and staff had unmet needs. For our district this meant addressing instances where students may have shared a home device with other siblings; student or staff devices were too old or slow to function properly when running multiple required applications; and / or student owned devices did not have the appropriate</i></p>	

security in place to protect students during remote learning (especially from unauthorized websites). Home drives, where all educational digital resources were stored, couldn't be accessed unless using a district issued device. Additionally, the district's technical support could not access personally owned devices to provide for thousands of trouble tickets and support issues students faced during remote learning.

Based on these factors, unmet need was defined broadly, but within allowed parameters and inventory records were kept, albeit, not perfectly.

Devices for remote learning could also be used at school. During the pandemic in Washington State we experienced times when classrooms, schools and or districts were closed by the health department and state regulations because of outbreaks. Districts had to be prepared to support remote learning each day with constantly changing guidance on who was allowed to be in person.

Seattle Public Schools followed guidance from the Federal Communications Commission outlined in a document titled: . "Emergency Connectivity Fund Common Misconceptions", "Misconception #2: If schools have returned to in-class instruction for the upcoming school year, they are not eligible to participate.

Answer: This is false. Equipment and services provided to students or school staff who would otherwise lack sufficient access to connected devices, and/or broadband internet access connection while off campus is eligible for Emergency Connectivity Fund Support."

Additionally, from the Federal Communications Commission Order FCC-CIRC21-93-043021, question 77: "We think schools are in the best position to determine whether their students and staff have devices and broadband services sufficient to meet their remote learning needs, and we recognize that they are making such decisions in the midst of a pandemic. We, therefore, will not impose any specific metrics or process requirements on those determinations." And from question 51: "...we are sensitive to the need to provide some flexibility during this uncertain time. If those connected devices were purchased for the purpose of providing students...with devices for off-campus use consistent with the rules we adopt today, we will not prohibit such on-campus use."

Finally, SAO did not apply any reasonable measure to reduce questioned costs but did state they know that at least some of the equipment addressed unmet needs, while still choosing to question all costs. That is clearly out of alignment with the FCC guidance.

There are no corrective actions to take at this time as the funding source has been exhausted and the timeline has passed.

Anticipated date to complete the corrective action: N/A

ABOUT THE STATE AUDITOR'S OFFICE

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