Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Everett School District No. 2

(Everett Public Schools)

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

Published May 28, 2024

Report No. 1034953

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Office of the Washington State Auditor
Pat McCarthy

May 28, 2024

Board of Directors
Everett Public Schools
Everett, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Everett Public Schools'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

Pat McCarthy, State Auditor

Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Everett Public Schools
September 1, 2022 through August 31, 2023

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of Everett Public Schools 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 basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

ALN	Program or Cluster Title
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
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 $948,407.

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

Everett Public Schools
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 and restricted purpose requirements.

Assistance Listing Number and Title:	32.009, COVID-19 – Emergency Connectivity Fund Program
Federal Agency Name:	Federal Communications Commission
Federal Award/Contract Number:	ECF222117594, ECF202111877
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Known Questioned Cost Amount:	$3,513,600
Prior Year Audit Finding:	Yes, 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 $3,550,458 in ECF Program funds to purchase laptops and Wi-Fi hotspots for students.

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

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).

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.

Description of Condition

Allowable activities and costs/restricted purpose – unmet need

The District estimated unmet need for eligible equipment when it applied for ECF Program funds. However, our audit found the District's internal controls were ineffective for ensuring it documented the determination of actual unmet need and only requested reimbursement for equipment provided to students. Specifically, the District purchased laptops, based on its estimate of unmet need, and it requested reimbursement for these purchases totaling $3,513,600. However, the District did not maintain documentation showing it provided each laptop paid with program funds to a student or employee with unmet need.

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

Cause of Condition

Allowable activities and costs/restricted purpose – unmet need

As communicated in the prior audit finding, the District staff said they 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 laptops 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.

Effect of Condition and Questioned Costs

Allowable activities and costs/restricted purpose – unmet need

Because the District did not have documentation supporting whether it provided eligible equipment 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 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 are unsupported. Since we do not have a reasonable basis for estimating how much of the District's expenditures are allowable, we are questioning all unsupported costs.

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

Recommendation

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

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

District's Response

The district does not concur with the audit finding or the $3.5 million of questioned costs. A component of the Emergency Connectivity Fund (ECF) program is to seek support for eligible equipment provided to students and school staff who would otherwise lack access to connected devices sufficient to engage in remote learning. When it comes to making this determination of unmet need, the Federal Communications Commission (FCC) explains that any survey information provided with the application will be sufficient enough to determine unmet need at the time of reimbursement.

Being forced into an unprecedented educational landscape amid a pandemic necessitated an expansive adoption of remote learning with a variety of challenges. Indeed, our district had the first confirmed student case of COVID-19 in the United States. These complexities unearthed many reasons why district-issued devices are the only devices truly sufficient to face the new educational challenges of attempting to provide a free, appropriate public education during a global health crisis. These reasons include: consistent access to curriculum and supplemental resources through district licenses; providing access to accessibility tools not available to deploy on personal devices; web filtering of malicious content threatening student accounts off-campus and to meet e-Rate filtering requirements; content monitoring for timely intervention and support of students' social and *emotional health which was significantly impacted by the pandemic; the ability to automatically authenticate student accounts for Zoom; the ability to conduct state required testing not allowed on personal devices; and the ability for technology staff to provide direct technical support through remote access. While the District was attempting to ensure all students had adequate support for learning activities amid a global health crisis, the district determined that students needed district devices and therefore had sufficient unmet need to justify providing 8,000 devices. The district firmly stands by those determinations.*

In its review of the district's claim made in May 2023, the Washington State Auditor's Office (SAO) finds that the district did not retain specific enough documentation at the time of reimbursement to meet their interpretations of the FCC requirements regarding unmet need. However, the district assessed unmet need based on the fact that our devices were no longer sufficient for students to engage in remote learning per the FCC FAQ 6.16 and the initial assessment would not change at the time of request of reimbursement. The district retained the assessment documentation of our rationale as to how the devices met the standards of the FCC and provided the SAO with this information. As such, the district maintains that it met all the requirements. Therefore, we disagree with the Auditor's position regarding the narrowness of acceptable actions and processes relating to unmet need determinations.

The funding and assistance to meet student needs during the pandemic was essential and necessary in all respects. The district did not take lightly our obligation to follow the established rules and guidance available to us. Based on the information outlined above, we feel strongly that we have fully accomplished that obligation. We have accounted for all our devices and have fulfilled the responsibility of determining the unmet needs of our students. We therefore do not believe that any of the $3.5 million in costs is in question.

Auditor's Remarks

We value our partnership with the District in striving for transparency in public service. 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. SAO continues to advocate for clear, timely guidance from federal agencies.

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.

EVERETT PUBLIC SCHOOLS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Everett Public Schools
September 1, 2022 through August 31, 2023

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

<table>
<tr><td>Audit Period:
9/1/2021 – 8/31/2022</td><td>Report Ref. No.:
1032829</td><td>Finding Ref. No.:
2022-001</td><td>Assistance Listing Number(s):
32.009</td></tr>
<tr><td colspan="2">Federal Program Name and Granting Agency:
COVID-19 – Emergency Connectivity Fund Program – Federal Communications Commission</td><td colspan="2">Pass-Through Agency Name:
N/A</td></tr>
<tr><td colspan="4">Finding Caption:
The district did not have adequate internal controls for ensuring compliance with allowable activities and costs, procurement, and restricted purpose requirements.</td></tr>
<tr><td colspan="4">Background:
The district purchased $1,980,574 in laptops and Wi-Fi hotspots based on its estimate of unmet need. However, when the district requested grant reimbursement, it did not maintain documentation showing the district provided each laptop paid with program funds to a student and staff member with unmet need and only provided each student and staff member with one device or connection. Lastly, the District could not demonstrate it followed state law and its own policy when procuring equipment and services that was/were charged to the ECF program.
As a result, the district was unable to demonstrate compliance with program requirements.</td></tr>
<tr><td colspan="4">Status of Corrective Action: (check one)
☐ Fully Corrected   ☐ Partially Corrected   ☒ Not Corrected   ☐ Finding is considered no longer valid</td></tr>
<tr><td colspan="4">Corrective Action Taken:
The district does not concur with the audit finding or the $1.5 million of questioned costs.
According to FCC bulletin/order #21-58 we believe the district has met the inventory and audit requirements as outlined:
Determining Need:
• The district determined its need based on its inventory of devices supporting remote</td></tr>
</table>

learning and did not have enough RAM to have district and learning platforms to operating at the same time.

- *Students and staff need a District device for safety, installed software for instruction, technical support and equity as explained in above reasoning and attached mobile access for student laptop handbook.*

Track devices they distribute:

- *The district assigned devices to students based on class rosters*

Entity maintains inventory:

- *The district tracked inventory within Asset Panda and devices have a check-in check out system*
- *Lost/damaged/replaced items are tracked in Asset Panda*
- *Began receiving new 4,500 student devices Summer 2021*
- *Date(s) devices were in service-all devices received in 2021-22 school year*

Procurement

- *The district reviews all purchases within federal and state laws and regulation*

Anticipated date to complete the corrective action:

The district disagrees with the finding, and we are waiting for the results of the FCC's review before taking any corrective 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*

Everett Public Schools
September 1, 2022 through August 31, 2023

Board of Directors
Everett Public Schools
Everett, 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 the governmental activities, each major fund and the aggregate remaining fund information of Everett Public Schools, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 29, 2024.

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.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

February 29, 2024, except as to the Schedule of Expenditures of Federal Awards, for which the date is May 21, 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

Everett Public Schools
September 1, 2022 through August 31, 2023

Board of Directors
Everett Public Schools
Everett, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Adverse and Unmodified Opinions

We have audited the compliance of Everett Public Schools, 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 – COVID-19 – 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 allowable activities and costs, and restricted purposes special tests requirements. Compliance with such requirements is necessary, in our opinion for the District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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 21, 2024

Everett Public Schools
September 1, 2022 through August 31, 2023

Board of Directors
Everett Public Schools
Everett, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Everett Public Schools, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Everett Public Schools, as of August 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 Responsibilities 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
- 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. 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). This supplementary information is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 February 29, 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 the District's 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

February 29, 2024, except as to the Schedule of Expenditures of Federal Awards, for which the date is May 21, 2024

FINANCIAL SECTION

Everett Public Schools
September 1, 2022 through August 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2023

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2023
Statement of Activities – 2023
Fund Balance Sheets – Governmental Funds – 2023
Reconciliation Balance Sheet/Statement of Net Position – 2023
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2023
Reconciliation Statement of Revenues, Expenditures and Changes in Fund Balance - Statement of Activities – 2023
Statement of Net Position – Fiduciary Funds – 2023
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EVERETT PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

The discussion and analysis of the Everett Public Schools' (Everett School District No. 2) financial performance provides an overview of the district's financial activities for the fiscal year ended August 31, 2023. The intent of this discussion and analysis is to look at the district's financial performance as a whole. Readers should also consider the transmittal letter, financial statements, and notes to the basic financial statements to enhance their understanding of the district's financial performance.

FINANCIAL HIGHLIGHTS

- As of August 31, 2023, district net position from governmental activities was $406.8 million.
- During the year, the district revenues for all governmental funds were $6.2 million lower than the $434.4 million in expenses.
- The district's governmental funds reported combined ending fund balances of $85.3 million for the fiscal year.
- The General Fund's revenues and other financing sources (uses) were lower than expenditures by $7.2 million for the fiscal year.
- The General Fund's ending fund balance of $33.3 million was above the board's policy target of a minimum five percent of annual expenditures for total general fund balance.
- The district's total long-term bond debt outstanding was $88.8 million as of August 31, 2023.
- The average student enrollment increased by approximately 12 full time equivalent (FTE) students compared to the previous year.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Everett Public Schools as a financial whole, while also providing an increasingly detailed look at specific financial activities.

The "Statement of Net Position" and the "Statement of Activities" provide information about the activities of the district as a whole and present a longer-term view of the district's finances. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statement section shows the district's operations in more detail than the "government-wide" statements by providing information about the district's most significant funds, including its governmental funds, and fiduciary funds.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The analysis of the district as a whole in the *government-wide financial statement* section identifies how the district performed financially as well as whether the financial position has improved or diminished. The "Statement of Net Position" and the "Statement of Activities" include all assets, deferred outflows/inflows of resources, liabilities, revenues, and expenses of the district's governmental funds, using the accrual basis of accounting similar to the accounting method used by most private sector companies. All current year revenues and expenses are included regardless of when the cash was received or paid.

These two statements report the district's net position as well as any associated change in net position. One measure of the district's financial health is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which defines the net position. In addition, there are other measures which include non-financial factors such as changes in the district's student enrollment, property tax base, and condition of facilities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Governmental Funds -- The district's activities and services are reported in governmental funds. These statements provide a detailed short-term view of the most significant funds and not the district as a whole. They focus on the flow of money into and out of those funds and the balance available at the end of the year for future spending. The accounting method utilized is "modified accrual" which measures cash and all other financial assets that can easily be converted to cash. The governmental fund information presented allows the reader to determine whether there are more or fewer financial resources that can be used in the near future to finance district programs. The relationship (or differences) between governmental activities (Schedule 1 - Statement of Net Position and Schedule 2 - Statement of Activities) and governmental funds are shown in a reconciliation on Schedule 3A and Schedule 4A of the fund financial statements. Descriptions of the data listed in the columns of Schedule 3A and Schedule 4A are listed in the Notes to the Financial Statements, Note 2.

Fiduciary Funds -- These funds consist of private purpose trust funds which the district must use for the benefit of individuals, private organizations, scholarships, and other specific private purposes. The district is responsible for ensuring the assets reported in these funds are used for their intended purpose. Fiduciary fund activities are excluded from the district's financial statements as a whole because the district is not able to use these assets to finance its operations.

THE DISTRICT AS A WHOLE

This analysis focuses on the net position per Table 1 and the changes in net position per Table 2 from the district's governmental activities. The narrative will show that the district's financial position stayed constant over the period and the district has maintained a strong financial position.

As displayed in Table 1, the district's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $406.8 million at the end of the 2022-23 fiscal year. The ratio of liabilities and deferred inflows of resources to assets and deferred outflows of resources is 43.3 percent.

The value of the district's net investment in capital assets (i.e., land, buildings, and equipment) was $384.4 million. The net investment in capital assets is the historical cost of capital assets, net of accumulated depreciation, plus capital-related deferred outflows of resources, less capital-related borrowing (bonded debt incurred to acquire the capital assets) and deferred inflows of resources related to capital assets. This value represents the largest portion of net position. The substantial investment in capital assets represents the district's track record of building and modernizing schools in accordance with its long-term mission of providing quality education in state-of-the-art and updated facilities. These assets are not available for future spending and the debt associated with these assets, if any, will be paid from levied property taxes.

Total liabilities of $230.1 million have decreased as compared to the prior year by approximately $70.0 million. The decrease in liabilities is primarily due to a decrease in the long-term liabilities and pension liabilities.

Restricted net position total of $126.8 million are resources subject to external restrictions on how they may be used. They consist of funds that have constraints imposed by law through enabling legislation (Capital, Transportation Vehicle, and ASB Funds), externally imposed debt covenants (Debt Service Fund), externally imposed regulations, and external contractual impositions of grantors and regulations of other governments upon state and federal grant funds (Carryover Restricted Revenues for Education and Operations).

The unrestricted portion of net position is any portion not already classified as either net investment in capital assets or restricted. The unrestricted portion represents resources that may be considered available to finance normal district government activities without external constraints imposed by law through constitutional provisions or enabling legislation, laws and regulations of other governments, or constraints established by debt covenants. It is possible for a negative unrestricted net position to exist where liabilities, deferred inflows of resources, net investment in capital assets, and other restricted portions exceed assets and deferred inflows of resources.

Table 1 - Net Position

	2022-2023	2021-2022
Current and Other Assets	$ 151,891,370	$ 142,240,473
Net Pension Assets	5,071,303	9,009,380
Capital Assets	481,058,387	484,990,977
Total Assets	**638,021,060**	**636,240,830**
Deferred Outflow - Pensions	59,533,011	59,426,633
Deferred Outflow - OPEB	19,713,618	15,327,986
Deferred Loss on Refunding	-	60,773
Total Deferred Outflows of Resources	**79,246,629**	**74,815,392**
Long-Term Liabilities	219,649,186	291,031,292
Other Liabilities	10,463,024	9,120,463
Total Liabilities	**230,112,210**	**300,151,755**
Deferred Inflow - Pensions	23,510,162	41,265,441
Deferred Inflow - OPEB	56,277,648	12,455,538
Deferred Inflow - Leases	605,449	639,596
Total Deferred Inflows of Resources	**$ 80,393,259**	**$ 54,360,575**
NET POSITION		
Net Investment in Capital Assets	$ 384,356,794	$ 369,419,690
Restricted	126,837,117	102,037,807
Unrestricted	(104,431,691)	(114,913,605)
TOTAL NET POSITION	**$ 406,762,220**	**$ 356,543,892**

Governmental Activities

As Table 2 shows, revenues exceeded expenses for the 2022-23 year resulting in a $50.2 million increase in net position. Compared to the prior year, total revenues increased by $43.8 million, while overall expenses decreased by $7.1 million. Program revenues increased, including charges for services (increase of $3.0 million) and capital grants and contributions (increase of $4.4 million), offset by a decrease in operating grants and contributions (decrease of $6.5 million). General revenues increased, including property taxes (increase of $28.0 million), unallocated revenue (increase of $12.1 million), and an increase in interest and investments (increase of $2.6 million). Increases in charges for services are due to increase in food services revenues and tuition and fees. Decreases in operating grants and contributions are due to decrease in Elementary and Secondary School Emergency Relief (ESSER) revenues.
. Increases in capital grants and contributions are from an increase in emergency connectivity funds. Increases in unallocated revenue is from an increase in state apportionment revenues.

The overall decrease in program expenses is most evident in COVID-19 Emergency Relief Programs ($13.5 million decrease), support service ($2.6 million increase), special education ($1.8 million increase) and regular instruction (2 million increase), offset by interest payment on long term debt ($923 thousand decrease).

Table 2 - Changes in Net Position

	Governmental Activities	
	2022-2023	**2021-2022**
Program Revenues		
Charges for Services	$5,951,524	$2,906,473
Operating Grants and Contributions	106,512,755	112,964,004
Capital Grants and Contributions	4,648,576	248,407
General Revenues		
Property Taxes	117,144,271	89,105,756
Unallocated Revenue	204,174,949	192,082,637
Interest and Investments	3,081,652	456,331
TOTAL REVENUES	**$441,513,727**	**$397,763,608**
Program Expenses		
Regular Instruction	$219,263,307	$217,303,446
Special Education	53,128,066	51,304,006
Vocational Education	13,449,554	14,088,163
Compensatory Education	19,478,302	19,671,419
Other Instructional Programs	2,550,695	2,162,383
COVID-19 Emergency Relief Programs	7,839,701	21,363,933
Community Services	3,720,442	3,178,346
Support Services	67,058,178	64,458,115
Extracurricular Activities	1,968,854	1,108,358
Interest Payment on Long Term Debt	2,838,300	3,761,498
TOTAL EXPENSES	**$391,295,399**	**$398,399,667**
INCREASE (DECREASE) IN NET POSITION	**$50,218,328**	**($636,059)**
NET POSITION BEGINNING (9/1)	**356,543,892**	**357,179,951**
NET POSITION ENDING (8/31)	**$406,762,220**	**$356,543,892**

The district's largest programs include regular instruction, special education, vocational education, compensatory education, and support services. Table 3 represents the total costs of these areas as well as associated financial impacts demonstrated by their net cost. A positive net cost of services indicates the district must fund these costs with unallocated revenues such as property taxes, state apportionment, or investment earnings, or by use of fund balance from dollars received in a prior year. A negative net cost of services indicates that revenues shown in that program exceed expenses of the program for the period. The net cost of services shown below does not take into consideration indirect costs (such as maintenance, insurance, and support services).

Table 3 - Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2022-23	2021-22	2022-23	2021-22
Regular Instruction	$219,263,307	$217,303,446	$215,299,661	$216,932,494
Special Education	53,128,066	51,304,006	7,450,679	9,388,353
Vocational Education	13,449,554	14,088,163	13,191,846	13,887,336
Compensatory Education	19,478,302	19,671,419	(2,575,671)	(1,174,713)
Other Instructional Programs	2,550,695	2,162,383	(331,019)	(106,677)
COVID-19 Emergency Relief Programs	7,839,701	21,363,933	(879,440)	(1,371,340)
Community Services	3,720,442	3,178,346	(52,073)	275,396
Support Services	67,058,178	64,458,115	39,282,034	40,744,176
Extracurricular Activities	1,968,854	1,108,358	(41,773)	(55,740)
Interest Payment on Long-Term Debt	2,838,300	3,761,498	2,838,300	3,761,498
TOTALS	**$391,295,399**	**$398,399,667**	**$274,182,544**	**$282,280,783**

THE DISTRICT'S FUNDS

Information about the district's major funds begins with Financial Statements Schedule 3 and Schedule 4, which are prepared using the modified accrual basis of accounting. All governmental funds had total revenues of $428.2 million while expenditures totaled $434.4 million. Expenditures were $6.2 million more than revenues for the year.

The General Fund shows a decrease in fund balance of $2.2 million, ending the year with a total fund balance of $33.3 million, which is 8.8% percent of total expenditures and above the board's policy target of 5 percent. The unassigned fund balance was $24.3 million, or 6.4 percent of total expenditures. Total expenditures increased and were approximately $7.2 million more than revenues. The decreased fund balance is primarily due to increased expenditures associated with higher salaries, higher transportation costs, and supply costs.

The ASB Fund shows an increase in fund balance of $41 thousand. A minor increase or decrease in the ASB fund balance is expected given the fluctuations from year to year in student group activities and student fund raising efforts to support them. For example, specific clubs, such as band and choral, tend to raise significant funds over a two to three-year period to support a major national or international cultural trip.

The Debt Service Fund shows a decrease of $235 thousand. This decrease is on schedule with bond principal and interest payments and aligns with multi-year projections that track cash flow from debt service payments and property tax collections. The debt principal and interest payment due dates are timed to keep tax rates stable and meet the demands of the debt repayment schedule. This results in a fluctuation of fund balance across years, depending on the debt schedule and tax collections.

The Capital Projects Fund had a decrease in fund balance of $2.9 million reflecting the spending related to the issuance of the 2016 bonds. Another major funding source for the capital projects fund includes building repair and technology levy proceeds. This source of income aligns with project spending for upgraded technology and other small capital asset preservation projects.

Fund balance increased by $16 thousand in the Transportation Vehicle Fund. Revenues consist of the state's depreciation allocation designated for purchasing buses and a small amount of investment interest. Although the district contracts with an outside vendor to provide buses and pupil transportation, the district also maintains a small fleet of its own buses. Replacement buses are purchased as the fleet ages and as accumulated funds allow. The district purchased three electric buses during the 2022-23 fiscal year.

Table 4 shows the increase or decrease over prior years by major revenue source and by program expenditures. It is notable that local revenues make up 26.6 percent of total revenues, while the state funds approximately 65 percent of total revenues. Federal revenues and revenues from other entities comprise the remaining eight percent.

The total revenue increase of $29.4 million is primarily due to an increase of $21.7 million in state revenues, an increase of $19.4 million in local revenues, and a decrease in federal funds of $12.0 million. The increase in state revenues is due to apportionment funding that was impacted by increased enrollment, increased state funding allocation and more state transportation assistance funding. Local revenues were mainly impacted by higher tax revenues for capital projects and educational programs and operations. Federal revenues decreased primarily due to Elementary and Secondary School Emergency Relief (ESSER) funds.

Program expenditures have increased overall due to increases in regular instruction, capital outlay, special education, vocational education, and support services expenditures. These were partially offset by decreases in federal expenditures, and debt service expenditures. The overall increase in instructional programs reflects the district's continued priority of allocating resources to those areas. Support services expenditure increases are due to increased salaries, higher transportation, custodial, and other costs. The $14.3 million increase in capital outlay expenditures is driven by an increase in capital spending. The decrease in debt service expenditures is in line with scheduled bond payments.

Table 4 - Governmental Funds

Revenue Source	2022-2023 Amount	Percent of Total	2021-2022 Amount	Amount Increase (Decrease)	Percent Increase (Decrease)
Local Taxes & Non-Tax	$113,768,116	26.57%	$94,374,357	$19,393,759	20.55%
State Revenues	278,932,678	65.14%	257,279,828	21,652,850	8.42%
Federal Revenues	32,077,395	7.49%	44,075,461	(11,998,066)	-27.22%
Other Entities	3,428,780	0.80%	3,084,257	344,523	11.17%
TOTAL	**$428,206,969**	**100.00%**	**$398,813,903**	**$29,393,066**	**7.37%**
Expenditures					
Regular Instruction	$203,013,985	46.73%	$191,384,600	$11,629,385	6.08%
Special Education	54,956,807	12.65%	50,795,172	4,161,635	8.19%
Vocational Education	17,360,356	4.00%	13,715,668	3,644,688	26.57%
Compensatory Education	20,818,332	4.79%	19,686,752	1,131,580	5.75%
Other Instructional Programs	3,009,338	0.69%	2,493,980	515,358	20.66%
Federal Stimulus	7,950,266	1.83%	21,359,461	(13,409,195)	100.00%
Community Services	3,943,503	0.91%	3,133,355	810,148	25.86%
Support Services	65,189,053	15.01%	60,913,395	4,275,658	7.02%
Student Activities	1,968,854	0.45%	1,108,358	860,496	77.64%
Capital Outlay	32,518,539	7.49%	18,283,566	14,234,973	77.86%
Debt Service	23,710,114	5.46%	30,131,857	(6,421,743)	-21.31%
TOTAL	**$434,439,147**	**100.00%**	**$413,006,164**	**$21,432,983**	**5.19%**

Table 5 presents a condensed view of the district's General Fund on its own. Major revenue sources and expenditure functions are compared to the prior year to illustrate changes in General Fund operations.

As summarized by the information in Table 5, state funds comprise 65.0 percent of the district's General Fund revenue, making it the largest source of revenue for the district's operating funds. Local revenues consist mostly of educational program and operations tax levies, representing approximately 26.5 percent of total General Fund revenues. Federal revenues and revenues from other entities make up the remainder. General Fund revenues have increased by 20.2 percent.

Local taxes increased in alignment with the four-year educational programs and operations levies approved by voters in 2022. On February 8, 2022, the voters supported a $272.5 million 4-year educational programs and operations levy to replace the current levy expiring at the end of 2022. Local non-tax revenues began to increase areas such as facility rentals, tuition and fees and donations. State revenues increased because transportation ridership increased. Federal revenues decreased because of ESSER reimbursements for COVID-19 expenditures.

General Fund total expenditures increased by 4.1 percent as compared to 2021-22. The majority is from instructional expenditures, a $11 million increase, pupil transportation expenditures, a $1.5 million increase, and information system/other services expenditures ($1.5 Million increase). Instructional expenditures increased due to staffing cost increases and general cost increases.

Revenues and expenditures by major functions of the district and changes over the preceding year are presented as follows:

Table 5 - General Fund

Revenue Source	2022-23 Amount	Percent of Total	2021-22 Amount	Increase (Decrease)	Percent Increase (Decrease)
Local Taxes & Non-Tax	$62,233,931	16.7%	$52,758,937	$9,474,994	17.96%
State Revenues	277,797,702	74.7%	257,096,648	20,701,054	8.05%
Federal Revenues	28,563,795	7.7%	44,010,234	(15,446,439)	-35.1%
Other Entities	3,428,780	0.9%	3,084,257	344,523	11.2%
TOTAL	**$372,024,208**	**100.0%**	**$356,950,076**	**$15,074,132**	**4.2%**
Expenditures/Functions					
Instruction	$312,454,694	82.4%	$301,465,678	$10,989,016	3.6%
Maintenance/Operations	25,082,228	6.6%	24,436,794	645,434	2.6%
Pupil Transportation	14,712,324	3.9%	13,202,321	1,510,003	11.4%
Administration	9,197,688	2.4%	9,157,395	40,293	0.4%
Nutrition Services	9,918,753	2.6%	9,586,073	332,680	3.5%
Information Systems/Other Services	7,873,836	2.1%	6,357,970	1,515,866	23.8%
TOTAL	**$379,239,523**	**100.0%**	**$364,206,231**	**$15,033,292**	**4.1%**

General Fund Budgeting Highlights

The district's budget is prepared in accordance with State of Washington law. The district actively engages its community and staff in evaluating priorities through the strategic plan process and the Fiscal Advisory Council. The most significant budgeted fund is the General Fund. Appropriations defined in the budget limit total expenditures and may only be increased if the Board of Directors adopts a revised or supplemental budget following a defined process that includes a public hearing.

Required Supplementary Information, Schedule A-1, compares general fund original and final budget amounts with actual amounts for revenues and expenditures. The two budget columns are identical, which indicates there were no general fund budget amendments to the official budget for the fiscal year. Current budget practice consolidates most revenue contingencies in Local Non-Tax. Actual local non-tax revenues generally fall between $3 million and $5 million below budget and will still be within expectations.

Most expenditure contingencies shown on Schedule A-1 are within regular instruction, facilitating the ability to respond to increased enrollment or unforeseen major program revenues. In addition, enrollment impacted expenditure variances in regular instruction, special education, vocational education, and compensatory education programs. Community services variance is due to an increase in rentals of district facilities. Similarly, labor shortages impacted support services expenditures, including custodial, pupil transportation, and nutrition services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The district has invested $741.7 million in historical costs for its capital assets such as land, buildings, and equipment. These capital assets (except for land and construction in progress which are not depreciated) have a net accumulated depreciation of $260.7 million making the capital asset net value $481.0 million as of August 31, 2023.

Table 6 - Capital Assets At Year-End
(In Millions)

	Historical Costs	Accumulated Depreciation	NET
Land	$ 42.7	$ -	$ 42.7
Building and Improvements	674.7	(250.0)	424.7
Lease - Buildings	0.3	(0.1)	0.2
Equipment	18.3	(9.6)	8.7
Subscription Based IT Arranagements	2.6	(0.9)	1.7
Lease - Equipment	0.2	(0.1)	0.1
Construction in Progress	2.9	-	2.9
TOTALS	**$ 741.7**	**$ (260.7)**	**$ 481.0**

Long-term planning in finances, staffing, technology, and facilities are intentionally and systematically driven by student enrollment, learning measures, and strategic priorities. The district evaluates its facilities and reviews its capital needs annually. A detailed Capital Facilities Plan is completed every two years. Additionally, the district has a 40- to 50-year modernization cycle divided into eight phases to help guide decisions on future building modernizations and replacements. Considerations for appropriate tax rates due to school bonds and levies are also evaluated.

On February 8, 2022, the voters supported a $325.5 million 6-year capital levy to replace the expiring capital levy. The new levy sets aside $90 million for technology and associated instructional supports, with the remainder for construction and installation of capital improvements for safety, security, building, renewal, and upgrade projects for capacity and educational programs.

The ending fund balance in the Capital Projects Fund of $32.8 million, combined with future capital levy proceeds will continue existing capital programs and relieve some of the enrollment pressure students, staff and parents currently experience. These funds help keep our facilities in a well-maintained condition. More detailed information about capital assets can be found in Note 6 to the financial statements (Changes in Capital Assets).

Debt

Everett Public Schools has benefited from strong support of our local voters over the past 30 years. Voters approved capital bonds of $38 million in 1986, $96.5 million in 1990, $68.5 million in 1996, $74 million in 2002, $198.9 million in 2006, and $149.7 million in 2016. The outstanding debt as authorized by our voters is summarized below in Table 7. The table also shows debt service activity for the outstanding bonds during the period.

Table 7 - Outstanding Debt, at Year-End
(In Millions)

Bond	Balance 8/31/2022	Balance 8/31/2023	Increase (Decrease)
October 6, 2009 QSCB	17.4	17.4	-
December 6, 2016	31.2	31.2	-
September 26, 2018	20.2	20.2	-
June 5, 2019 (Refunding)	16.2	-	(16.2)
June 5, 2019	22.9	20.0	(2.9)
TOTALS	**107.9**	**88.8**	**(19.1)**

On August 15, 2023, Moody's Investors Service downgraded the district's Global Scale Rating of Aa1 to Aa2 as part of the process for reviewing bond ratings. Standard and Poor's remains at AA+/Stable long-term rating and AA/Stable underlying school issuer credit rating (ICR) of the district. Everett School District's continues to have high bond ratings that place it among the twenty highest-rated districts in the state by Moody's Investors Service (among 142 rated districts) and the six highest-rated districts by S&P Global Ratings (among 39 rated districts).

Rule 15c2-12, promulgated by the Securities and Exchange Commission, imposes certain requirements upon underwriters of publicly offered securities. One of those requirements for issuers is the filing of notices of certain material events. One of the material events is a rating change with respect to a bond issue. If a bond issue is insured by a policy of municipal bond insurance or enhanced by the Washington State School District Credit Enhancement Program, a change in the rating of the bond insurer or Washington State will change the district's bond rating even though the underlying credit rating on the district has not changed.

The following bond insurers and their associated ratings are listed alongside the district's Unlimited Tax General Obligation Bonds' outstanding balances:

Year	Final Maturity	Balance Outstanding as of the Date of this Report	Insurer	Rating
2009C	12/01/2023	$ 17,445,000	Washington State	Aa1
2016	12/01/2036	$ 31,180,000	Washington State	Aa1
2018	12/01/2037	$ 20,220,000	Washington State	Aa1
2019	12/01/2033	$ 19,960,000	Washington State	Aa1

The district participates in the Washington State School District Guarantee Program for its bond issues from 2009 through 2019. Now that the insurance companies' ratings have fallen below the district's own underlying ratings and the credit-enhanced ratings provided by participating in the Washington State School District Guarantee Program, the district's underlying ratings and the state's ratings will prevail on those insured bonds, despite insurance company downgrades. The bond issues from 2009, 2016, 2018, and 2019 do not carry separate municipal bond insurance, but instead benefit from the Washington State guarantee.

More detailed information about long-term liabilities can be found in Note 9 to the financial statements (Changes in Long-Term Liabilities).

ECONOMIC FACTORS FOR THE FUTURE

Everett Public Schools is located in Snohomish County, in northwestern Washington State. It encompasses the cities of Everett and Mill Creek, as well as portions of the unincorporated County.

The Everett/Snohomish County economy has a healthy financial history and continues to diversify with major industries including aircraft production, electronics and electrical equipment manufacturing, health care, transportation, and a variety of other industrial and commercial businesses, as well as several urban development projects. Economic development efforts have been successful over the past decade in creating a diversification of business and industry that is broader than our historical dependency on the aerospace industry. The county should continue to be an attractive center for growth in the years ahead due to the availability of land, office, and manufacturing space.

Approximately 19 percent of the district's General Fund revenues are provided by local educational programs and operations levies. Capital levies have become more common place in Washington driving significant funding to both instructional technology and building improvements. As previously noted, Everett voters continue to support our schools as demonstrated through approval of both levies on February 8, 2022.

The district is eligible to receive over $35 million of economic assistance under the Elementary and Secondary School Relief (ESSER) fund. ESSER I and ESSER II have been fully received covering direct COVID-19 costs over the past 3 years. An expenditure plan was developed in June of 2021 for the largest allocation under ESSER III of which over 80 percent is focused on learning recovery and social emotional supports. The district plans to expend the remaining Elementary and Secondary School Relief funds during the 2023-24 school year and has begun to assess and implement a plan for the reduction in federal funding.

Snohomish County unemployment has declined from 6.7% in 2020 to 3.9% in 2023.
as another strong indicator of economic recovery. While staffing shortages still exist, the district has been able to offer full in-person instruction, transport all students to and from school, and offer full breakfast and lunch services under the "free meals for all" federal program.

Snohomish County population growth rates are among the highest in the state. This has led to increases in assessed value, housing starts and commercial development. While the initial impact of Coronavirus Disease (Covid-19) epidemic had broad impacts to the local and state economy; we have experienced significant recovery. The state economic revenue forecast has continued to improve.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our community, creditors, investors, and other interested parties with a general overview of the district's finances and to show the district's accountability for the financial resources it receives. If there are questions about this report or additional financial information is needed, contact the district's Department of Finance and Business Services at 3900 Broadway, Everett, Washington 98201.

Schedule 1

EVERETT PUBLIC SCHOOLS
STATEMENT OF NET POSITION
AUGUST 31, 2023

	PRIMARY GOVERNMENT Governmental Activities
ASSETS	
Cash, Cash Equivalents & Investments	85,091,740
Due from Other Governmental Units	5,863,563
Accounts Receivable, Net	845,111
Property Taxes Receivable	56,456,730
Inventory	1,874,571
Prepaid Items	1,465,663
Investment in Joint Venture	293,992
Net Pension Asset	5,071,303
Capital Assets, Non-depreciable:	
Land	42,772,881
Construction in Progress	2,976,256
Capital Assets, Net of Accumulated Depreciation:	
Building & Improvements	424,904,643
Equipment	10,404,607
TOTAL ASSETS	**638,021,060**
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	59,533,011
Deferred Outflows Related to OPEB	19,713,618
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**79,246,629**
LIABILITIES	
Accounts Payable	8,650,892
Accrued Salaries	626,484
Payroll Deductions & Taxes Payable	812,041
Due to Other Governmental Units	228
Deposits	16,876
Unearned Revenue	356,503
Long-Term Liabilities:	
Due Within One Year	21,952,740
Due in More than One Year	197,696,446
TOTAL LIABILITIES	**230,112,210**
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	23,510,162
Deferred Inflows Related to OPEB	56,277,648
Deferred Inflows Related to Leases	605,449
TOTAL DEFERRED INFLOWS OF RESOURCES	**80,393,259**
NET POSITION	
Net Investment in Capital Assets	384,356,794
Restricted for:	
Capital Projects	48,334,911
Net Pension Assets	43,475,724
Transportation Vehicles	216,633
Debt Service	27,878,423
ASB Extra-curricular Activities	1,176,705
Carryover Restricted Revenues for Education and Operations	5,754,721
Unrestricted	(104,431,691)
TOTAL NET POSITION	**406,762,220**

The Notes to the Basic Financial Statements are an integral part of this statement.

EVERETT PUBLIC SCHOOLS

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

PROGRAM/ACTIVITY	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICE	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES:					
Regular Instruction	219,263,307	443,962	6,084	3,513,600	(215,299,661)
Special Education	53,128,066		45,677,387		(7,450,679)
Vocational Education	13,449,554	132,991	124,717		(13,191,846)
Compensatory Education	19,478,302		22,053,973		2,575,671
Other Instruction Programs	2,550,695	1,100,850	1,780,864		331,019
COVID-19 Emergency Relief Programs	7,839,701		8,719,141		879,440
Community Services	3,720,442	312,940	3,459,575		52,073
Support Services	67,058,178	1,950,154	24,691,014	1,134,976	(39,282,034)
Extracurricular Activities (ASB)	1,968,854	2,010,627			41,773
Interest Payment on Long-Term Debt	2,838,300				(2,838,300)
TOTAL GOVERNMENTAL ACTIVITIES	**391,295,399**	**5,951,524**	**106,512,755**	**4,648,576**	**(274,182,544)**

GENERAL REVENUES:	
Taxes:	
Property Taxes, Levies for Maintenance/Operations	60,978,087
Property Taxes, Levies for Debt Service	21,100,508
Property Taxes, Levies for Capital Projects	35,065,676
Unallocated State Apportionment & Others Not Restricted to Specific Activities	204,174,949
Interest and Investment Earnings	3,081,652
TOTAL GENERAL REVENUES	324,400,872
Change in Net Position	50,218,328
NET POSITION - Beginning	356,543,892
NET POSITION - Ending	**406,762,220**

The Notes to the Basic Financial Statements are an integral part of this statement.

EVERETT PUBLIC SCHOOLS
FUND BALANCE SHEETS
GOVERNMENTAL FUNDS
AUGUST 31, 2023

	GENERAL FUND	SPECIAL REVENUE (ASB) FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TRANSPORTATION VEHICLE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash & Cash Equivalents	$28,734,532	$1,359,174	$17,535,999	$36,930,914	$531,121	85,091,740
Due from Other Funds	352,527	956		632		354,115
Due from Other Governmental Units	5,162,963			116,981	583,619	5,863,563
Accounts Receivable	427,174	14,359		403,578		845,111
Property Taxes Receivable	29,403,636		10,342,424	16,710,670		56,456,730
Inventory	694,177	46,979		1,133,415		1,874,571
Prepaid Items	1,449,799	15,864				1,465,663
TOTAL ASSETS	**$66,224,808**	**$1,437,332**	**$27,878,423**	**$55,296,190**	**$1,114,740**	**$151,951,493**
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE						
LIABILITIES						
Accounts Payable	$2,191,336	$80,245		$5,481,204	$898,107	$8,650,892
Accrued Salaries	626,484					626,484
Payroll Deductions & Taxes Payable	812,041					812,041
Due to Other Governmental Units	228					228
Due to Other Funds	1,588	13,107		339,420		354,115
Deposits	16,876					16,876
Unearned Revenue	244,831	104,432		7,240		356,503
TOTAL LIABILITIES	**3,893,384**	**197,784**	**0**	**5,827,864**	**898,107**	**10,817,139**
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	289,370			362,269		651,639
Unavailable Revenue - Property Taxes	28,727,838		10,107,687	16,324,879		55,160,404
TOTAL DEFERRED INFLOWS OF RESOURCES	**29,017,208**	**0**	**10,107,687**	**16,687,148**	**0**	**55,812,043**
FUND BALANCES						
Nonspendable Inventories and Prepaid Items	2,143,976	62,843		1,133,415		3,340,234
Restricted for Associated Student Body Fund Purposes		1,176,705				1,176,705
Restricted for Debt Service Fund Purposes			17,770,736			17,770,736
Restricted for Transportation Vehicle Fund Purposes					216,633	216,633
Restricted for Carryover of Restricted Revenues	5,754,721					5,754,721
Restricted for Impact Fee Proceeds				5,564,290		5,564,290
Restricted for Mitigation Fee Proceeds				30,104		30,104
Committed Levy Proceeds				11,574,720		11,574,720
Committed Fund Balance	386,360			232,090		618,450
Assigned to Other Purposes	682,015					682,015
Assigned to Fund Purposes				14,246,559		14,246,559
Unassigned Fund Balance	24,347,144					24,347,144
TOTAL FUND BALANCES	**33,314,216**	**1,239,548**	**17,770,736**	**32,781,178**	**216,633**	**85,322,311**
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	**$66,224,808**	**$1,437,332**	**$27,878,423**	**$55,296,190**	**$1,114,740**	**$151,951,493**

The Notes to the Basic Financial Statements are an integral part of this statement.

Schedule 3A

EVERETT PUBLIC SCHOOLS
RECONCILIATION
BALANCE SHEET/STATEMENT OF NET POSITION
AUGUST 31, 2023

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS, LIABILITIES*	RECLASSIFICATIONS AND ELIMINATIONS*	STATEMENT OF NET POSITION TOTALS
ASSETS				
Cash & Cash Equivalents	85,091,740			$85,091,740
Due From Other Funds	354,115		(354,115)	-
Due From Other Governmental Units	5,863,563			5,863,563
Accounts Receivable	845,111			845,111
Property Taxes Receivable	56,456,730			56,456,730
Inventory	1,874,571			1,874,571
Prepaid Items	1,465,663			1,465,663
Investment in Joint Venture		293,992		293,992
Capital Assets, Net		481,058,387		481,058,387
Net Pension Assets		5,071,303		5,071,303
TOTAL ASSETS	**151,951,493**	**486,423,682**	**(354,115)**	**638,021,060**
DEFERRED OUTFLOWS OF RESOURCES				
Pension Changes - Experience, Assumptions, Proportion, & Contributions		59,533,011		59,533,011
OPEB Changes - Assumptions, and Contributions		19,713,618		19,713,618
TOTAL DEFERRED OUTFLOWS OF RESOURCES		**79,246,629**		**79,246,629**
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**151,951,493**	**565,670,311**	**(354,115)**	**$717,267,689**
LIABILITIES				
Accounts Payable	8,650,892			$8,650,892
Accrued Salaries	626,484			626,484
Payroll Deductions & Taxes Payable	812,041			812,041
Due to Other Governmental Units	228			228
Due to Other Funds	354,115		(354,115)	-
Deposits	16,876			16,876
Unearned Revenue	356,503			356,503
Long-Term Liabilities - Pension		33,652,243		33,652,243
Long-Term Liabilities - OPEB		82,365,185		82,365,185
Long-Term Liabilities - Other		103,631,758		103,631,758
TOTAL LIABILITIES	**10,817,139**	**219,649,186**	**(354,115)**	**230,112,210**
DEFERRED INFLOWS OF RESOURCES				
Pension Changes - Investments, Experience, Assumptions, and Proportions		23,510,162		23,510,162
OPEB Changes - Experience, and Assumptions		56,277,648		56,277,648
Unavailable Revenue	651,639	(46,190)		605,449
Unavailable Revenue - Property Taxes	55,160,404	(55,160,404)		-
TOTAL DEFERRED INFLOWS OF RESOURCES	**55,812,043**	**24,581,216**	**-**	**80,393,259**
FUND BALANCES/NET POSITION				
Fund Balances/Position	85,322,311	321,439,909	-	406,762,220
TOTAL FUND BALANCES/NET POSITION	**85,322,311**	**321,439,909**	**-**	**406,762,220**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION	**151,951,493**	**565,670,311**	**(354,115)**	**$717,267,689**

The Notes to the Basic Financial Statements are an integral part of this statement.
*See Note 2A.

EVERETT PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

	GENERAL FUND	SPECIAL REVENUE (ASB) FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TRANSPORTATION VEHICLE FUND	TOTALS GOVERNMENTAL FUNDS
REVENUES						
Local	$62,233,931	$2,010,627	$22,629,912	$26,885,255	$8,391	$113,768,116
State	277,797,702			228,881	906,095	278,932,678
Federal	28,563,795			3,513,600		32,077,395
Other Entities	3,428,780					3,428,780
TOTAL REVENUES	**372,024,208**	**2,010,627**	**22,629,912**	**30,627,736**	**914,486**	**428,206,969**
EXPENDITURES						
Current:						
Regular Instruction	203,013,985					203,013,985
Special Education	54,956,807					54,956,807
Vocational Education	17,360,356					17,360,356
Compensatory Education	20,818,332					20,818,332
Other Instruction Programs	3,009,338					3,009,338
COVID-19 Emergency Relief Programs	7,950,266					7,950,266
Community Services	3,943,503					3,943,503
Support Services	65,189,053					65,189,053
Student Activities		1,968,854				1,968,854
Capital Outlay:						
Sites				1,030,374		1,030,374
Buildings				10,690,520		10,690,520
Equipment				1,784,276		1,784,276
Instructional Technology				15,938,726		15,938,726
Transportation Equipment					898,107	898,107
Sales and Lease				23,907		23,907
Technology - Software	2,152,630					2,152,630
Debt Service:						
Bond Principal	817,001		19,115,000			19,932,001
Bond Interest and Other Charges	28,252		3,749,861			3,778,113
TOTAL EXPENDITURES	**379,239,523**	**1,968,854**	**22,864,861**	**29,467,802**	**898,107**	**434,439,147**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**(7,215,315)**	**41,773**	**(234,949)**	**1,159,934**	**16,379**	**(6,232,178)**
OTHER FINANCING SOURCES (USES):						
Long-Term Financing	959,589					959,589
Transfers	4,050,000			(4,050,000)		0
TOTAL OTHER FINANCING SOURCES (USES)	**5,009,589**	**-**	**-**	**(4,050,000)**	**-**	**959,589**
NET CHANGE IN FUND BALANCE	**(2,205,726)**	**41,773**	**(234,949)**	**(2,890,066)**	**16,379**	**(5,272,589)**
FUND BALANCE -- September 1, 2022	35,519,942	1,197,775	18,005,685	35,671,244	200,254	90,594,900
FUND BALANCE -- August 31, 2023	**$33,314,216**	**$1,239,548**	**$17,770,736**	**$32,781,178**	**$216,633**	**$85,322,311**

The Notes to the Basic Financial Statements are an integral part of this statement.

EVERETT PUBLIC SCHOOLS
RECONCILIATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE, EXPENSES*	CAPITAL RELATED ITEMS*	LONG-TERM DEBT TRANSACTIONS*	STATEMENT OF ACTIVITIES TOTAL
REVENUES & OTHER SOURCES					
Revenues:					
Local	113,768,116	13,248,512			127,016,628
State	278,932,678				278,932,678
Federal	32,077,395				32,077,395
Other Entities	3,428,780	58,246			3,487,026
Other Sources:					
Long-Term Financing, Leases	959,589		(959,589)		-
TOTAL REVENUES & OTHER SOURCES	**429,166,558**	**13,306,758**	**(959,589)**	**-**	**441,513,727**
EXPENDITURES & OTHER USES					
Current:					
Regular Instruction	203,013,985	(16,743,482)	32,992,804		219,263,307
Special Education	54,956,807	(1,830,295)	1,554		53,128,066
Vocational Education	17,360,356	(4,052,114)	141,312		13,449,554
Compensatory Education	20,818,332	(1,362,031)	22,001		19,478,302
Other Instruction Programs	3,009,338	(465,725)	7,082		2,550,695
COVID-19 Emergency Relief Programs	7,950,266	(110,565)			7,839,701
Community Services	3,943,503	(230,994)	7,933		3,720,442
Support Services	65,189,053	(2,126,184)	3,995,309		67,058,178
Student Activities	1,968,854				1,968,854
Capital Outlay:					
Sites	1,030,374		(1,030,374)		-
Buildings	10,690,520		(10,690,520)		-
Equipment	1,784,276		(1,784,276)		-
Transportation Equipment	898,107		(898,107)		-
Sales and Lease	23,907		(23,907)		-
Other	2,152,630		(2,152,630)		-
					-
Debt Service:					
Bond Principal	19,932,001			(19,932,001)	-
Bond Interest and Other Charges	3,778,113			(939,813)	2,838,300
TOTAL EXPENDITURES	**434,439,147**	**(26,921,390)**	**4,649,456**	**(20,871,814)**	**391,295,399**
NET CHANGE FOR THE YEAR	**(5,272,589)**	**$40,228,148**	**(5,609,045)**	**$20,871,814**	**50,218,328**

The Notes to the Basic Financial Statements are an integral part of this statement.
*See Note 2B.

Schedule 5

EVERETT PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
AUGUST 31, 2023

	PRIVATE PURPOSE TRUST
ASSETS	
Cash & Cash Equivalents	$102,306
Investments at Fair Value	11,831
TOTAL ASSETS	**114,137**
LIABILITIES	
Accounts Payable	800
TOTAL LIABILITIES	**800**
NET POSITION	
Restricted For:	
Individuals, Organizations and Other Governments	113,337
TOTAL NET POSITION	**$113,337**

The Notes to the Basic Financial Statements are an integral part of this statement.

Schedule 6

EVERETT PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2023

	PRIVATE PURPOSE TRUST
ADDITIONS	
Gifts and Bequests	$7,602
Investment Earnings:	
Net Increase in Fair Value of Investments	493
Interest and Dividends	4,703
Less Investment Expenses	(199)
Net Investment Income	4,997
TOTAL ADDITIONS	**12,599**
DEDUCTIONS	
Scholarships	17,800
TOTAL DEDUCTIONS	**17,800**
CHANGE IN NET POSITION	**(5,201)**
NET POSITION -- September 1, 2022	118,538
NET POSITION -- August 31, 2023	**$113,337**

The Notes to the Basic Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Everett Public Schools (the district) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles nationally. The following is a summary of the district's significant accounting policies:

A. REPORTING ENTITY

Primary Government -- Everett Public Schools is a municipal corporation organized pursuant to Title 28A of the Revised Code of Washington (RCW), for the purpose 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 Everett Public Schools financial statements include all funds and organizations for which the district is financially accountable, organizations that are controlled by or dependent on the district's board of directors or administrative staff, and other organizations for which the nature and significance of their relationship with the district are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete. Control by or dependence on Everett Public Schools was determined based on budget adoption, taxing authority, outstanding debt secured by the general obligation of the district, obligation of the district to finance any deficits that may occur, receipt of significant subsidies from the district, and consideration of other significant operational and financial relationships with the district.

Related Organizations -- The Everett Public Schools Foundation is a community based; separate legal entity organized under IRS provision as a 501(c)(3) non-profit organization. The Foundation is governed by a board of directors of approximately twenty-five members comprised of a diverse balance of community members as well as district employees. The Foundation's activities are supported by private donations. Their mission is to develop and provide community support to strengthen achievement in the Everett Public Schools.

The district recognizes various parent/teacher associations, organizations, and other groups (PTAs, boosters), which are separate legal entities, and whose members are involved according to their own private capacities. These groups have been organized for the purpose of increasing the opportunities for parents and community members to be involved in the educational activities of the children in the community.

The board of directors and officers for the above listed groups (Foundation and various parent or community associations) are not appointed by the Everett Public Schools. Everett Public Schools is not financially responsible for the Foundation, or the parent/teacher associations, organizations, and other community groups. Contributions from the above noted related parties, while an important and viable source of support for the district, are not a material source as related to the district's overall financial position. Contributions received from these groups have been recorded as revenue in the district's financial statements, but the financial information for said groups themselves are not presented in the district's financial statements.
The district has no component units, or related organizations for which the district is financially accountable, and no entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the district's basic financial statements to be misleading or incomplete.

B. PRESENTATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The district's basic financial statements consist of:

1. *Government-Wide Financial Statements* -- Government-wide financial statements display governmental activities of the district as a whole, without displaying individual funds or fund types. They include only the primary government. Fiduciary funds and activities are not included. The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The government-wide financial statements consist of the following:

a. Statement of Net Position -- The statement of net position reports all financial and capital resources in a format of assets plus deferred outflows of resources less liabilities less deferred inflows of resources equal net position. Land is reported at historical cost. Other depreciable capital assets, such as buildings, building improvements, vehicles, and equipment, are reported at historical cost, net of accumulated depreciation.

b. Statement of Activities -- The statement of activities demonstrates the operations of the district presented as direct expenses of specific programs or functions and the degree to which the direct expenses are offset or net against program revenues. A net expense represents the level of support required from the government's general revenues. Revenues are divided between program revenues and general revenues. All revenues not specifically associated with a program are defined as general revenues on the statement of activities. Revenues are recognized when they are earned and measurable on a full accrual basis. The statement of activities shows the change in net position for the year depending on over-all expenses and revenues. The expenses and revenues are reported as follows:

Expenses - Expenses are reported by function/program. Direct expenses are those that are clearly identifiable with a specific program or function. Depreciation expenses are allocated as direct expenses if they can be specifically identified with a program or function.

Revenues - Revenues, measured on a full accrual basis, are divided into program revenues and general revenues. Program revenues are derived directly from the program itself or from parties outside the district's taxpayers, as a whole. Program specific revenues consist of two major categories: 1) charges for services to individuals or groups who purchase, use, or directly benefit from goods, services, or privileges provided by a program or function; and 2) grants and contributions arising from mandatory and voluntary non-exchange transactions with federal, state governments, organizations, or individuals that are restricted to meeting the operational or capital requirements of a particular program or function. General revenues are divided into property taxes, interest and investment earnings, general apportionment from the state of Washington and other unallocated revenues that are not required to be reported as program revenues or are not specifically identifiable with a specific program or function.

Fiduciary funds are not presented in the government-wide financial statements. They are presented separately in Schedules 5 and 6 of the fund financial statements.

2. *Fund Financial Statements* -- The accounts of the district are organized based on funds in the fund financial statements, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred inflows, liabilities, fund balance, revenues, and expenditures.

Resources are accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The fund financial statements consist of the Fund Balance Sheet, Reconciliation of Balance Sheet/Statement of Net Position, Statement of Revenues, Expenditures and Changes in Fund Balance, and Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities, Fiduciary Fund - Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position.

The various funds are grouped into two classifications: Governmental and Fiduciary.

Governmental Funds -- The reporting of governmental funds focuses primarily on sources, uses, and balances of current financial resources and has a budgetary orientation. Governmental funds use the modified accrual basis of accounting. The district reports the following major governmental funds:

General Fund
This fund is the district's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund. In keeping with the principle of as few funds as necessary, food services, maintenance, information systems, printing, and transportation activities are included in the fund. Major sources of revenue include local taxes, state apportionment funds, and grants from state and federal sources.

Special Revenue Fund (Associated Student Body Fund)
This fund is used to account for the extracurricular fees collected from a variety of fundraising events for students. These funds are legally restricted for specific purposes defined in WA State RCW. The district is prohibited from using these funds for its general or curricular operations. The Associated Student Body Fund (ASB Fund) is the only fund of this type. Disbursements require the joint approval of the appropriate ASB representatives (including students' signatures) and the district's board of directors. This fund is accounted for as a special revenue fund because the financial resources legally belong to the district.

Debt Service Fund
This fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest, and related expenditures. Fund revenues are derived primarily from local property taxes.

Capital Projects Fund
This fund is used to account for financial resources to be used for the acquisition and construction of capital assets. This fund must be used when projects are financed wholly or in part by bond issues, intergovernmental resources, major private donations, or insurance recoveries. Another major revenue source includes tax revenues from the building and technology levy. Expenditures in this fund may also be for energy, technology, and other major improvements to existing facilities and for the purchase of initial equipment for newly constructed buildings.

Transportation Vehicle Fund
This fund is a capital projects fund specifically used to account for the capital outlay involved with purchase, major repair, rebuilding, and debt service expenditures related to pupil transportation equipment (buses) used to transport students to and from school. The primary source of revenue in this fund is a state allotment provided as a reimbursement for pupil transportation equipment and restricted specifically for that purpose.

Fiduciary Funds -- Fiduciary funds include pension and other employee benefit trust funds, private-purpose trust funds, and custodial funds, and are used to account for assets that are held by the district in a fiduciary capacity. Fiduciary fund reporting focuses on net position and changes in net position. These funds include private-purpose trust funds.

The fiduciary funds consist of trust funds receiving donations from private individuals and foundations for scholarships.

Major and Non-Major Funds -- All governmental funds are considered "major funds."

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide statements and fiduciary fund financial statements, measure and report all assets (both financial and capital), deferred inflows/outflows of resources, liabilities (including long-term liabilities such as long-term debt), revenues, expenses, gains, and losses using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and over-all financial position. Revenues are recorded when earned and expenses are recorded on a consumption basis, and/or when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This means only current assets and current liabilities are included on the balance sheets. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days (for property taxes within 30 days) of the end of the current fiscal period. Expenditures generally are recorded when assets are consumed and/or as liability is incurred just as under accrual accounting. However, debt service expenditures, for non-matured principal and interest on long-term debt as well as expenditures related to pensions, compensated absences, claims and judgments, are recorded only when payment is due.

Revenues derived from property taxes collected within 30 days of year-end and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Property tax receivables are measurable but not available and are, therefore, recorded as deferred inflows of resources – unavailable revenue rather than accrued. Categorical program claims, including grant revenues from cost reimbursement grants, and inter-district billings are measurable and available and are, therefore, accrued.

Eliminations and Reclassifications -- In the process of consolidating internal activities for the government-wide statement of net position and statement of activities, the interfund receivables and payables between the governmental funds, except those, if any, with fiduciary funds, were eliminated. The district's primary type of interfund activity consists of a 'reimbursement of expenditure' type transaction. This occurs when one fund (usually the General Fund as the operating fund) pays the initial outlay of expenditure belonging to or attributable to another fund, which are subsequently reimbursed by the other fund. The loaning fund treats the pay-back of funds as 'reimbursements of expenditure' while the benefiting fund accounts for the transaction as a direct expense. Accordingly, the direct expenses are included only once from government-wide presentation. These expenses happen primarily between the General, ASB, and Capital Projects Funds involving payroll transactions.

D. ASSETS, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, LIABILITIES AND NET POSITION OR EQUITY

1. <u>Cash, Cash Equivalents and Investments</u>

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

State of Washington statutes authorize the district to invest in 1) securities, certificates, notes, bonds, short-term securities, or other obligations of the United States, and 2) deposits in any state bank or trust company, national banking association, stock saving bank, mutual savings bank, savings and loan association, and any branch bank engaged in banking in the state in accordance with RCW 30.04.300, if the institution has been approved by the Public Deposit Protection

Commission to hold public deposits, and has segregated eligible collateral having a value of not less than its maximum liability.

The Snohomish County Treasurer is the ex-officio treasurer for the district. In this capacity, the county treasurer receives deposits and transacts investments on the district's behalf. Temporary investments are stated at cost plus accrued interest, which approximates market value. Other investments of the district are reported at fair value.

2. Receivables and Payables

Due from Other Funds and Due to Other Funds -- Interfund receivables and payables and the associated expenditures and/or reimbursement of expenditures, are recorded in the respective funds in the governmental fund financial statements. The interfund balances represent short-term loans between the governmental funds, made for the purposes of streamlining the issuance of warrants for payroll and other occasional miscellaneous purchases of goods and services. The interfund balances are temporary and are cleared regularly by issuance of a warrant from one fund to the other. In the process of aggregating data for the statement of net position and the statement of activities, any interfund receivables and payables that may exist at fiscal year-end are eliminated in government-wide financial statements, except those (if any) with fiduciary funds, which are reclassified as a third-party receivable.

Due from Other Governmental Units/Due to Other Governmental Units -- The 'due from' account represents receivables for grants from federal, state, and local governmental entities. Grant revenues are recorded in the year in which the expenditures are incurred and/or applicable eligibility requirements imposed by the grantor have been met. A 'due to' account is recognized if a granting agency's compliance criteria require a refund of previously awarded revenues. Grants administered by the Office of the Superintendent of Public Instruction (OSPI) are recaptured through the state's apportionment process.

Accounts Receivable -- This account represents amounts due for services rendered by the district in the current year and lease receivables, under exchange type transactions, net of allowance for doubtful accounts. It also includes amounts due from non-governmental entity voluntary agreements to fund district events or other provisions in the administration of the district's educational programs. The district considers receivables collected within 60 days after year-end to have been available and recognizes them as revenues of the current year.

Property Taxes Receivable -- Property tax revenues are collected by the Snohomish County Treasurer as the result of special levies passed by voters in the district. In accordance with RCW 84.60.020, the tax assessment date is January 1 of the calendar year of collection. The tax lien date is January 1 of the year of collection and taxes receivable are recognized as of that date. Current year taxes are due in full as of April 30 and are considered delinquent after that date. However, without incurring penalty, the taxpayer may elect to pay one-half of the taxes due by April 30, with the remaining one-half of the taxes due October 31 and considered delinquent after that date. Typically, slightly more than half of the collections are made by the April 30 date. The October 31 collection is measurable but only those collected within 30 days of year-end are available in time to cover liabilities for the fiscal period ended August 31. Therefore, the balance of the fall property taxes is not accrued as revenue in the governmental fund financial statements. Instead, the balance of taxes (after September's accrual) due on October 31 are recorded as taxes receivable and deferred inflow of resources – unavailable revenue in the fund financial statements. In the government-wide financial statements, property tax revenue, net of estimated uncollectible, is accrued at year-end. Property is subject to foreclosure if property taxes are delinquent for three years.

Unearned Revenue -- Unearned revenues are funds associated with exchange-type transactions where a good or service is to be provided by the district in exchange for a charge or fee for that good or service, collected or paid in advance, for which the earnings process is not yet complete. The unearned revenues are tied to goods or services to be provided in the coming fiscal year. For example, facilities rentals paid in advance, and student project supply or extracurricular activity fees collected in advance of the class or activity; all represent funds the district would be obligated to refund if the facility were not made available, the student withdraws, or the program, service, activity, or good was otherwise not provided. Unearned revenues become revenues in the next fiscal year, allowing for an appropriate match to the new school year or fiscal year activities.

3. Inventory and Prepaid Items

Inventory -- With the exception of some of the food items purchased for use in the food services program, the district uses the periodic inventory method for the goods and supplies purchased for use in its programs. The district records expenditures throughout the year as the goods and supplies are purchased. Near year end, goods or supplies purchased primarily for consumption and use in the coming new school year are recognized as inventory of the current fiscal year, and expenditures during the year in which they are used. Physical inventory counts are conducted annually near fiscal year-end. In addition, the district operates a very limited-service warehouse for the sole purpose of the food services program. The district uses the consumption method for its warehouse and food service program purchases. Under the consumption method, expenditures for food are recognized as the food is used. Food inventory is tracked using the perpetual method with an annual physical count taken near year-end to verify and adjust the inventory value. The inventories are valued at cost using the first-in-first-out (FIFO) method. Reported inventories are offset by a non-spendable fund balance equal to the reported inventory level to indicate a portion of the fund balance is not available for future expenditures.

The United States Department of Agriculture (USDA) commodity inventory is included in the General Fund inventory total and consists of food donated by the USDA for use in the district's nutrition services program. The commodities are valued at the prices paid by the USDA for commodities.

Prepaid Items -- Prepaid items refer to payments made to vendors for services which will be consumed in a future fiscal period but for which payment has been made in the current fiscal period. Expenditures for these items are pro-rated or matched to the period during which the services will be consumed. The prepaid items asset account is used when the timing of the expenditure is relevant to the proper recognition of the expenditures. These amounts are recorded as prepaid items in both the government-wide and fund financial statements. Reported prepaids are offset by a non-spendable fund balance in the fund financial statements, equal to the prepaid balance, to indicate a portion of the fund balance is not available for future appropriations.

4. Capital Assets

Capital assets consist of land, buildings, improvements, vehicles, machinery, lease assets and other equipment having an estimated useful life of more than one year. Capital assets of the district are reported in the government-wide financial statements in the Statement of Net Position. Land, buildings, and major improvements funded by the capital projects fund, are capitalized at cost with no minimum threshold. Equipment is capitalized when the unit cost of an individual item is $5,000 or more. Leases are recognized with total payments over the lease term of $40,000 or greater. Purchased capital assets are valued at actual historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated acquisition value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but are charged to expenditures in the current period.

In governmental fund financial statements, there is no depreciation for capital assets. However, depreciation is charged to expense and allocated to various programs/functions in the government-wide statement of activities in compliance with GASB statement No. 34 (see Note 6). Capital assets are reflected at historical cost (or estimated historical cost where applicable) net of accumulated depreciation in the government-wide statement of net position. Land and construction work in progress (CIP) are not depreciated. All other capital assets are depreciated using the straight-line method over the following ranges of estimated useful lives:

Assets	Years
Buildings & Building Improvements	20-50
Vehicles	8-13
Equipment	5-15

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures as incurred upon acquisition.

5. Leases

Lessee Activities -- The District is a lessee for various noncancellable leases of buildings and equipment. For leases that meet the capitalization threshold, at lease commencement, the district recognizes a lease liability and an intangible right-to-use lease asset on the Statement of Net Position in the government-wide fund financial statements.

For governmental fund financial reporting, the initial value of the lease liability is reported as other financing sources with a corresponding capital outlay at lease commencement. The lease liability is initially measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over the lease term.

Generally, the known lessor interest rates and the incremental borrowing rate were used as the discount rate for lessee arrangements. The lease terms include the noncancellable period of the lease plus any additional periods covered by either a lessee or lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the lessee and the lessor have a unilateral option to terminate (or if both parties have to agree to extend) are excluded from the lease term.

Certain payments are evaluated to determine if they should be included in the measurement of the lease liabilities, including those payments that require a determination of whether they are reasonably certain of being made.

The district monitors changes in circumstances that may require remeasurement of a lease liability. When certain changes occur that are expected to significantly affect the amount of the lease, the liability is remeasured, and a corresponding adjustment is made to the lease asset. For leases below the capitalization threshold and leases with a maximum possible term of 12 months or less at commencement, an expense/expenditure is recognized based on the provisions of the lease contract.

Lessor Activities -- The district is a lessor for various noncancellable leases of buildings, and other assets such as baseball fields. For leases that meet the capitalization threshold, at lease commencement, the district recognizes a lease receivable and a deferred inflow of resources on the Statement of Net Position in the government-wide financial statements and on the governmental funds Balance Sheet. The lease receivable is initially measured at the present value of payments expected to be received during the lease term.

Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is initially measured as the amount of the lease receivable, plus lease payments made at or before the lease commencement date, less any lease incentives paid to, or on behalf of, the lessee at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as lease revenue on a straight-line basis over the lease term.

Generally, the district used the incremental borrowing rate provided by the lessee as the discount rate for lease receivables. The lease terms include the noncancellable period of the lease plus any additional periods covered by either a lessee or lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised.

Periods in which both the lessee and the lessor have a unilateral option to terminate (or if both parties have to agree to extend) are excluded from the lease term.

The district monitors changes in circumstances that may require remeasurement of a lease receivable. When certain changes occur that are expected to significantly affect the amount of the lease, the receivable is remeasured, and a corresponding adjustment is made to the deferred inflow of resources. For leases below the capitalization threshold and leases with a maximum possible term of 12 months or less at commencement, revenue is recognized based on the provisions of the lease contract.

6. Deferred Outflows/Inflows of Resources

Deferred Outflows -- Deferred outflows of resources represent a consumption of net assets that applies to future periods. In governmental fund financial statements, there are no deferred outflows of resources. In government-wide statements, deferred outflows of resources consist of amounts or changes in amounts associated with the net pension liability (actuarial factors that affect the district's pension liability such as changes in investment earnings, experience, assumptions, proportion and contributions), and OPEB liability (actuarial factors that affect the district's OPEB liability such as changes in experience, assumptions, demographic, or other input factors), and deferred loss on bond refunding resulting in a defeasance of debt. The deferred outflows are recognized on the statement of net position. Changes in the deferred amount associated with pensions and OPEB liabilities also affects the expenses on the statement of activities. Deferred loss on refunding is amortized as a component of interest expense on the statement of activities, over the life of the old debt or the life of the new debt, whichever is shorter.

Deferred Inflows - Deferred inflows of resources represent an acquisition of net assets that applies to future periods. Deferred inflows of resources on the governmental fund financial statements consist of amounts collected before revenue recognition criteria have been met, and receivables, which under the modified accrual basis of accounting, are measurable but not yet available (i.e., unavailable property tax revenues, unavailable revenues from federal, state, and local grants and unavailable revenues on long-term receivables). In government-wide financial statements, property taxes, and other receivables, less estimated uncollectible, are accrued as revenue, therefore, there are no deferred inflows of resource associated with property taxes and receivables balances in the government-wide financial statements. Deferred inflows of resources on the government-wide statement of net position consist of amounts or changes in amounts associated with the net pension (actuarial factors that affect the district's net pension liability such as changes in pension plan investments, and proportions), OPEB liability (actuarial factors that affect the district's OPEB liability such as changes in experience, assumptions, demographic, or other input factors), and lease receivables.

7. Long-Term Liabilities

Long-term liabilities are reported in the government-wide financial statements in the statement of net position and consist of bonds, net proportion of pension liability, other post-employment benefits other than pension (OPEB), compensated absences and lease liabilities.

Long-Term Debt/Bonds -- In government-wide financial statements bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. The deferred amount on refunding is reported separately as a deferred outflow of resources (or inflow) on the statement of net position and is amortized over the life of the bonds using the straight-line method. Bond issuance costs, except any portion related to prepaid insurance costs, are expensed in the period incurred.

In the fund financial statements, bond premiums, discounts, and issuance costs are recognized in the period of issuance. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources while discounts or debt refunding's are reported as other financing uses. Issuance costs, whether or not they are withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Pension Liability -- GASB Statement 68 requires the district to report a long-term liability on the government-wide statement of net position for the district's proportionate share of net pension liability for pension plans as administered by the Washington State Department of Retirement Systems. See Note 8, Pensions and Other Post-Employment Benefits for more details. In the fund financials, retirement expenditures are recognized when they are payable.

Other Post-Employment Benefits (OPEB) -- GASB Statement 75 requires the district to carry a long-term liability on the statement of net position for other post-employment benefits (other than pension). See Note 8, Pensions and Other Post-Employment Benefits for more details. In the fund financials, any inherent costs associated with other post-employment benefits are recognized as expenditures when they are payable.

Compensated Absences -- Government-wide financial statements include a long-term liability for compensated absences on the statement of net position. The compensated absences liability includes vacation and sick leave earned by employees when the leave is related to employee services already rendered and eventual payment to the employee is considered probable. Payment means salary-related compensation through paid time off, or some other means such as cash payments at termination or retirement. The sick and vacation liabilities reported by the district include all salary-related payments to employees (i.e., employer obligations for FICA, Medicare, and Retirement).

Sick Leave -- Employees earn sick leave at a rate of 12 days per year and may accumulate such leave 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, retirement, or in certain circumstances, upon separation, at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This statute also provides for an annual buy-out of an amount up to the maximum annual accumulation of 12 days. For buy-out purposes, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year. Sick leave expenditures are recorded in the governmental fund financial statements, when paid, except termination sick leave that is accrued upon death or retirement.

Vested sick leave for employees eligible for retirement is recorded as a long-term debt liability. Vested sick leave is computed using the vesting method.

Vacation Leave -- Employees earn vacation leave at various rates based on the number of years employed. A maximum of 30 days unused vacation leave is paid upon termination or retirement. Vacation pay is recorded as an expenditure at the time of payment, which occurs upon usage or upon employee separation. The amount accrued for vacation leave payable is reported under long-term liabilities in the government-wide financial statements, statement of net position.

8. Net Position -- Government-Wide Financial Statement

Net Investment in Capital Assets -- This component of net position in the government-wide financial statements consists of capital assets, including any restricted capital assets, net of accumulated depreciation, plus capital-related deferred outflows of resources (such as deferred amount on bond refunding), and reduced by any capital-related deferred inflows of resources as well as any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted Net Position -- This component of net position in the government-wide financial statements reports the assets where constraints are imposed by law through enabling legislation (Capital, Transportation Vehicle, and ASB Funds), externally imposed debt covenants (Debt Service Fund), externally imposed regulations of high level contributors and other government's legal requirements and for external contractual impositions of grantors/regulations of other governments upon state and federal grant funds (carry-over of restricted revenues for specific educational provisions/programs and operations). The calculation for net pension assets is the pension asset plus the deferred outflow less the deferred inflow. The amounts in restricted net position are available for disbursement only for specific purposes.

Unrestricted Net Position -- This component of net position in the government-wide financial statements shows assets that may be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. It is possible that unrestricted net position may be a deficit or negative number. This can happen when there are significant balances of noncurrent operating liabilities such as net pension liabilities, other post-employment benefit (OPEB), or compensated absences liabilities carried on the statement of net position, that are funded on the 'pay-as-you-go' basis, appropriating resources each year as payments come due, rather than accumulating assets in advance.

Flow Assumptions for Restricted or Unrestricted Net Position -- When both restricted and unrestricted resources are available for a certain purpose, the assumption is in most cases restricted resources are used before the unrestricted resources. In some cases, a pro-rata approach is used, such as with certain federal restricted grant funds that contain a 'supplement-not-supplant' provision.

9. <u>Fund Equity -- Restrictions, Commitments, Assignments -- Governmental Funds</u>

Governmental funds, fund financial statements display fund balance in five classifications depicting the relative strength of spending constraints under which resources may be used.

Nonspendable Fund Balance- Amounts reported as nonspendable represent those portions of fund balance that cannot be spent either because they are not in spendable form (inventories and prepaid items) or are legally required to be maintained intact.

Restricted Fund Balance - Amounts that are reported as restricted are those resources of the district that are constrained to specific purposes by their providers (such as grantors, bond holders, and higher levels of government) through legal restrictions such as constitutional provisions, enabling legislation, or other externally imposed laws and contractual obligations beyond the control of the board of directors.

Committed Fund Balance -- Amounts that are reported as committed are those resources of the district that have a limitation placed upon their usage by formal action (board resolution) of the district's board of directors. Commitments may only be changed when the resources are used for the intended purpose, or the limitation is removed by a subsequent formal action (board resolution) of the board of directors. General Fund shows committed fund balances for authorized imprest bank accounts, per board resolution. Capital Projects Fund committed fund balance consists of two components, 'building repair and technology' tax levy proceeds (authority for such levy as per board resolution), the source of which dictates their representation as committed per the State Accounting Manual for School Districts in the State of Washington, and funds previously set-aside by board resolution for improvements to the Everett Memorial Baseball Stadium.

Assigned Fund Balance -- The superintendent, as designated by the board (board policy), is the individual responsible for authorizing or changing assignments of fund balance. In the General Fund, assigned resources are amounts intended to be used by the government for specific purposes that are neither restricted nor committed. For the General Fund, assignments primarily include individual schools' carry-over of discretionary budget allotments, individual schools' special programs, field trips or other enrichment activities, which while not legally restricted, would be publicly sensitive if funds were not ear-marked for use as intended. In the Capital Projects Fund, assigned resources are constrained at the superintendent's authorization, and are based on the nature of the legal classification of residual funds (neither restricted, or committed) in the Capital Fund in the State of Washington and as prescribed by the State Accounting Manual for School Districts in the State of Washington. Assignments are changed when the resources are used for the intended purpose, or, for General Fund, if the funds are not utilized as designed within the next current period, they could be rescinded by the superintendent through agreements with the original donors. For the Capital Fund, the 'Assigned-Capital Project Fund Purposes' cannot be changed, unless the funds are used for the intended purpose of the Capital Projects Fund, or if the Capital Projects fund were to be dissolved as a whole, through state legally defined processes and at the direction of the board. Assignments reduce the amount of unassigned fund balance but may not reduce that balance below zero. Authority for making additional or more specific assignments within any of the fund's rests with the superintendent.

Unassigned Fund Balances -- 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, if any, would represent a deficit ending spendable fund balance once all restrictions and commitments are considered. The district does not have any unassigned fund balance in funds other than the General Fund. A negative unassigned fund balance would mean that the legal restrictions and formal commitments of the district exceed its currently available resources. The district does not have negative unassigned fund balances in any of its governmental funds.

Flow Assumptions for Restricted, Committed, Assigned or Unassigned Fund Balances -- The order in which the district assumes restricted, committed, assigned, and unassigned amounts are spent when amounts in more than one classification are available for a particular purpose, depends on the program and the resource, but is applied consistently from year to year. In some cases, unrestricted resources are used first, or a pro-rata approach is used. In most cases, the restricted resources are used first before the unrestricted resources.

The district receives state funding for specific categorical education-related programs. Certain 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 considered expended before any amounts received in the current year are expended.

Additionally, 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.

Minimum Fund Balance Policy -- The district has established a board policy providing a goal for management of fund balance. The goal embodies what was previously an informal practice of maintaining a minimum total ending fund balance in the General Fund of five percent and a minimum unassigned fund balance of two-and-a-half percent. The authority for approval of the budget rests with the board, which may adopt an annual expenditure plan with an estimated total ending fund balance that departs from this minimum target when it determines this is appropriate for a particular fiscal year.

10. Changes in Accounting -- Adoption of GASB Statement No. 96, Subscription Based IT Arrangements

GASB 96, Subscription based IT arrangements establishes a single model for SBITA accounting based on the principle that SBITA's are a contract that conveys control of the right to use another party's information technology. This statement applies to contracts that are an exchange or exchange-like transaction for a term exceeding 12 months. Examples of SBITA's include learning management systems, lease accounting software, cloud-based accounting and cloud storage services. Lessees are required to recognize a lease liability and an intangible right-to-use asset, and lessors are required to recognize a lease receivable and a deferred inflow of resources.

Information regarding the District's SBITA's are presented in the Note 7. Leases and Subscription Based IT Arrangements, as applicable.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE FUND BALANCE SHEET FOR GOVERNMENTAL FUNDS AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

1. *Investment in Joint Venture* -- The district's equity interest of $293,992 in King County Director's Association (KCDA) purchasing cooperative is included in the statement of net position.

2. *Capital Assets, Net* -- When capital assets (land, buildings, equipment, lease - assets) used in governmental activities are purchased, constructed, or leased, the cost of those assets purchased or constructed are reported as expenditures in the governmental funds. However, the statement of net position includes those capital assets among the assets of the district.

Cost of Capital Assets	$741,947,412
Less Accumulated Depreciation	(260,889,025)
Capital Assets, Net	$481,058,387

3. *Deferred Outflows of Resources – Pension Changes* - Changes in actuarial factors affecting the district's net pension liability such as changes in investment earnings, experience, assumptions, proportion, and contributions results in a deferred outflow of resources for pension changes balance of $59,533,011 which is added to the statement of net position.

4. *Deferred Outflows of Resources – OPEB* -- Changes in actuarial factors affecting the district's OPEB liability such as changes in experience, assumptions, demographic, or other input factors results in a deferred outflow of resources for pension changes balance of $19,713,618 which is added to the statement of net position.

5. *Long-Term Liabilities* -- Long-term liabilities applicable to the district's governmental activities are not due and payable in the current period and, therefore, are not reported as liabilities in the fund balance sheet. However, all liabilities, both current and long-term, are reported in the statement of net position. Accordingly, $219,649,186 in long-term liabilities is added to the statement of net position. See Long-Term Debt Note 9 for a schedule comprising the total below.

Long-Term Liability – Pension	$ 33,652,243
Long-Term Liability – OPEB	$ 82,365,185
Long-Term Liability – Other	$103,631,758
	$219,649,186

6. *Deferred Inflows of Resources – Pension Changes* - Changes in actuarial factors affecting the district's net pension liability such as changes in experience and proportions results in a deferred inflow of resources for pension changes balance of $23,510,162 which is added to the statement of net position as a deferred inflow of resources.

7. *Deferred Inflows of Resources – OPEB Changes* - Changes in actuarial factors affecting the district's OPEB liability such as changes in experience, assumptions, demographic, or other input factors results in a deferred inflow of resources for pension changes balance of $56,277,648 which is added to the statement of net position.

8. *Deferred Inflows of Resources – Unavailable Revenue*-- Property tax levies not collected within 30 days, and other similar receivables that will not be collected for several months after year-end are not considered available. They are reported as deferred inflows of resources in governmental funds. However, unavailable revenue from property taxes ($55,160,404) and unavailable revenue for other miscellaneous entitlements ($46,190) are removed from the statement of net position.

9. *Eliminations, Due from Other Funds and Due to Other Funds* -- In the governmental fund financial statements, interfund payables and receivables and the associated expenditures and/or reimbursement of expenditures are recorded in the respective funds as a result of general operations. In the conversion of fund financial statements to government-wide financial statements, all the governmental funds are consolidated and presented as a total. Accordingly, interfund receivable/payable balances of $354,115 were eliminated.

B. *EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE DISTRICT FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES*

1. *Long-Term Revenues, Local* -- Property tax levies not collected within 30 days of year-end, and other miscellaneous entitlements, less estimated uncollectible accounts that do not provide current financial resources, are reported as deferred inflows of resources in the governmental funds, but as revenues in the government-wide financial statements. Accordingly, $13,248,512 in revenue is deducted from the statement of activities.

2. *Long-Term Revenues, Other Entities* -- The value of the district's investment in joint venture (see also Note 14-Other Disclosures, KCDA) increased by $58,246 from the prior year. The increase in the value of this asset results in an adjustment of general revenue in the statement of activities. The value of the investment in joint venture is not reported in the governmental funds.

3. *Long-Term Expenses* -- The net amount of $26,921,390 represents the changes in the district's pension, compensated absences, and other post-employment benefits (OPEB) liabilities. The pension liability change resulted in a decreased expenses of $29,374,852. The compensated absences liability decreased expenses by $448,294, and the OPEB liability increased expenses by $2,901,757. These long-term assets or liabilities are not reported in governmental funds. The net decrease in liabilities results in an adjustment to the statement of activities as expenses to appropriate programs.

4. *Capital Related Items, Expenses* -- When capital assets (i.e., land, buildings, equipment) are purchased or constructed to be used in governmental activities, the cost of those assets are reported as capital outlay expenditures in the governmental funds. However, the statement of net position includes capital assets among the assets of the district as a whole. Thus, governmental fund financial statements report capital outlay as expenditures $32,518,539, while government-wide financial statements report depreciation expense $18,598,556 for capital assets which are allocated to various applicable programs. Expenditures for equipment costing less than $5,000 that are reported as capital outlay expenditures in the governmental fund financial statements $18,569,439 are not capitalized and therefore have been re-allocated as expenses to governmental activities in the statement of activities as follows:

	Non-Capitalized	Depreciation	Total
Regular Instruction	$ 17,234,370	$ 15,758,434	$ 32,992,804
Special Education		1,554	1,554
Vocational Education		141,312	141,312
Compensatory Education	17,228	4,773	22,001
Other Instructional Programs		7,082	7,082
Community Services		7,933	7,933
Support Services	1,317,841	2,677,468	3,995,309
Total	$ 18,569,439	$ 18,598,556	$ 37,167,995

Reconciliation Summary:

Non-Capitalized, Building & Equipment Costs	$ 18,569,439
Depreciation Expense	18,598,556
Capital Outlay (Sites, Buildings, Equipment)	(32,518,539)
Difference	$ 4,649,546

5. *Long-Term Debt Transactions, Bond Principal* -- Repayment of bond principal in the amount of $19,932,001 was reported as an expenditure in the governmental funds and, thus, has the effect of reducing fund balance. For the district as a whole, the principal payments reduce the liabilities in the statement of net position. (See Long-Term Debt Note 9.)

6. *Long-Term Debt Transactions, Bond Interest & Other Charges* -- In governmental fund financial statements, interest, and transfer fee payments of $3,778,113 on general obligation bonds were charged to expenditures. However, in the government-wide financial statements, interest expense is adjusted to reflect amortization of deferred amount on refunding (which has the effect of increasing interest expense), and amortization of bond premium (which has the effect of decreasing interest expense). Accordingly, a net adjustment of $939,813 is made to decrease bond interest expense in the statement of activities. (See Long-Term Debt Note 9 for amortization schedules.)

Amortization of Deferred Amount on Refunding	$ 60,772
Amortization of Bond Premium	(1,000,585)
Net Adjustment to Bond Interest & Other Charges	($939,813)

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

General Budgetary Policies -- The Everett Public Schools budgets the funds in accordance with the Revised Code of Washington Chapter 28A.505 and Chapter 392-123 of the Washington Administrative Code (WAC). The board of directors adopts annual appropriation budgets at the fund level for all governmental type funds after a public hearing. Appropriations lapse at the end of the fiscal period.

Budgetary Basis of Accounting -- For budget and accounting purposes, revenues and expenditures are accounted for on a modified accrual basis as prescribed by law for all governmental funds. Fund balance is budgeted as available resources and pursuant to law, cannot be negative.

Budget Controls and Revisions -- Each governmental fund’s total expenditures cannot, by law, exceed its formal fund appropriation. The district’s finance office reviews requests from management to modify specific accounts within the overall fund appropriation and implements those under the authority granted by approval from the chief financial officer. However, only the board has the authority to increase or decrease a given fund's annual budget. The board may adopt a revised or supplemental budget after a public hearing anytime during the fiscal year.

NOTE 4. CASH AND INVESTMENTS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The Snohomish County Treasurer is the *ex-officio* treasurer for the district. In this capacity, the Snohomish County Treasurer receives deposits and transacts investment activity on the district's behalf.

The district's cash and cash equivalents are covered primarily by federal depository insurance (FDIC) or by collateral held by the district's custodial banks in the district's name.

Statutes authorize the district to: (1) invest in securities, certificates, notes, bonds, short-term securities, or other obligations of the United States, in bankers' acceptances and commercial paper purchased on the secondary market, the Washington State Local Government Investment Pool, and county treasurer investment pools, and (2) make deposits in financial institutions in accordance with RCW 30.04.300, which have been designated as qualified public depositories by the Washington State Public Deposit Protection Commission (WSPDPC).

To qualify as public depositories in the State of Washington, financial institutions must provide collateral to the WSPDPC in an amount equal to, but not less than ten percent of all public deposits by municipalities up to the net worth of the qualified institution. WSPDPC guidelines basically provide that in the event of default of a qualified public depository, all other qualified public depositories will collectively assure that no loss of funds will be suffered by any public entity.

Investments are stated at fair value on the balance sheet. Changes in fair value are included as revenue in the financial statements. The fair value of securities was based on quoted market prices.

Investments in the State Investment Pool (Local Government Investment Pool – LGIP) as held by the County Treasurer on behalf of the district, have values that are the same as the value of the pool shares. The information was provided by the County Treasurer in their capacity as *ex-officio* treasurer for the district.

Government-wide cash, cash equivalents, and investments at year-end totaled $85,091,740, which consisted of the following:

Description	Governmental Funds	Total Government Wide
Investment at Amortized Cost	$84,113,853	$84,113,853
Cash with County Treasurer, Net of Outstanding Warrants	428,348	428,348
Cash Bank Deposits Used as Imprest Revolving Funds	399,450	399,450
Cash	150,089	150,089
Total Cash, Cash Equivalents and Investments	$85,091,740	$85,091,740

Fiduciary Fund, cash, cash equivalents, and investments at year-end totaled $119,164, and consisted of the following:

Investments at Fair Value	$113,799
Cash with County Treasurer, Net of Outstanding Warrants	$ 133
Cash	$ 265
Total Cash, Cash Equivalents, and Investments	$ 114,137

The district's deposits are covered entirely by federal depository insurance (FDIC) or by collateral held in the multiple financial institution collateral pool administered by the WSPDPC. The majority of the district's investments during the year and at year-end were held by the district or the Snohomish County Treasurer. Certain scholarships in the fiduciary funds are managed by Everett Public School Foundation (EPSF) and held as investments in the EPSF.

The district's investments are measured and categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. These guidelines recognize a three-tiered fair value hierarchy as follows: Level 1: Quoted prices in active markets for identical assets. Level 2: Quoted market prices for similar assets, quoted prices for identical or similar assets in markets that are not active, or other than quoted prices that are not observable. Level 3: Unobservable inputs for an asset. Investments held by the district are considered Level 1 only and at August 31, 2023, are as follows:

			Investment Maturities (In Years)			
Investment Type	Cost	Level 1 - Fair Value	Less Than 1 Year	1-5	6-10	More Than 10 Years
Government-Wide						
State Investment Pool (LGIP)	$ 83,756,788		$ 83,756,788			
Government-Wide Investments	83,756,788	-	83,756,788	-	-	-
Fiduciary Funds						
State Investment Pool (LGIP)	101,475		101,475			
	$ 83,858,263	$ -	$ 83,858,263	$ -	$ -	$ -
Other Fiduciary Fund Investments						
EPSF - Equities	6,116	6,440				
EPSF - Fixed Income	4,219	4,122				
EPSF - Cash Equivalents	1,667	1,667				
Total Investments	$ 83,870,265	$ 12,229				

Interest Rate Risk – The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates. However, Snohomish County, as a means of limiting its exposure to raising interest rates, invests in securities that have a final maturity of no longer than five years. The district's investments are primarily held with Snohomish County which invests almost 100 percent of the funds with the Washington State Treasurer's Local Government Investment Pool (LGIP).

The Washington State Local Government Investment Pool (LGIP) is operated by the Washington State Treasurer and is managed in a manner generally consistent with SEC regulated Rule 2a-7 money market funds. Participation in the pool is voluntary and the pool is not rated by a nationally recognized statistical rating organization (NRSRO). The value of the district's investment in the pool is measured using a net asset value (NAV) calculation based on the amortized cost of all securities held such that the securities will be valued at their acquisition cost, plus accrued income, amortized daily. The pool maintains a weighted average maturity (WAM) of 60 days or shorter. Accordingly, participants' balances in the LGIP are not subject to interest rate risk since the weighted average maturity of the portfolio will not exceed 90 days.

Credit Risk – The basic risk for holders of debt securities is that the debtor will not be able to make scheduled payments (*credit risk*). Statutes authorize the district to: (1) invest in securities, certificates, notes, bonds, short-term securities, or other obligations of the United States, in bankers' acceptances and commercial paper purchased on the secondary market, the Washington State Local Government Investment Pool, and county treasurer investment pools. The district has no investment policy that further limits its investment choices. As of August 31, 2023, the district's investment in the State Investment Pool was not rated by a nationally recognized statistical rating organization (NRSRO). Credit risk is limited because almost all the district's investments are held in the LGIP.

Concentration of Risk -- The district places no limit on the amount the district may invest in any one investment facilitator. Most of the district's investments are invested in the Washington State Treasurer's Local Government Investment Pool and U.S. Government Obligations. In compliance with State of Washington statutes, pool policies authorize investments in US securities, US agency securities, and mortgaged-backed securities, municipal securities (rated at least "A" by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements and the LGIP managed by the Washington State Treasurer's Office.

The LGIP is a voluntary investment vehicle operated by the State Treasurer. Over 530 governments have participated in the pool since it was started in 1986 to provide safe, liquid, and competitive investment options for local governments pursuant to RCW 43.250. The LGIP lets local governments use the State Treasurer's resources to safely invest their funds while enjoying the economies of scale available from a $10-16 billion pooled fund investment portfolio. The LGIP's investment objectives are, 1) safety of principal, 2) maintaining adequate liquidity to meet cash flows, and 3) providing a competitive interest rate relative to other comparable investment alternatives. LGIP offers 100 percent liquidity to its participants. The LGIP portfolio is managed in a manner generally consistent with SEC regulated Rule 2a-7 money market funds.

Oversight of the LGIP is provided by the LGIP Advisory Committee. The LGIP Advisory Committee was created in 1995 to advise the State Treasurer on the operation of the Pool. The committee is comprised of 12 appointed members; four are appointed by the State Treasurer and the other eight are appointed by state associations including the Washington Finance Officers Association (WFOA), and the Washington Municipal Treasurers Association (WMTA) among others. Each member serves a three-year term and is eligible for two total terms. The LGIP Advisory Committee meets quarterly to advise the Treasurer on LGIP operational issues, budget, and oversight of the Statewide Custody Program.

Custodial Risk -- The district does not have a formal custodial policy that limits its exposure to custodial risk. All of the district's cash and cash equivalents are subject to custodial risk. However, the majority are covered by federal depository insurance (FDIC) or by collateral held by the district's custodial banks in the district's name.

Additionally, the majority of the district's investments are with Snohomish County which invests almost 100 percent of the funds with the Washington State Treasurer's Local Government Investment Pool (LGIP) and is managed in a manner generally consistent with SEC regulated Rule 2a-7 money market funds.

NOTE 5. INTERFUND, TRANSFERS, AND OTHER GOVERNMENT TRANSACTIONS

Interfund Balances -- (Amounts Due to Other Funds/Amounts Due from Other Funds) Interfund balances between the district's governmental funds are transactions that have occurred in one fund that are later reclassified to the appropriate fund. Payroll transactions are streamlined and paid wholly through the General Fund. The costs are then reclassified as an expenditure to the appropriate fund, and a reimbursement of expenditure to the General Fund. Interfund receivables/payables are liquidated monthly. As of August 31, 2023, short-term interfund receivables and payables in governmental funds resulting from general operating transactions (primarily salaries with a minor amount attributable to supplies or equipment) in governmental fund financial statements were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	$352,527	$1,588
Special Revenue Fund	956	13,107
Capital Projects Fund	632	339,420
Total	$354,115	$354,115

Interfund receivables and payables between governmental funds are eliminated in the government-wide financial statements. Interfund receivables and payables from the private-purpose trust fund have been reclassified as third party receivables/payables in the government-wide financial statements.

Interfund Transfers -- Planned transfers between funds are included in the budgeting process. In 2022 -2023, transfers included $4,050,000 from the Capital Projects Fund to the General Fund. The transfers are in connection with certain eligible equipment repairs, preventative maintenance, and technology related projects.

Interfund Loans -- There were no interfund loans made during the course of the 2022-2023 fiscal year.

Due from Other Governmental Units -- As of August 31, 2023, receivables from other governments consisted of the following related to apportionment, grants, and reimbursements for services owed:

Due from Other Governmental Units	**General Fund**
State of Washington	
Elementary and Secondary School Emergency Relief Fund	3,328,969
Categorical education program grants	1,739,781
Snohomish County - Student Support Advocate Program	4,164
Puget Sound Taxpayers Accountability Grant	90,049
Total	$ 5,162,963

	Capital Projects
State of Washington	
Department of Ecology	$ 116,981

	Transportation Vehicle Fund
State of Washington	
Department of Ecology	$ 583,619

NOTE 6. CHANGES IN CAPITAL ASSETS

Purchases of equipment with a unit cost of $5,000 or more, are capitalized and depreciated in government-wide financial statements. Equipment costing less than $5,000 is not included in capital asset cost values or depreciation totals in the district's government-wide financial statements. Leases are recognized with total payments over the lease term of $40,000 or greater. The district's capital assets are insured up to the cost of replacement, subject to a $1,000 deductible per occurrence. Course of construction insurance is carried on projects under construction. There have been no significant reductions to insurance coverage. Changes in capital assets for the year are as follows:

Land	$ 42,772,881			$ 42,772,881
Construction in Progress	864,871	2,854,483	(743,098)	2,976,256
Total Non-Depreciable Capital Assets	43,637,752	2,854,483	(743,098)	45,749,137
Depreciable Capital Assets				
Building & Improvements	669,899,662	8,247,944	(3,464,456)	$ 674,683,150
Lease - Buildings	319,862	-	-	$ 319,862
Equipment	16,680,678	1,644,579	(5,154)	$ 18,320,103
Subscription Based IT Arrangements	2,662,057			$ 2,662,057
Lease - Equipment	213,102	-	-	$ 213,102
Total Depreciable Capital Assets	689,775,361	9,892,523	(3,469,610)	696,198,274
Less Accumulated Depreciation/Amortization				
Building & Improvements	(237,102,894)	(16,368,541)	3,464,456	(250,006,979)
Lease - Buildings	(45,695)	(45,695)	-	(91,390)
Equipment	(8,513,171)	(1,158,203)	5,154	(9,666,220)
Subscription Based IT Arrangements	-	(927,851)		(927,851)
Lease - Equipment	(98,319)	(98,266)	-	(196,585)
Total Accumulated Depreciation/Amortization	(245,760,079)	(18,598,556)	3,469,610	(260,889,025)
Total Depreciable Capital Assets Net of Depreciation/Amortization	444,015,283	(8,706,033)	-	435,309,249
Governmental Activities Capital Assets, Net	$ 487,653,035	$ (5,851,550)	$ (743,098)	$ 481,058,387

Depreciation expense was charged to governmental activities as follows:

Regular Instruction	$ 15,758,434
Special Education	1,554
Vocational Instruction	141,312
Compensatory Education	4,773
Other Instruction Programs	7,082
Community Services	7,933
Support Services	2,677,468
Total:	$ 18,598,556

Construction in Progress

Projects	Project Authority Dollars	Expenditures Accumulated August 31, 2023
Reader Boards	28,400	5,782
Playfield Upgrade	158,000	59,814
Cascade HS Bldg 2 HVAC Upgrades	2,200,000	735,587
Cascade HS Access Controls & Security Fencing	450,000	90,082
Everett HS Access Controls & Security Fencing	500,000	479,178
Evergreen MS Security Fencing	22,000	440
Jackson ES Replacement	48,838,000	568,332
Cascade HS Bldg 4 Boiler Replacement	450,000	23,717
Everett HS Fire Alarm Panel Upgrade	100,000	94,149
Security equipment upgrades	100,000	8,937
Clean Buildings Act	8,500,000	359,259
Silver Lake ES Boiler upgrades	700,000	550,978
	$62,046,400	$2,976,255

NOTE 7. LEASES & SUBSCRIPTION BASED IT ARRANGEMENTS

Lessee Activity -- The district leases facilities and office equipment under variety of long-term, non-cancelable lease agreements. In accordance with GASB Statement No. 87, Leases, and GASB Statement No. 96, Subscription Based IT Arrangements the District records right-to-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the stated interest rates.

The following is a summary of governmental right-to-use lease asset activity for the year ended August 31, 2023:

	Beginning Balance	Additions	Deletions	Ending Balance
Government Activities:				
Lease - Buildings	$ 319,862	$ -	$ -	$ 319,862
Subscription Based IT Arranagements	$ 2,662,056	$ -	$ -	$ 2,662,056
Lease - Equipment	213,119	-	-	213,119
Total	3,195,037	-	-	3,195,037
Less Accumulated Depreciation				
Lease - Buildings	(45,695)	(45,695)	-	(91,390)
Subscription Based IT Arrangements	-	(927,851)	-	(927,851)
Lease - Equipment	(98,266)	(98,266)	-	(196,532)
Total Accumulated Depreciation	(143,961)	(1,071,812)	-	(1,215,773)
Total Lease Assets, Net of Depreciation	$ 3,051,076	$ (1,071,812)	$ -	$ 1,979,264

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

Year ended August 31,	Principal	Interest	Total
2024	804,850	23,770	828,620
2025	393,534	10,131	403,665
2025	86,041	1,879	87,920
Total	$ 1,284,425	$ 35,780	$ 1,320,205

Changes in lease liabilities are presented in the accompanying Note 9. Long-Term Liabilities.

Variable lease payments, other than those payments that depend on an index or rate or are fixed in substance, and other payments that are not known or certain to be exercised are excluded from the measurement of the lease liability.

Lessor Activity

The district leases district-owned building and other facilities. The district records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the lessors' incremental borrowing rate. During the fiscal year ending August 31, 2023, the amount recognized as lease revenue and lease interest was $110,379 and $12,230, respectively. Variable lease receipts, other than those that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease receivable. During the fiscal year ended August 31, 2023, the district, recognized revenue of $19,646 for variable lease payments not included in the measurement of the lease receivable.

As of August 31, 2023, future lease receivable principal and interest payments are as follows:

Year ended August 31,	Prinicpal	Interest	Total
2024	143,781	10,054	130,766
2025	132,014	7,678	139,692
2026	126,727	5,104	131,831
2027	49,215	3,370	52,585
2028-2029	104,637	3,132	107,769
Total	$ 556,374	$ 29,338	$ 585,712

NOTE 8. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. PENSIONS GENERAL INFORMATION

The Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, issues a publicly available annual comprehensive financial report that includes financial statements and required supplementary information for each plan. The DRS annual comprehensive financial report may be obtained by writing to: Washington State Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or online at https://www.drs.wa.gov.

The following table represents the aggregate pension amounts for all plans of the district for fiscal year 2023:

Pension Liabilities	$33,652,243
Pension Assets	5,071,303
Deferred outflows of resources	59,533,011
Deferred inflow of resources	23,510,162
Pension expense	2,501,939

B. MEMBERSHIP PARTICIPATION

Substantially all of the district's 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).

C. MEMBERSHIP AND 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.

Teachers Retirement System (TRS) Plan Information

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

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

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

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

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

Public Employees Retirement System (PERS) Plan Information

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

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

School Employees Retirement System (SERS) Plan Information

SERS was established by the legislature in 1998, and the plan became effective in 2000. SERS retirement benefit provisions are established in RCW Chapters 41.34 and 41.35. SERS is a cost-sharing, multiemployer retirement system comprised of two separate plans for membership purposes. SERS Plan 2 is a defined benefit plan and SERS Plan 3 is a defined benefit plan with a defined contribution component. SERS members include classified employees of school districts and educational service districts.

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

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

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

D. PLAN CONTRIBUTIONS

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The methods used to determine the contribution requirements are established under chapters 41.34 and 41.40 RCW for PERS, 41.34 and 41.35 RCW for SERS, and 41.32 and 41.34 RCW for TRS. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The employer and employee contribution rates for all plans were effective as of September 1, 2022. PERS contribution rates changed on July 1, 2022. Contribution rates TRS and SERS plans changed on September 1, 2022. The pension plan contribution rates (expressed as a percentage of covered payroll) for fiscal year 2023 are listed below:

Pension Contribution Rates from July 01, 2022 to June 30, 2023			
	Employer	**Employee**	
PERS Plan 1	10.39%	6.00%	
Pension Contribution Rates from July 01, 2023 to August 31, 2023			
	Employer	**Employee**	
PERS Plan 1	9.39%	6.00%	
Pension Contribution Rates from September 01, 2022 to August 31, 2023			
	Employer	**Employee**	
TRS Plan 1	14.69%	6.00%	
TRS Plan 2/3	14.69%	8.05%	*/**
SERS Plan 2/3	11.79%	7.76%	*/**
Note: The Employer rates include .0018 DRS administrative expense.			
* – 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.			

E. *PENSION LIABILITY (ASSET)*

<u>District's Proportionate Share of the Net Pension Liability (NPL)</u>

On June 30, 2023, the district reported a total liability of $ 33,652,243 for its proportionate shares of the individual plans' collective net pension liability and $5,071,303 for its proportionate shares of net pension assets. Proportion of net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. On June 30, 2023, the district's proportionate share of each plan's net pension liability is reported below:

Contributions and Proportionate Share	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's annual contributions	$2,104,815	$4,255,082	$11,336,065	$14,180,829
Proportionate share of the Net Pension Liability (Asset)	7,050,920	(2,497,484)	26,601,323	(2,573,819)

Changes to net pension liability from the prior period are displayed in the Schedule of Changes in Long Term Liabilities.

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

Change in Proportionate Share Allocation Percentage	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.308881%	1.744735%	2.100353%	2.095688%
Prior year proportionate share of the Net Pension Liability	0.329751%	1.808874%	2.099138%	2.108808%
Net difference percentage	**-0.020870%**	**-0.064139%**	**0.001215%**	**-0.013120%**

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 inflations assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.04%

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 was 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%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%

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

Discount Rate
The discount rate used to measure the total pension liability was 7.00 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Based on the assumptions described in the DRS Certification Letter, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return, a 7.00 percent on pension plan investments was applied to determine the total pension liability.

Sensitivity of the Net Pension Liability (NPL) to Changes in the Discount Rate
The following table presents the district's proportionate share of the collective net pension liability or asset calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.00 percent) or one percentage-point higher (8.00 percent) than the current rate. Amounts are calculated using the school district's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability or asset.

Sensitivity of the Net Pension Liability (NPL) to changes in the discount rate:			
Participating Plans for TRS, PERS, and SERS			
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
PERS1 - NPL	**$3,189,149,000**	**$2,282,732,000**	**$1,491,643,000**
Allocation percentage	0.308881%	0.308881%	0.308881%
Proportionate share of collective NPL	$9,850,668	$7,050,920	$4,607,398
SERS2/3 - NPL	**1,168,408,000**	**(143,144,000)**	**$ (1,224,160,000)**
Allocation percentage	1.744735%	1.744735%	1.744735%
Proportionate share of collective NPL	$20,385,625	($2,497,484)	($21,358,349)
TRS1 - NPL	**$1,927,853,000**	**$1,266,517,000**	**$688,424,000**
Allocation percentage	2.100353%	2.100353%	2.100353%
Proportionate share of collective NPL	$40,491,711	$26,601,323	$14,459,332
TRS2/3 - NPL	**$3,965,509,000**	**(122,815,000)**	**$ (3,446,561,000)**
Allocation percentage	2.095688%	2.095688%	2.095688%
Proportionate share of collective NPL	$83,104,691	($2,573,819)	($72,229,161)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
The Pension Plans reported collective Deferred Outflows of Resources and collective Deferred Inflows of resources related to the individual plans. On August 31, 2023, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

PERS 1	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	-	-
Net difference between projected and actual earnings on pension plan investments		($795,374)
Changes in assumptions or other inputs	-	-
Changes in the district's proportion and differences between the district contributions and proportionate share of contributions	-	-
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	$341,522	
PERS 1 TOTAL	$341,522	($795,374)

SERS 2/3	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	$6,232,187	-
Net difference between projected and actual earnings on pension plan investments		($3,900,124)
Changes in assumptions or other inputs	4,247,329	(145,882)
Changes in the district's proportion and differences between the district contributions and proportionate share of contributions	330,896	(2,694)
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	685,980	
SERS 2/3 TOTAL	$11,496,392	($4,048,700)

TRS 1	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	-	-
Net difference between projected and actual earnings on pension plan investments		($3,850,966)
Changes in assumptions or other inputs	-	
Changes in the district's proportion and differences between the district contributions and proportionate share of contributions	-	-
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	$1,923,245	
TRS 1 TOTAL	$1,923,245	($3,850,966)

TRS 2/3	Outflow	Inflow
Difference between expected and actual experiences in the measurement of the total pension liability	$22,413,059	$ (362,631)
Net difference between projected and actual earnings on pension plan investments		(12,344,987)
Changes in assumptions or other inputs	20,446,461	(2,026,375)
Changes in the district's proportion and differences between the district contributions and proportionate share of contributions	521,839	(81,128)
District contributions to the pension plan subsequent to the measurement date of the collective net pension liability	2,390,492	
TRS 2/3 TOTAL	$45,771,851	$ (14,815,121)

The $5,341,239 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Pension Amortization By Plan

Year ended August 31	PERS 1	SERS 2/3	TRS 1	TRS 2/3
2024	($541,139)	$178,745	($2,691,121)	($2,788,213)
2025	(680,547)	(683,173)	(3,402,134)	(4,718,184)
2026	419,614	4,473,004	2,174,284	12,710,955
2027	6,697	1,857,657	68,005	5,599,546
2028	-	860,398	-	5,368,847
Thereafter	-	75,080	-	12,393,287

Pension Expense

For the year ending August 31, 2023, the District recognized a total pension expense (income) as follows:

Plan Name	Pension Expense
PERS 1	($774,439)
SERS 2/3	2,011,252
TRS 1	(5,396,775)
TRS 2/3	6,661,901
Total	$2,501,939

F. *OTHER POST-EMPLOYMENT BENEFITS (OPEB)*

Plan Description -- Washington 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 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, 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 the historical patterns of practice with regards to sharing of benefit costs.

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the K–12 school districts and ESDs. The district's retirees (approximately 712) are eligible to participate in the PEBB plan under this arrangement.

RCW 41.05.085 provides that contribution requirements of participating employers and of plan members are established by, and may be amended by, the HCA Board of Directors. Participating employers and active plan members are required to contribute the established benefit rates. All K-12 school districts and educational service districts contribute the same rate, which is set annually, as an amount per pro-rated full-time equivalent (FTE) under RCW 28A.400.410. Employers do not have the ability to contribute additionally to funding against future liabilities or impact funding progress on the actuarially determined liability of the HCA's PEBB OPEB plan.

The PEBB OPEB plan provides healthcare insurance benefits (medical and dental) for retirees and their dependents. Retired members may only elect dental coverage if they have elected medical coverage. The PEBB OPEB plan offers eighteen (18) medical plans and three (3) dental plans. All current and future retirees who elect medical and dental coverage are assumed to elect carriers based on the weighted average of selection of carriers by current PEBB retirees. When a retiree or covered dependent becomes eligible for Medicare, the retiree or covered dependent must enroll in Medicare Parts A and B in order to maintain eligibility for retiree coverage.

For further information on the results of the actuarial valuation of the employer provided subsidies associated with the state's PEBB plan, refer to the Office of the State Actuary. The plan does not issue a separate report; however, additional information is included in the State of Washington Annual Comprehensive Financial Report, which is available on the OFM website.

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

Plan 2

- Age 65 with 5 years of service
- Age 55 with 20 years of service

Plan 3

- Age 65 with 10 years of service
- Age 55 with 10 years of service

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.

Everett Public Schools' members, for the purposes of determining actuarial numbers relative to the subsidies and liabilities for the district's OPEB were as follows:

Total Membership

Active Members	2,493

Members Currently Receiving Benefits

Retired Members and Surviving Spouses	715
Spouses and Dependents of Retired Members	320

It is not possible to determine the number of inactive employees entitled to, but not yet receiving benefit payments. Retiring employees apply for benefits at their discretion, may be otherwise working and not eligible for benefits or be deceased. This data is not monitored by the District, HCA or the state of Washington.

Medical Benefits -- Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 medical coverage for 2023:

Descriptions	Employee	Employee & Spouse	Full Family
Kaiser Permanente NW Classic	$841.77	$1,678.60	$2,306.22
Kaiser Permanente NW CDHP	700.40	1,394.08	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	704.42	1,402.12	1,881.65
UMP CDHP	729.13	1,453.32	1,996.46
UMP Plus-Puget Sound High Value Network	766.95	1,528.96	2,100.47

Retirees enrolled in Medicare Parts A and B receive an explicit subsidy.

After age 65 retired members receive a subsidy of 50% of their monthly medical premiums up to a maximum per Medicare covered person of $183 for calendar year 2023.

When a retiree or covered dependent becomes eligible for Medicare, the retiree or covered dependent must enroll in Medicare Parts A and B to maintain eligibility for PEBB retiree coverage. Retirees pay the following monthly rates for post-65 medical coverage:

	Type of Coverage		
Descriptions	Employee	Employee & Spouse[1]	Full Family[1]
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

(1) Employee–Spouse and Full Family with two Medicare eligible subscribers.

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The implicit rate subsidy is the difference between the total cost of medical benefits for retirees and the contribution paid by retirees.

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

Dental Benefits -- Upon retirement, members are permitted to receive dental benefits. Retirees pay the following monthly rates for dental coverage in 2023:

DeltaCare	$41.50	$83.00	$124.50
Willamette of Washington	44.45	88.90	133.35
Uniform Dental Plan	48.56	97.12	145.68

An implicit rate subsidy is used for dental coverage.

Actuarial Methods and Assumptions -- The August 31, 2023, OPEB liability was determined using the following methodologies:

Actuarial valuation date	7/1/2022
Actuarial measurement date	8/31/2022
Actuarial cost method	Entry age
Asset valuation method	N/A - no asset[1]

[1] No assets have been accumulated in a trust.

In order to calculate the beginning total OPEB liability balance under GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans, an actuarial valuation was performed with a valuation date of July 1, 2022. The forward projection reflects the plan's assumed service cost, assumed interest, and expected benefit payments.

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.35%
Projected Salary Changes	3.25%
Post-Retirement Particpation Percentage	60%
Percentage With Spouse Coverage	45%

Mortality rates were based on the Pub-2010 Healthy Teachers Mortality, Pub-2010 Healthy General Mortality, and the ultimate rates from the Mortality Projection Scale MP-2017.

Demographic assumptions regarding retirement, disability, turnover, and mortality are based upon the actuarial valuation for the Washington State Public Retirement Systems.

The discount rate used to measure the total August 31, 2023, OPEB liability was set equal to the 20-year tax-exempt municipal bond yield, or 3.59 percent.

Health costs trend rates used for the actuarial study are as follows:

Year Ending June 30	Pre-65 Retiree Premiums and Claims	Post-65 Claims	Post-65 Contributions
2023	5.40%	7.90%	11.70%
2024	5.60%	6.80%	9.50%
2025	5.50%	6.90%	9.10%
2036	5.00%	4.90%	5.20%
2027	4.90%	4.80%	5.10%
2037	4.50%	4.50%	4.60%
2047	4.40%	4.30%	4.40%
2057	4.40%	4.30%	4.30%
2067	4.20%	4.20%	4.20%
2077	3.80%	3.80%	3.80%

Assumption changes from last valuation included changes to medical costs compared to expectations, demographic experience, updated medical trend data, an updated discount rate, and changes to demographic assumptions.

The District OPEB liability decreased compared to the prior valuation primarily due to an increase in the discount rate, a change in the medical costs compared to expectations, and a change in the assumed future medical inflation rate. These decreases were partially offset by a change to the salary inflation assumption and demographic experience.

Total OPEB Liability. As of August 31, 2023, the District reported a total OPEB liability of $82,365,185.

Changes in Total OPEB Liability

The following table presents the change in the total OPEB liability as of the August 31, 2023, reporting date:

Changes in total OPEB Liability		
OPEB Liability, August 31, 2022	$	118,899,906
Changes for the year:		
Service Cost		7,413,671
Interest on total OPEB Liability		2,679,046
Effect of Economic/demographic gains or losses		7,122,285
Effect of Assumptions Changes or Inputs		(51,488,644)
Expected Benefit Payments		(2,261,079)
Net Changes in Total OPEB Liability		(36,534,721)
OPEB Liability, August 31, 2022	$	82,365,185

Sensitivity of the Total Liability to Changes in the Discount Rate and Healthcare Costs Trend Rates -- The following presents the total OPEB liability of the District, calculated using the discount rate of 3.59 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.59 percent) or 1 percentage point higher (4.59 percent) than the current rate:

	2.59%	Rate 3.59%	4.59%
August 31, 2023 OPEB Liability	$ 96,733,964	$ 82,365,185	$ 70,817,244

The following presents the total OPEB liability of the district, calculated using the current healthcare cost trend rates as well as what the district's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease	Current Discount	1% Increase
August 31, 2023 OPEB Liability	$ 69,052,503	$ 82,365,185	$ 99,709,522

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB. -- For the year ending August 31, 2023, the District recognized OPEB expense of $5,319,422.

On August 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflow of Resources	Deferred Outflows of Resources
Difference between expected and an actual experience	$ (2,237,875)	$ 6,410,056
Changes of assumptions	(54,039,773)	10,885,897
Contributions made subsequent to measurement date	-	2,417,665
Total	$ (56,277,648)	$ 19,713,618

Amounts reported as deferred outflows of resources resulting from contributions made after the measurement date of the OPEB liability but before the end of the employer's reporting period will be recognized as a reduction of the total OPEB liability in the subsequent fiscal period rather than the current fiscal period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for the District will be recognized in OPEB expense in the fiscal years ended August 31 as follows:

Year ended August 31,	
2023	$ (4,773,295)
2024	(4,773,295)
2025	(3,739,115)
2026	(3,363,160)
2027	(3,436,261)

Further information about the state's PEBB plan as it pertains to OPEB is presented in a separate report, the State of Washington's June 30, 2023, annual comprehensive financial report. Refer to this audited GAAP basis report for detailed trend information. It is available from:

State of Washington
Office of Financial Management
300 Insurance Building
P.O. Box 43113
Olympia, WA 98504-3113

The state's PEBB OPEB plan does not issue a publicly available financial report. However, the results of an actuarial valuation of Washington State's employer provided subsidies associated with the PEBB plan, including more detailed trend information can be found at:

http://osa.leg.wa.gov/Actuarial_services/OPEB/OPEB.htm

NOTE 9. LONG-TERM LIABILITIES

CHANGES IN LONG-TERM LIABILITIES

During the year, the following changes occurred in liabilities reported in the government-wide financial statements:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds Payable					
2009C UTGO Qualified School Construction Bonds*	17,445,000			17,445,000	17,445,000
*(QSCB) Tax Credit Bonds					
2016 Unlimited Tax GO Bonds	31,180,000			31,180,000	
2018 Unlimited Tax GO Bonds	20,220,000			20,220,000	
2019 Unlimited Tax GO Refunding Bonds	16,140,000		16,140,000	-	
2019 Unlimited Tax GO Bonds	22,935,000		2,975,000	19,960,000	
Total Bonds Payable	107,920,000	-	19,115,000	88,805,000	17,445,000
Net Pension Liabilities					
PERS Plan 1	9,181,471		2,130,551	7,050,920	
TRS Plan 1	39,922,044		13,320,721	26,601,323	
Total Net Pension Liabilities	49,103,515	-	15,451,272	33,652,243	
Other Liabilities					
Right to use Lease Liabilities	116,659		99,618	17,041	16,411
Subscription Based IT Arrangements		1,267,384		1,267,384	812,309
Unamortized Bond Premium	7,612,442		1,000,585	6,611,857	972,979
Compensated Absences	7,378,770	6,156,123	6,604,417	6,930,476	2,706,041
Total OPEB Liabilities	118,899,906	17,215,002	53,749,723	82,365,185	
Total Other Liabilities	134,007,777	24,638,509	61,454,343	97,191,943	4,507,740
GRAND TOTAL	$ 291,031,292	$ 24,638,509	$ 96,020,615	$ 219,649,186	$ 21,952,740

Debt service requirements for bonds are funded out of the Debt Service Fund with the revenue sources being property taxes, investment income, and refunding bonds. The General Fund typically bears the cost of liquidating long-term liabilities associated with pension, OPEB and compensated absences obligations.

BONDS OUTSTANDING

General obligation bonds payable as of August 31, 2023, are comprised of the following individual issues:

Purpose - Governmental Activities	Interest Rate	Issue date	Maturity Date	Amount Issued	Amount Outstanding
2009C UTGO Qualified School Construction Bonds* *(QSCB) Tax Credit Bonds	1.14 - 6.11	10/06/09	12/01/23	17,445,000	17,445,000
2016 Unlimited Tax GO Refunding Bonds	2.25-5.00	12/06/16	12/01/36	47,065,000	31,180,000
2018 Unlimited Tax GO Bonds	5.00	09/26/18	12/01/37	46,220,000	20,220,000
2019 Unlimited Tax GO Refunding Bonds	3.00-4.00	06/05/19	12/01/22	17,985,000	-
2019 Unlimited Tax GO Bonds	4.00-5.00	06/05/19	12/01/33	44,950,000	19,960,000
		Total Bonds Payable		$173,665,000	88,805,000

AMORTIZATION OF BOND PREMIUM/DISCOUNT

Below is a schedule of amortization of bond premiums/discounts on all applicable general obligation bond issues. The effective interest method was used in calculating the amortization schedule.

Unamortized Bond Premium/Discount: Descriptions	Premium/ (Discount) Beginning Balance	Net Bond Issue Premium	(Premium)/ Discount Amortization	Ending Balance
2016 Unlimited Tax GO Bonds	1,109,906	-	(144,195)	965,711
2018 Unlimited Tax GO Bonds	2,416,648	-	(181,093)	2,235,555
2019 Unlimited Tax GO Refunding Bonds	339,813	-	(183,707)	156,106
2019 Unlimited Tax GO Bonds	3,746,074	-	(491,590)	3,254,484
Total Unamortized Bond Premium	$7,612,441	$ -	($1,000,585)	$6,611,856

UNAMORTIZED DEFERRED AMOUNT ON REFUNDING

Below is a schedule of amortization of deferred amount on refunding which is carried as a deferred outflow of resources balance on the government-wide statement of net position. The deferred amount on refunding is amortized on a straight-line basis over the life of the old debt or the life of the new debt, whichever is shorter. The amortization increases interest expense on the statement of activities.

Descriptions	Beginning Balance	Additions	Reductions	Ending Balance
2009B Unlimited Tax GO Bonds Build America Bonds (June 2019)	60,772	-	60,772	-
Total Unamortized Deferred Amount on Refunding	$60,772	$ -	$60,772	$0

The district has pledged its full faith and credit to the payment of principal and interest on the bonds. The bonds are secured by ad valorem taxes to be levied without limitation as to rate or amount. The taxes, when collected, are required to be applied solely for the payments of principal and interest on the bonds.

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

Annual Requirements to Amortize Long-Term Debt

Year Ending August 31	Principal	Interest	Premium Amortized	Carrying Amount of Bonds
2022				
2023				95,416,857
2024	17,445,000	3,332,749	972,979	76,998,878
2025	2,075,000	3,194,706	747,318	74,176,560
2026	2,800,000	3,096,100	738,863	70,637,697
2027	3,590,000	2,956,600	689,647	66,358,050
2027-2032	22,175,000	12,148,075	2,602,013	41,581,037
2033-2037	36,500,000	5,364,875	845,195	4,235,842
2038	4,220,000	105,500	15,842	-
Total Long-Term Bonded Debt	$ 88,805,000	$ 30,198,605	$6,611,857	

As of August 31, 2023, the district had $17,770,736 available in the Debt Service Fund to service the general obligation bonds.

The following is a summary of general obligation long-term debt transactions of the district for the fiscal year ended August 31, 2023:

Long-Term Debt Payable at 9/01/2022	$107,920,000
Debt Retired	19,115,000
Long-Term Debt Payable at 8/31/2023	$ 88,805,000

Defeasance of Debt -- The district's refunded bonds satisfy the criteria for in-substance defeasance and are considered no longer outstanding. Accordingly, the district does not budget or report any refunded (old) debt. The irrevocable trust account assets and the liability for the defeased bonds are not included in the district's financial statements. Notice has been given that the bonds are defeased and will be called for redemption at 100 percent of par. No defeased bonds were redeemed during the 2022-23 fiscal year.

Arbitrage Regulations -- The Tax Reform Act of 1986, Internal Revenue Service Code Section 148, requires the district to rebate to the federal government, earnings on investment of bond proceeds which are in excess of the debt yield. This requirement is effective for the district's bonds issued after September 1, 1986. Rebates are due and payable five years from the date tax-exempt debt is issued and at five-year intervals thereafter while the debt is outstanding. The final rebate is due and payable 60 days after retirement of the debt. Positive arbitrage can be offset against negative arbitrage; therefore, the potential liability fluctuates from year to year and potentially may not be owing at the payment intervals. Calculations monitoring the applicability of federal arbitrage regulations are provided by Arbitrage Compliance Specialists, Inc. Current calculations performed by Arbitrage Compliance Specialists indicate the district's outstanding bonds subject to arbitrage are not in a position of positive arbitrage liability. Accordingly, no contingent liability has been estimated and a reserve in the Capital Projects Fund is not deemed necessary for the 2022-23 reporting period. The district will continue to monitor for arbitrage liability with technical assistance from its consultants, Arbitrage Compliance Specialists. Future reserves may be established if appropriate.

NOTE 10. FUND EQUITY (GOVERNMENTAL FUNDS)

GASB Statement No. 54 pertaining to fund balance classifications dictates that if restricted, committed or assigned fund balances are displayed in the aggregate on the balance sheet, specific purposes information should be disclosed in the notes to the financial statements. The district displays the specific purpose details for some classifications on the face of the balance sheet and discloses the details for other classifications in the notes to the financial statements. Accordingly, the following fund balances list all the fund balance classifications, including the special purposes information for any of the fund balance classifications that were listed in the aggregate on the balance sheet:

General Fund	August 31, 2023
Non-spendable Inventories - Supplies and Materials	$ 598,998
Non-spendable Inventories - Food Services Lunchrooms	95,179
Sub-total Non-spendable Inventories	694,177
Non-spendable Prepaid Items Registrations and Subscriptions	1,449,799
Total Non-spendable Fund Balance	2,143,976
Restricted - Title 1	2,093
Restricted - State Learning Assistance	812,711
Restricted - Capital Maintenance and Capital Technology	1,781,705
Restricted - Snohomish County Early Childhood Education Assistance	293,160
Restricted - Vocational Education	800,123
Restricted - Professional Learning	708,545
Restricted - Food Services Revenue & Summer Lunch	1,356,384
Total Restricted Fund Balance	5,754,721
Committed - Imprest Accounts	386,360
Assigned - School Budget Carryover	615,664
Assigned - Other Grants	66,351
Total Assigned Fund Balance	682,015
Unassigned Fund Balance	24,347,144
Total Fund Balance	$ 33,314,215

Special Revenue - Associated Student Body (ASB) Fund	August 31, 2023
Non-spendable Inventories - Supplies and Materials	$ 62,842
Total Non-spendable Fund Balance	62,842
Restricted for ASB Fund Purposes - Extra-Curricular Activities	1,176,706
Total Fund Balance	$ 1,239,548

Debt Service Fund	August 31, 2023
Restricted - Debt Service Fund Purposes - Principal and Interest	$ 17,770,736
Total Fund Balance	$ 17,770,736

Capital Projects Fund	August 31, 2023
Non-spendable Inventories - Technology Materials	$ 1,133,415
Restricted - Bond Proceeds	-
Restricted - State Building Match Proceeds	-
Restricted - Impact Fee Proceeds	5,564,290
Restricted - Mitigation Fee Proceeds	30,104
Total Restricted Funds	5,594,394
Committed - Technology Levy Proceeds	11,574,720
Committed - Memorial Baseball Stadium	232,090
Total Committed Funds	11,806,810
Assigned - Capital Projects Fund Purposes	14,246,559
Total Fund Balance	$ 32,781,178

Transportation Vehicle Fund	August 31, 2023
Restricted - Student Transportation Buses	$ 216,633
Total Fund Balance	$ 216,633

NOTE 11. RISK MANAGEMENT

Risk Management Pool -- 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.

Insurance payouts have not exceeded settlements within the last four years.

The Washington Schools Risk Management Pool has produced its own financial report for the year ended August 31, 2023, which can be obtained from:

Washington Schools Risk Management Pool
P.O. Box 88700
Tukwila, WA 98138-2700

Unemployment Insurance -- The district joined together with school districts in Island, San Juan, Skagit, Snohomish, and Whatcom Counties on July 1, 1978, to form the Northwest Educational Service District 189 Unemployment Compensation Pool (Pool), a public entity risk pool for unemployment insurance. The district made $74,861 in payments to the Pool in fiscal year 2022-23. Claims against the district are paid by the Washington State Department of Employment Security (WSDES). The WSDES is reimbursed by the Pool for all claims paid. Unemployment claims of $88,932 were made by the Pool on behalf of the district for fiscal year 2022-23. The following is a summary of activity:

Unemployment Insurance				
Fiscal Year	Beginning Balance	Contributions/Earnings	Reductions	Ending Balance
2022-2023	$1,917,131	$145,424	$96,993	$1,965,562

Workers' Compensation -- In December 2000, the board of directors adopted Resolution No. 718 which authorized the district to become a member of the Puget Sound Workers' Compensation Trust (PSWCT), a cooperative that was formed to provide workers' compensation coverage for its members. The district joins 30 other school districts or educational service districts in the PSWCT, which is administered by the Puget Sound Educational Service District. For fiscal year 2022-23, the district made premium payments totaling $2,283,159 to the PSWCT in lieu of premium payments to the State of Washington for industrial insurance. This practice enables the PSWCT to pay industrial insurance beneficiaries as they become eligible and minimizes the district’s costs for the program.

NOTE 12. TAX ABATEMENTS

As of August 31, 2023, the District property tax revenues were reduced through the City of Everett’s Multifamily Housing Property Tax Exemption.

In keeping with the goals of the Growth Management Act (Chapter 36.70A RCW), the Multifamily Urban Housing Tax Exemption program provides property tax exemptions to stimulate the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for multifamily housing in urban centers.

The value of new construction, conversion, and rehabilitation improvements qualifying under this program are exempt from ad valorem property taxation for:

- Eight years if applications were submitted on or after July 22, 2007; or
- Twelve years if applications were submitted on or after July 22, 2007, the property otherwise qualifies for the exemption under Chapter 84.14 RCW, and the owner commits to renting or selling at least twenty percent of the multifamily housing units as affordable housing units to low- and moderate-income households.

Tax exemptions are obtained through application by the property owner. Property owners receiving tax exemptions are required to file a notarized annual declaration indicating ongoing compliance.

Tax Abatement Program	Abated as of August 31, 2023
Multifamily Property Tax Exemption	$ 864,767

NOTE 13. SUMMARY OF SIGNIFICANT CONTINGENCIES

Litigation -- The district is party to several legal actions arising from its normal educational activities. It is the opinion of the administration that these actions will be resolved without material impact on the financial position of the district.

NOTE 14. OTHER DISCLOSURES

A. KING COUNTY DIRECTORS' ASSOCIATION

Investment in Joint Venture -- Everett Public Schools has been a member of the King County Directors' Association (KCDA) for many years. KCDA is a purchasing cooperative that serves 294 school districts throughout the State of Washington. In 2022, Everett Public Schools purchased $6,862,986 through KCDA contracts, including direct billings by vendors. Everett Public Schools' equity in KCDA as of December 31, 2022, was $235,745.

Because of the purchasing power of KCDA, it is the intent of the district to remain a member. Should the district decide to terminate its membership in KCDA, the following options are available regarding withdrawing the ownership amount:

1. The district may withdraw inventory at a maximum rate of ten percent (10%) per year for a ten (10) year period or;

2. The district may withdraw cash equally over a fifteen (15) year period.

KCDA has published its own financial report for the year ended December 31, 2022, which can be obtained from:

King County Directors' Association
P.O. Box 5550
Kent, WA 98064-5550

B. NORTHWEST EDUCATIONAL SERVICE DISTRICT

Jointly Governed Organization -- The district is served by Northwest Educational Service District No. 189 (ESD). The ESD is a regional service entity organized to serve the educational needs of all school districts in Island, San Juan, Skagit, Snohomish, and Whatcom Counties. All school districts in the ESD's service area collectively elect nine directors to the ESD. Participating school districts have neither an ongoing financial interest nor responsibility. The ESD's relationship to the school district is one of a jointly governed organization.

C. SNO-ISLE VOCATIONAL SKILLS CENTER

In 1978, the district participated in the establishment of the Sno-Isle Skills Center (Skills Center), a vocational education facility operated by host district, Mukilteo School District. The Skills Center was established to broaden the vocational curriculum for participating districts and avoid unnecessary duplication of courses which involve expensive training equipment. The participating districts continue to operate local vocational programs separate from the Skills Center.

The Skills Center is administered by the host district but is jointly governed by an Administrative Council consisting of a representative from each participating district. There are currently 13 participating districts including the host district.

The host district retains ownership of all facilities and equipment purchased by the Skills Center or donated to the Skills Center. The participating districts share in the annual operating costs of the Skills Center but have no ownership equity in the facilities or equipment.

In fiscal year 2022-2023, the Skills Center received $1,100,582 in state apportionment funding for providing service to Everett Public Schools' students.

D. LEVIES

In a special election held on February 13, 2018, voters approved excess taxes to be levied in calendar years 2019 ($44 million), 2020 ($45 million), 2021 ($49 million), and 2022 ($53 million). The proposition replaces the expiring levy voters approved February 11, 2014, and would be used to support educational programs and operation expenses.

Replacement Levy for Safety, Building and Instructional Technology Improvements, Capital Levy – In a special election held on April 26, 2016, voters authorized the district to levy an additional tax providing a total of $89.624 million for the district's Capital Projects Fund. The levy allows the district to assess additional property taxes over the course of six years to pay a portion of the district's construction and installation of safety, building and instructional technology improvements. This levy replaces the $48 million capital levy which allowed the district to assess $8 million each year for six years beginning 2011 through 2016, to fund renovation and improvement of district facilities, technology improvements, and equipment.

The school board approved Resolution 1267, "2022 Replacement of Expiring Education Programs and Operations Levy." The proposition replaces an expiring levy and would be used to support educational programs and operation expenses. Voters approved the levy on the February 8, 2022, special election ballot and it authorizes the collection of taxes to be levied in calendar years 2023 ($65.5 million), 2024 ($67 million), 2025 ($69 million), and 2026 ($71 million).

Capital Levy -- The school board approved Resolution 1268, "Replacement of Expiring Levy for Safety, Building, and Instructional Technology Improvements." The proposition would replace an expiring levy and would be used for acquiring, constructing, and installing capital improvements for safety, security, renewal and upgrade projects for capacity, and educational programs including technology. Voters approved the levy on the February 8, 2022, special election ballot and authorizes the collection of $325.5 million in property taxes over six years.

E. BOND MEASURES AND BOND ISSUES

Capital Improvement and School Construction Bond -- In a special election held on April 26, 2016, voters approved a capital bond proposition which authorizes the district to issue $149.7 million in bonds to be paid from future excess levies and collection of property taxes. These funds will be used to build additional classrooms to relieve overcrowding, build a new elementary school, modernize North Middle and Woodside Elementary schools, upgrade communications and technology infrastructure, improve HVAC systems, buy land for a future school, and other capital improvements. Accordingly, the following bond sale was issued:

2016 General Unlimited Tax Bond Issue -- In December 2016, the District issued $47,065,000 in General Unlimited Tax Bonds. The bonds were sold at a premium of $3,255,000. Bond issuance costs were $319,209 consisting of bond underwriters, bond counsel, credit, and financial advisor fees. Bonds were issued with an average interest rate of 4.03% and a final maturity date of December 1, 2036. The district has expended $47,065,000 million in bond proceeds as authorized under the 2016 vote, on school building renovations and projects as described in the bond measures.

2018 General Unlimited Tax Bond Issue -- In September 2018, the District issued $46,220,000 in General Unlimited Tax Bonds. The bonds were sold at a premium of $4,104,579. Bond issuance costs were $320,187 consisting of bond underwriters, bond counsel, credit, and financial advisor fees. Bonds were issued with an average interest rate of 5.00% and a final maturity date of December 1, 2037.

2019 General Unlimited Tax Bond Issue -- In June 2019, the district issued $44,950,000 in General Unlimited Tax Bonds. The bonds were sold at a premium of $6,024,832. Bond issuance costs were $284,768 consisting of bond underwriters, bond counsel, credit, and financial advisor fees. Bonds were issued with an average interest rate of 4.87% and a final maturity date of December 1, 2032.

NOTE 15. SUBSEQUENT EVENTS

COVID-19 Pandemic -- In February 2020, Washington State Governor Inslee declared a state of emergency in response to the spread of a new virus that causes COVID-19. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered, including requiring people to stay home except for essential functions. On April 6, 2020, the Governor closed all public and private K–12 school buildings throughout the remainder of the 2019–20 school year and beginning of 2020-21 school year. All students returned to full-time in-person learning on September 8, 2021.

Many of the precautionary measures put in place during the 2019–20 and 2020-21 school years remain in effect; however, the influx of federal pandemic-related grants has mitigated the use of state and local funds for increased needs resulting from the pandemic, including additional health, safety, social-emotional, and learning recovery supports. Remaining federal funds totaling $1,315,331, will be available through the 2023-24 school year.

Enrollment decreases in the 2020–21 school year partially rebounded in 2021-22. However, as the pandemic related grants were one-time funds, as salary and other costs have increased and enrollment has not fully recovered, the district adopted Board Resolution 1291, 2023 – 24 Reduced Educational Program on February 28, 2023. The reduced educational program includes reduction in materials, services, classified and certificated staff to ensure the district's fund balance remains with board policy of five percent of expenditures.

Schedule A-1

EVERETT PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Local Taxes	$57,264,354	$57,264,354	$57,063,767	($200,587)
Local Non-Tax	9,246,353	$9,246,353	5,170,163	($4,076,190)
State, General Purpose	210,581,215	$210,581,215	210,808,558	$227,343
State, Special Purpose	69,889,964	$69,889,964	66,989,144	($2,900,820)
Federal, General Purpose	55,000	$55,000	46,672	($8,328)
Federal, Special Purpose	29,847,111	$29,847,111	28,517,123	($1,329,988)
Other	3,476,391	$3,476,391	3,428,781	($47,610)
TOTAL REVENUES	**380,360,388**	**380,360,388**	**372,024,208**	**(8,336,180)**
EXPENDITURES				
Current:				
Regular Instruction	218,434,438	218,434,438	203,013,986	15,420,452
Special Education	55,744,592	55,744,592	54,956,807	787,785
Vocational Education	16,958,352	16,958,352	17,360,356	(402,004)
Compensatory Education	22,042,657	22,042,657	20,818,332	1,224,325
Other Instruction Programs	2,562,714	2,562,714	3,009,338	(446,624)
Federal Stimulus COVID-19	9,085,314	9,085,314	7,950,266	1,135,048
Community Services	4,338,402	4,338,402	3,943,503	394,899
Support Services	66,245,963	66,245,963	65,189,053	1,056,910
Capital Outlay:				
Technology - Software	822,016	822,016	2,152,630	(1,330,614)
Debt Service:				
Bond Principal	-	-	817,001	(817,001)
Bond Interest and Other Charges	-	-	28,251	(28,251)
TOTAL EXPENDITURES	**396,234,448**	**396,234,448**	**379,239,523**	**16,994,925**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**(15,874,060)**	**(15,874,060)**	**(7,215,315)**	**8,658,745**
OTHER FINANCING SOURCES (USES)				
Transfers	4,050,000	4,050,000	5,009,589	-
TOTAL OTHER FINANCING SOURCES (USES)	**4,050,000**	**4,050,000**	**5,009,589**	**-**
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	**($11,824,060)**	**($11,824,060)**	**(2,205,726)**	**$9,618,334**
FUND BALANCE -- September 1, 2022			35,519,942	
FUND BALANCE -- August 31, 2023			**$33,314,216**	

The basis of budgeting is the same as GAAP.

EVERETT PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND (ASSOCIATED STUDENT BODY FUND)
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
General	$634,710	$634,710	$643,193	$8,483
Athletics	436,375	436,375	420,320	(16,055)
Classes	65,550	65,550	55,637	(9,913)
Clubs	1,025,991	1,025,991	871,873	(154,118)
Private Monies	91,200	91,200	19,604	(71,596)
TOTAL REVENUES	**2,253,826**	**2,253,826**	**2,010,627**	**(243,199)**
EXPENDITURES				
General	655,900	655,900	435,933	219,967
Athletics	503,728	503,728	465,481	38,247
Classes	68,911	68,911	47,719	21,192
Clubs	1,074,861	1,074,861	998,776	76,085
Private Monies	94,700	94,700	20,945	73,755
TOTAL EXPENDITURES	**2,398,100**	**2,398,100**	**1,968,854**	**429,246**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**($144,274)**	**($144,274)**	**41,773**	**$186,047**
FUND BALANCE -- September 1, 2022			1,197,775	
FUND BALANCE -- August 31, 2023			**$1,239,548**	

The basis of budgeting is the same as GAAP.

EVERETT PUBLIC SCHOOLS
POST EMPLOYMENT BENEFITS OTHER THAN PENSION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

	FISCAL YEAR ENDED AUGUST 31, 2018*	FISCAL YEAR ENDED AUGUST 31, 2019*	FISCAL YEAR ENDED AUGUST 31, 2020*	FISCAL YEAR ENDED AUGUST 31, 2021*	FISCAL YEAR ENDED AUGUST 31, 2022*	FISCAL YEAR ENDED AUGUST 31, 2023*
Service cost	$ 5,431,775	$ 4,641,906	$ 4,617,836	$ 6,390,219	$ 7,037,273	$ 7,413,671
Interest on total OPEB liability	2,630,292	3,066,218	3,545,744	3,431,012	2,554,956	2,679,046
Changes of benefit terms	-	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	(989,986)	-	(2,586,257)	-	7,122,285
Effect of assumption changes or inputs	(10,898,704)	(2,717,383)	18,046,022	(5,118,760)	1,303,263	(51,488,644)
Expected benefit payments	(1,559,591)	(1,709,770)	(1,876,126)	(2,124,928)	(2,173,591)	(2,261,079)
Net change in total OPEB liability	(4,396,228)	2,290,985	24,333,476	(8,714)	8,721,901	(36,534,721)
Total OPEB liability, beginning	87,958,486	83,562,258	85,853,243	110,186,719	110,178,005	118,899,906
Total OPEB liability, ending	83,562,258	85,853,243	110,186,719	110,178,005	118,899,906	82,365,185
Covered employee payroll	$ 156,700,436	$ 170,396,419	$ 197,151,932	$ 208,251,963	$ 212,032,150	$ 296,568,323
Total OPEB liability as a % of covered employee payroll	53.33%	50.38%	55.89%	52.91%	56.08%	27.77%

*GASB 75 was implemented for the fiscal year ended August 31, 2018. This schedule is to be built prospectively until it contains ten years of data. There are no assets accumulated in a trust that meet the requirements of GASB 75.

EVERETT PUBLIC SCHOOLS
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)

	As of June 30,								
	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022*	2023*
PERS 1									
District's proportion of the net pension liability (asset) (percentage)	0.253349%	0.256754%	0.273586%	0.282975%	0.303247%	0.313655%	0.301254%	0.329751%	0.308881%
District's proportionate share of the net pension liability (asset) (amount)	$13,252,490	$13,788,889	$12,981,858	$12,637,752	$11,660,912	$11,073,721	$3,679,011	$9,181,471	$7,050,920
District's covered payroll	$28,559,392	$30,767,818	$33,995,511	$37,528,660	$42,278,246	$46,988,828	$46,141,282	$51,700,616	$54,902,282
District's proportionate share of the net pension liability (asset) (amount) as a percentage of its covered payroll	46.40%	44.82%	38.19%	33.67%	27.58%	23.57%	7.97%	17.76%	12.84%
Plan fiduciary net position as a percentage of the total pension liability (asset)	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%	76.56%	80.16%
SERS 2/3									
District's proportion of the net pension liability (asset) (percentage)	1.631183%	1.639176%	1.645115%	1.701217%	1.739773%	1.787218%	1.805026%	1.808874%	1.744735%
District's proportionate share of the net pension liability (asset) (amount)	$6,625,065	$10,765,567	$8,118,231	$5,087,694	$4,079,733	$9,507,355	$ (19,380,506)	$ (4,859,540)	$ (2,497,484)
District's covered payroll	$28,076,353	$30,324,651	$33,608,957	$37,250,663	$42,113,702	$46,876,699	$46,070,467	$51,637,910	$54,834,198
District's proportionate share of the net pension liability (asset) (amount) as a percentage of its covered payroll	23.60%	35.50%	24.15%	13.66%	9.69%	20.28%	-42.07%	-9.41%	-4.55%
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.92%	86.52%	90.79%	94.77%	96.31%	92.45%	114.15%	103.17%	101.54%
TRS 1									
District's proportion of the net pension liability (asset) (percentage)	2.077874%	2.080021%	2.035627%	2.067471%	2.109099%	2.103817%	2.124426%	2.099138%	2.100353%
District's proportionate share of the net pension liability (asset) (amount)	$65,830,005	$71,016,861	$61,542,470	$60,382,403	$52,217,137	$50,676,448	$14,303,718	$39,922,044	$26,601,323
District's covered payroll	$99,530,951	$104,608,824	$112,886,403	$121,626,651	$141,309,403	$152,295,093	$157,952,801	$167,642,886	$176,432,586
District's proportionate share of the net pension liability (asset) (amount) as a percentage of its covered payroll	66.14%	67.89%	54.52%	49.65%	36.95%	33.28%	9.06%	23.81%	15.08%
Plan fiduciary net position as a percentage of the total pension liability (asset)	65.70%	62.07%	65.58%	66.52%	70.37%	70.55%	91.42%	78.24%	85.09%
TRS 2/3									
District's proportion of the net pension liability (asset) (percentage)	2.074337%	2.060122%	2.034198%	2.071302%	2.103771%	2.108778%	2.121787%	2.108808%	2.095688%
District's proportionate share of the net pension liability (asset) (amount)	$17,503,301	$28,291,596	$18,774,485	$9,323,221	$12,675,937	$32,390,432	$ (58,323,835)	$ (4,149,840)	$ (2,573,819)
District's covered payroll	$97,065,368	$102,670,166	$111,534,575	$120,683,922	$140,438,894	$151,660,808	$157,530,020	$167,185,408	$176,159,525
District's proportionate share of the net pension liability (asset) (amount) as a percentage of its covered payroll	18.03%	27.56%	16.83%	7.73%	9.03%	21.36%	-37.02%	-2.48%	-1.46%
Plan fiduciary net position as a percentage of the total pension liability (asset)	92.48%	88.72%	93.14%	96.88%	96.36%	91.72%	120.29%	100.86%	100.49%

*Amounts reported are determined as of the June 30 measurement date of the collective net pension liability. GASB 68 was implemented for the fiscal year ended August 31, 2015. This schedule is to be built prospectively until it contains ten years of data.

EVERETT PUBLIC SCHOOLS
PENSION PLAN SCHEDULE OF DISTRICT CONTRIBUTIONS

	FOR THE FISCAL YEAR ENDED AUGUST 31								
	2015*	**2016***	**2017***	**2018***	**2019***	**2020***	**2021***	**2022***	**2023***
PERS 1									
Contractually required contribution	$1,164,385	$1,524,261	$1,671,348	$1,936,914	$2,222,417	$2,266,995	$2,248,192	$2,020,919	$2,104,815
Contributions in relation to the contractually required contributions	$1,164,385	$1,524,261	$1,671,348	$1,936,914	$2,222,417	$2,266,995	$2,248,192	$2,020,919	$2,104,815
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0
District's covered payroll	$28,726,003	$31,411,273	$34,510,139	$38,178,004	$43,096,360	$47,442,274	$46,059,182	$52,530,588	$55,159,485
Contribution as a percentage of covered payroll	4.05%	4.85%	4.84%	5.07%	5.16%	4.78%	4.88%	3.85%	3.82%
SERS 2/3									
Contractually required contribution	$1,650,091	$2,113,651	$2,354,816	$3,128,459	$3,550,193	$3,901,622	$3,794,459	$4,048,571	$4,255,082
Contributions in relation to the contractually required contributions	$1,650,091	$2,113,651	$2,354,816	$3,128,459	$3,550,193	$3,901,622	$3,794,459	$4,048,571	$4,255,082
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0
District's covered payroll	$28,250,934	$30,973,083	$34,131,574	$37,936,499	$42,936,023	$47,339,381	$45,992,050	$52,468,216	$55,090,456
Contribution as a percentage of covered payroll	5.65%	6.82%	6.90%	8.25%	8.27%	8.24%	8.25%	7.72%	7.72%
TRS 1									
Contractually required contribution	$4,631,809	$6,752,604	$7,213,943	$8,901,622	$10,839,344	$11,040,087	$11,804,334	$10,771,706	$11,336,065
Contributions in relation to the contractually required contributions	$4,631,809	$6,752,604	$7,213,943	$8,901,622	$10,839,344	$11,040,087	$11,804,334	$10,771,706	$11,336,065
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0
District's covered payroll	$99,115,901	$106,750,992	$114,297,898	$123,179,110	$145,612,986	$153,069,529	$158,858,390	$169,084,477	$177,026,273
Contribution as a percentage of covered payroll	4.67%	6.33%	6.31%	7.23%	7.44%	7.21%	7.43%	6.37%	6.40%
TRS 2/3									
Contractually required contribution	$5,686,914	$7,282,538	$7,882,401	$9,556,920	$11,331,709	$12,423,115	$12,913,806	$13,488,278	$14,180,829
Contributions in relation to the contractually required contributions	$5,686,914	$7,282,538	$7,882,401	$9,556,920	$11,331,709	$12,423,115	$12,913,806	$13,488,278	$14,180,829
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0
District's covered payroll	$96,701,352	$104,908,845	$113,043,460	$122,300,663	$144,726,232	$152,523,476	$158,433,717	$168,654,739	$176,761,830
Contribution as a percentage of covered payroll	5.88%	6.94%	6.97%	7.81%	7.83%	8.15%	8.15%	8.00%	8.02%

*GASB 68 was implemented for the fiscal year ended August 31, 2015. This schedule is to be built prospectively until it contains ten years of data.

Everett School District No. 2
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: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	School Breakfast Program	10.553	N/A	1,346,880	-	1,346,880	-	4
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	National School Lunch Program	10.555	N/A	4,931,737	-	4,931,737	-	4
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	National School Lunch Program	10.555	N/A	749,113	-	749,113	-	4,5
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	National School Lunch Program	10.555	N/A	613,503	-	613,503	-	
			Total ALN 10.555:	**6,294,353**	**-**	**6,294,353**	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Summer Food Service Program for Children	10.559	N/A	40,287	-	40,287	-	4
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Fresh Fruit and Vegetable Program	10.582	N/A	28,349	-	28,349	-	4
			Total Child Nutrition Cluster:	**7,709,869**	**-**	**7,709,869**	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	Child and Adult Care Food Program	10.558	N/A	86,238	-	86,238	-	4
Forest Service Schools and Roads Cluster								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF	Schools and Roads - Grants to States	10.665		-	46,672	46,672	-	
			Total Forest Service Schools and Roads Cluster:	**-**	**46,672**	**46,672**	-	

The accompanying notes are an integral part of this schedule.

Everett School District No. 2
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: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
DEPT OF DEFENSE, DEPT OF DEFENSE	ROTC Language and Culture Training Grants	12.357		-	50,381	50,381	-	2,4
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Snohomish County Human Services)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	EL-22-AR-17-032	414,103	-	414,103	-	3
FEDERAL COMMUNICATIONS COMMISSION, FEDERAL COMMUNICATIONS COMMISSION	COVID 19 - Emergency Connectivity Fund Program	32.009		-	3,513,600	3,513,600	-	
FEDERAL COMMUNICATIONS COMMISSION, FEDERAL COMMUNICATIONS COMMISSION	COVID 19 - Emergency Connectivity Fund Program	32.009		-	36,858	36,858	-	
			Total ALN 32.009:	**-**	**3,550,458**	**3,550,458**	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Title I Grants to Local Educational Agencies	84.010	GT--00221	3,336,553	-	3,336,553	-	3,6
Special Education Cluster (IDEA)								
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	Special Education Grants to States	84.027	307637	4,142,374	-	4,142,374	-	3
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	Special Education Grants to States	84.027	GF--00600	402,085	-	402,085	-	

The accompanying notes are an integral part of this schedule.

Everett School District No. 2
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: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Special Education Grants to States	84.027	84.027X 312293	398,964	-	398,964	-	3
			Total ALN 84.027:	**4,943,423**	**-**	**4,943,423**	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	Special Education Preschool Grants	84.173	367035	145,022	-	145,022	-	3
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	Special Education Preschool Grants	84.173	389059	11,150	-	11,150	-	3
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Special Education Preschool Grants	84.173	84.173X 371265	80,719	-	80,719	-	3
			Total ALN 84.173:	**236,891**	**-**	**236,891**	-	
	Total Special Education Cluster (IDEA):			**5,180,314**	**-**	**5,180,314**	-	
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via OSPI)	Career and Technical Education -- Basic Grants to States	84.048	176128	124,585	-	124,585	-	3
OFFICE OF POSTSECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via Washington State Achievement Council)	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	23-IA-236	214,258	-	214,258	-	3

The accompanying notes are an integral part of this schedule.

Everett School District No. 2
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: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	English Language Acquisition State Grants	84.365	GT--00221	255,847	-	255,847	-	3
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via OSPI)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	GT--00221	557,277	-	557,277	-	3,7
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	Student Support and Academic Enrichment Program	84.424	GT--00221	204,736	-	204,736	-	3,7
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	N/A	11,750	-	11,750	-	3
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	N/A	49,917	-	49,917	-	3
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	N/A	776,981	-	776,981	-	4
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	N/A	224,480	-	224,480	-	4
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	N/A	17,321	-	17,321	-	4
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	N/A	6,847,441	-	6,847,441	-	3

The accompanying notes are an integral part of this schedule.

Everett School District No. 2
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: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	N/A	33,025	-	33,025	-	3
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	N/A	1,516	-	1,516	-	3
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	N/A	179,552	-	179,552	-	3
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via OSPI)	COVID 19 - Education Stabilization Fund	84.425	N/A	1,281,738	-	1,281,738	-	3
			Total ALN 84.425:	**9,423,721**	**-**	**9,423,721**	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS/Office of Refugee & Immigrant Assistance and School's Out Wash)	Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	N/A	60,000	-	60,000	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Wa State Military Dept Emergency Management Division)	COVID 19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D20-557	398,558	-	398,558	-	
			Total Federal Awards Expended:	**27,966,059**	**3,647,511**	**31,613,570**	**-**	

The accompanying notes are an integral part of this schedule.

Everett School District No. 2
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending August 31, 2023

Note 1 – Basis of Accounting

This Schedule is prepared on the modified accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

Note 2 – Federal De Minimis Indirect Rate

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

Note 3 – Federal Indirect Rate

The District used up to the federal unrestricted rates of 10.93 percent or 9.2 percent, or federal restricted rate of 3.71 or 2.96 percent, as allowed by each grant.

Note 4 – Program Costs/Matching Contributions

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

Note 5 – Noncash Awards

The amount of commodities reported on the schedule is the value of commodities received by the District during the current year and priced as prescribed by the United States Department of Agriculture (USDA).

Note 6 – Schoolwide Programs

The District operates a “schoolwide program” in six elementary buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the District in its schoolwide program: Title I (84.010) $2,086,062.

Note 7 – Transferability

As allowed by federal regulations, the District elected to transfer program funds. The district expended $60,000 from its Title IV, Part A Student Support and Academic Enrichment Program (84.424) on allowable activities of the Title II, Part A Supporting Effective Instruction State Grants (84.367). This amount is reflected in the expenditures of Title II, Part A Supporting Effective Instruction State Grants (84.367)

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Everett Public Schools
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).

<table>
<tr><td>Finding ref number:
2023-001</td><td>Finding caption:
The District did not have adequate internal controls for ensuring compliance with allowable activities and costs and restricted purpose requirements.</td></tr>
<tr><td colspan="2">Name, address, and telephone of District contact person:
Becky Thomas, Accounting Director
P.O. Box 2098
Everett, WA 98213
(425) 385-4179</td></tr>
<tr><td colspan="2">Corrective action the auditee plans to take in response to the finding:
The district does not concur with the audit finding or the $3.5 million of questioned costs.
According to FCC bulletin/order #6.16 states "the applicant is not required to perform a new unmet need survey at the time of submitting the request for reimbursement if the applicant already performed a survey at the time of submitting the application." The district believes the unmet need requirements have been met as outlined:
Determining Need:
• The district determined its need based on its inventory of devices supporting remote learning and did not have enough RAM to have district and learning platforms operating at the same time.
• Students and staff need a District device for safety, installed software for instruction, technical support and equity as explained in above reasoning and attached mobile access for student laptop handbook.</td></tr>
</table>

• *The district conducted a survey that determined that over 6,500 students required devices.* *Between the survey and the lack of RAM, the district determined that over 12,000 devices were needed to support learning.* *In addition, the district has no intention of applying for other Emergency Connectivity Funds.*
Anticipated date to complete the corrective action: Immediately

ABOUT THE STATE AUDITOR'S OFFICE

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