



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Marysville School District No. 25

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

Published August 5, 2024

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

August 5, 2024

Board of Directors
Marysville School District No. 25
Marysville, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Marysville School District No. 25's financial statements and compliance with federal laws and regulations.

Although we identified no deficiencies in the District's financial reporting or internal controls, this report includes two findings, one of which is extremely urgent. Most importantly, the District's financial condition has seriously declined, creating substantial doubt about its ability to operate into the future. In auditing terms, this is a "going concern" finding, and I must stress that it is a rare and alarming audit result.

While many school districts have struggled with challenges associated with the end of pandemic-era emergency funding, declining enrollment and increased expenses, the issues in the Marysville School District have resulted in a uniquely perilous financial position.

I encourage the District to continue to work with its partners in the Office of Superintendent of Public Instruction and the local educational service district to balance its budget, so that it can continue to provide a quality education to the community's students.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Marysville School District No. 25 September 1, 2022 through August 31, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Marysville School District No. 25 are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
10.553	Child Nutrition Cluster – School Breakfast Program
10.555	Child Nutrition Cluster – National School Lunch Program
10.559	Child Nutrition Cluster – Summer Food Service Program for Children
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
32.009	COVID-19 – Emergency Connectivity Fund Program
84.010	Title I Grants to Local Educational Agencies
84.041	Impact Aid
84.425	COVID-19 – Education Stabilization Fund
97.036	COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The District did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2023-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2023-002.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Marysville School District No. 25 September 1, 2022 through August 31, 2023

2023-001 The District's financial condition places it at risk of being unable to meet financial obligations or provide services at current levels.

Background

The District provides educational services in Snohomish County to about 9,700 students from kindergarten through 12th grade. An elected, five-member Board of Directors governs the District. The Board appoints a Superintendent to oversee the District's operations and its 1,158 employees. For the 2022–23 school year, the District's operating revenues and expenditures were \$197.4 million and \$208 million, respectively.

School districts must submit a balanced budget to the Office of the Superintendent of Public Instruction (OSPI). Those that cannot submit a balanced budget and anticipate a deficit must enter binding conditions agreements. In August 2023, the District entered a binding condition agreement with OSPI that set benchmarks for the next three school years.

Binding conditions agreements span a period of time determined by OSPI, and provide opportunity for financial improvement and stability. These agreements allow the school district to borrow against future state apportionment payments and allow OSPI and Educational Service Districts to closely review and make recommendations for school district decisions related to their current financial condition.

State law outlines a process where OSPI may enhance its financial oversight of a district if a school district cannot submit a balanced budget.

Description of Condition

The District’s general fund balance has continued to decline since 2022, with significant decreases during the 2023 and 2024 school years as shown in the following table:

Ratio	As of the year ending August 31:				Through June 30, 2024 (Unaudited)
	2020	2021	2022	2023	
General fund balance (in millions)	\$15.3	\$19.2	\$20.1	\$9.8	-\$4.98
Change in general fund balance from prior year	-26.8%	25.2%	4.6%	-51.1%	-150.8%
Days of operating expenditures	31.7	41.5	38.6	18.6	-11.6

As a result of the continuing declines, the District could sustain only 18.6 days of operating expenditures as of the end of the 2023 fiscal year. As of June 2024, the District reports the number of days of operating expenditures is negative 11.6 days. This means the District had more expenditures than funds available in its general fund.

During the 2022–23 school year, the District spent \$8.4 million in federal funding related to the COVID-19 pandemic that it primarily used to for staff salaries.

The Board and Executive Management took the following steps to improve the District’s financial condition:

- Implemented a spending freeze for all nonessential purchases or travel
- Reduced the school programs it offered and minimized staff as part of budget reductions
- Issued two loans from the capital projects fund to the general fund
- Received an apportionment advance from OSPI in February 2024 for \$600,000. OSPI reduced the District’s June 2024 apportionment by \$300,000, reduced the July 2024 apportionment by \$150,000 and will reduce August 2024 apportionment by the remaining amount owed to recover this advance.

Despite spending reductions, the District has not met its minimum fund balance policy of eight percent since the beginning of the 2022–23 school year. The District’s ratio of fund balance to expenditures has further decreased as of our audit’s conclusion, as shown in the following table:

Ratio	As of the year ending August 31:				Through June 30, 2024 (Unaudited)
	2020	2021	2022	2023	
Fund balance to expenditures	8.7%	11.4%	10.6%	5.1%	-3.2%

From September 1, 2023, through June 30, 2024, the District’s unaudited revenues and expenditures were \$142.36 million and \$157.14 million, respectively. This is a deficit of about \$14.8 million.

Additionally, the District was informed in March 2024 that their current insurance provider would no longer represent the District, effective September 1, 2024. The District expects higher rates once a new provider is identified but has yet to receive a written letter of commitment showing insurance is in effect for the 2024-2025 school year.

In May 2024, we became aware that the District was not meeting the benchmarks outlined in its binding condition agreement with OSPI. These benchmarks must be achieved through actions that are locally determined by the school board. On June 18, 2024, OSPI notified the District it would convene a Financial Oversight Committee, in accordance with RCW 28A.315.221, to review the District’s financial situation and recommend a path forward to financial stability.

Cause of Condition

A double levy failure in 2022 and decreasing enrollment over the past decade contributed to revenue decreases. The Board and Executive Management have not taken the necessary steps to guarantee the District can meet its financial obligations.

Additionally, the District experienced staffing transitions in key decision-making roles, which amplified these challenges.

Effect of Condition

The District pursued short-term debt to meet obligations and continue operations. If declining enrollment does not align with estimates, the District may receive less revenue and be unable to pay back short-term debt. As a result, the District’s

financial condition is at an increased risk of being unable to sustain operations or provide sufficient levels of service.

Additionally, if the District is unable to meet the binding condition benchmarks, it is at risk of financial insolvency.

Recommendation

We recommend the District continue to work closely with OSPI and Northwest Educational Service District No. 189 to ensure benchmarks included within the binding conditions are achieved to improve its financial condition.

District's Response

The Marysville School District thanks the audit team for their comprehensive audit of the district's financial statements and federal awards for the 2022 - 2023 school year. The district is pleased that no deficiencies exist in the design or operation of its internal controls.

At the beginning of the 2023 – 2024 school year, the district entered into binding conditions with the state (OSPI) due to its inability to achieve a balanced budget. The district's expenditures exceeded its revenues, placing it in a deficit budget state. Since then, the district has implemented systems, structures, and procedures to reduce the deficit significantly.

Under binding conditions, the district was required to submit a comprehensive financial plan to exit binding conditions within the next two fiscal years. The district has made significant budget reductions and continues working closely with OSPI and the NW ESD to achieve a positive and sustainable fund balance, eventually leading to the exit of binding conditions.

Auditor's Remarks

We thank the District for its cooperation throughout the audit and the steps it is taking to address these concerns.

We must underscore the seriousness of the District's financial condition, and strongly encourage it to continue to work with its partners in the Office of Superintendent of Public Instruction and the local educational service district to balance its budget.

We will review the status of the District's corrective action during our next audit.

Applicable Laws and Regulations

RCW 28A.505.110, Budget—Including receivables collectible in future years—Limitations.

RCW 28A.505.120, Withholding state funds upon district noncompliance—Notice of.

RCW 28A.505.130, Budget—Requirements for balancing estimated expenditures.

WAC 392-123-047, Definitions—Revenue, accrual basis expenditures, cash basis expenditures, appropriation, and disbursements.

WAC 392-123-053, Budget contents.

WAC 392-123-055, Identification of revenues to be included in the budget.

WAC 392-123-060, Petition to budget receivables collectible in future fiscal periods.

WAC 392-123-065, Noncompliance with binding restrictions.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Marysville School District No. 25 September 1, 2022 through August 31, 2023

2023-002 The District did not have adequate internal controls for ensuring compliance with allowable activities and costs, and restricted purpose requirements.

Assistance Listing Number and Title:	32.009, COVID-19 Emergency Connectivity Fund Program
Federal Grantor Name:	Federal Communications Commission
Federal Award/Contract Number:	ECF202204286
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Known Questioned Cost Amount:	\$2,188,153
Prior Year Audit Finding:	Yes, Finding 2022-002

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 \$2,188,153 in ECF Program funds to purchase laptops 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 the 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 5,359 laptops based on its estimate of unmet need, and it requested reimbursement for these purchases totaling \$2,188,153. However, the District did not maintain documentation showing it provided each laptop paid with program funds to a student with unmet need. In addition, the District held 553 of the 5,359 laptops for future use.

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 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 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 provided to students with unmet need and maintain documentation demonstrating compliance.

District's Response

Marysville School District does not concur with the audit finding being issued by the State Auditors' Office. The funds granted by the Federal Communications Commission in the midst of the COVID-19 pandemic were for Emergency Connectivity to ensure students and staff had access to devices sufficient for remote learning. A component of the funding is to only 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 FCC explains that "we think that schools are in the best position to determine whether their students and staff have devices and broadband services sufficient to meet their remote learning needs, and we recognize that they are making such decisions in the midst of the pandemic. We, therefore, will not impose any specific metrics or process requirements on those determinations".

Due to the complexities of providing a sufficient education that includes aspects of remote education, the District determined that only District issued devices with preloaded applications and security was sufficient to facilitate remote activities. Since the Marysville School District did not have enough devices for students and staff that would need them for remote learning, the "unmet need" is obvious.

Marysville School District determined that it was necessary for all students, teachers, and paraeducators to have a district issued device in order to meet the increased challenges of providing safe and equitable access to education to all students during an ongoing pandemic and state of emergency. Remote learning required district students/staff to use district devices for various reasons including:

- Instruction: access to curriculum, supplemental resources, and required software through district licenses.*
- Support: the ability for technology staff to provide direct technical support through remote access.*
- State Requirements: meeting state testing requirements, such as SBA which cannot be completed on a personal device.*
- Safety and Security: implementing web filtering to ensure safe browsing, content monitoring for timely student and staff intervention and support and gave districts the ability to automatically authenticate student accounts to further prevent Zoom bombings.*
- Equity: ensuring every student had the same level of access and provided access to accessibility tools not available on personal devices.*

Before the pandemic, our district's student and staff laptops were not prepped for at-home learning scenarios and thousands were aging out of their life cycle. Recognizing the unpredictable nature of the pandemic and the potential for a sudden shift back to remote learning at any time, transitioning to a one-to-one student to district issued device ratio was determined to be a critical unmet need in the Marysville School District. In addition, to maintain equitable access to education, devices that were not individually assigned were prepared and available for immediate distribution for the following: if a device were broken and needed replacing or if a student forgot their district device at home or if a rapid return to remote learning was required.

We appreciate the funding and assistance to meet our student needs in the midst of the pandemic and we do 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 \$2,188,153 in costs is in question and do not concur with the issued audit finding.

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.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Marysville School District No. 25 September 1, 2022 through August 31, 2023

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

Audit Period: 2022	Report Reference No.: 1033048	Finding Ref. No.: 2022-001	ALN(s): 84.425
Federal Program Name and Granting Agency: COVID-19 – Education Stabilization Fund		Pass-Through Agency Name: Office of the Superintendent of Public Instruction	
Finding Caption: The District did not have adequate internal controls for ensuring compliance with wage rate requirements.			
Background: The District spent \$11,960,198 of its Education Stabilization Fund (ESF) program during the period. Of this amount, the District paid \$348,088 from its ESSER I award and \$591,643 from its ESSER II award to one contractor to update the heating, ventilation and air conditioning controls in two schools to improve air quality and circulation to prevent the spread of COVID-19. Our audit found the District did not have adequate internal controls for ensuring compliance with federal prevailing wage rate requirements. Specifically, the District did not: <ul style="list-style-type: none"> • Include the required prevailing wage provision in the contract • Collect weekly certified payroll reports from the contractor to confirm it paid laborers proper prevailing wages Further, our audit found the District should have obtained 24 weekly certified payroll reports during the period. The District was subsequently able to collect them in response to our audit.			
Status of Corrective Action: (check one)			
<input checked="" type="checkbox"/> Fully Corrected		<input type="checkbox"/> Partially Corrected	
		<input type="checkbox"/> Not Corrected	
		<input type="checkbox"/> Finding is considered no longer valid	
Corrective Action Taken: Staff reviewed the errors and corrected the practices. An all-staff training for procurement and contracts took place in August 2023 to ensure the practice was reviewed and corrected.			

Audit Period: 2022	Report Reference No.: 1033048	Finding Ref. No.: 2022-002	ALN(s): 32.009
Federal Program Name and Granting Agency: COVID-19 – Emergency Connectivity Fund Program – Federal Communications Commission		Pass-Through Agency Name: N/A	
Finding Caption: The District did not have adequate internal controls for ensuring compliance with allowable activities and costs, equipment, and restricted purpose requirements.			
Background: The District purchased \$1,117,473 in laptops 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. In addition, the District could not demonstrate it maintained adequate inventory records that included all elements to properly track equipment following program requirements. As a result, the District was unable to demonstrate compliance with program requirements.			
Status of Corrective Action: (check one)			
<input type="checkbox"/> Fully Corrected	<input checked="" type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid
Corrective Action Taken: <i>Staff devices are logged and tracked. Secondary devices for students are accurately tracked, as it is 1:1. Elementary devices are tracked by cart per classroom, based on student count. An all-staff training for procurement and contracts took place in August 2023 to ensure the practice was reviewed and corrected.</i> Note: <i>By the time the audit comments were received for the 2021/22 school year, the same practice had already happened in 2022/23, so the first half of the year had incorrect practices that continued. The staff has already updated practices to respond to grant requirements and documentation the appropriate way.</i>			

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*

Marysville School District No. 25 September 1, 2022 through August 31, 2023

Board of Directors
Marysville School District No. 25
Marysville, 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 Marysville School District No. 25, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated August 5, 2024.

The District has suffered recurring losses from operations and has a net position deficiency that raises substantial doubt about its ability to continue as a going concern. This information is more fully described in Finding 2023-001 in the Schedule of Audit Findings and Responses. Management's plans in regard to these matters are described in Note 18 to the financial statements. The District's response to the finding was not subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we express no opinion on the response.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because, as described in Note 1, the *Accounting Manual for Public School Districts in the State of Washington* does not require the District to prepare the government-wide statements presenting the financial position and changes in financial position of its governmental activities as required by GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

August 5, 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

Marysville School District No. 25 September 1, 2022 through August 31, 2023

Board of Directors
Marysville School District No. 25
Marysville, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Adverse and Unmodified Opinions

We have audited the compliance of Marysville School District No. 25, 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 2023-002, the District did not comply with the requirements regarding 32.009 – COVID 19 – Emergency Connectivity Fund Program for allowable activities and costs and restricted purposes special tests requirements. Compliance with such requirements is necessary, in our opinion for the District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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.

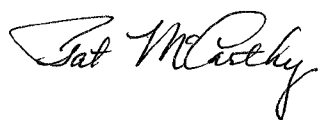
However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2023-002, that we consider to be a material weakness.

District's Response to Findings

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

August 5, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Marysville School District No. 25 September 1, 2022 through August 31, 2023

Board of Directors
Marysville School District No. 25
Marysville, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of Marysville School District No. 25, as of and for the year ended August 31, 2023, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)

As described in Note 1 the District has prepared these financial statements to meet the financial reporting requirements of state law and the accounting practices prescribed by the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual). Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of Marysville School District No. 25, as of the year ended August 31, 2023, and the regulatory basis of changes in financial position thereof for the year then ended, on the basis of accounting as described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Marysville School District No. 25, as of August 31, 2023, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

Substantial Doubt About the District's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 18 to the financial statements and described in Finding 2023-001 in the Schedule of Audit Findings and Responses, the District's financial position continues to decline, the District has suffered recurring losses from operations, and has a net position deficiency that raises substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans in regard to these matters are also described in Note 18. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

District's Response to Finding

The District's response to the finding identified above is described in the accompanying Schedule of Audit Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Matter Giving Rise to Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the government-wide financial statements are prepared by the District in accordance with state law using accounting practices prescribed by the Accounting Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of state law and the Accounting Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed;

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Long-Term Liabilities is also presented for purposes of additional analysis, as required by the prescribed Accounting Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2024 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

August 5, 2024

Marysville School District No. 25
September 1, 2022 through August 31, 2023

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2023

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2023

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SUPPLEMENTARY AND OTHER INFORMATION

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Schedule of Expenditures of Federal Awards – 2023

Notes to the Schedule of Expenditures of Federal Awards – 2023

Marysville School District No. 025
 Balance Sheet - Governmental Funds
 August 31, 2023

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Assets							
Cash and Cash Equivalents	7,444,152.76	193,538.68	15,013.89	156,512.98	18,737.37	0.00	7,827,955.68
Minus Warrants Outstanding	-3,902,332.71	-32,931.86	0.00	-88,970.97	0.00	0.00	-4,024,235.54
Taxes Receivable	281,912.87		4,502,144.26	60,431.88	0.00	0.00	4,844,489.01
Due From Other Funds	130,114.67	11,079.26	0.00	0.00	0.00	0.00	141,193.93
Due From Other Governmental Units	2,562,227.28	0.00	0.00	48,706.74	0.00	0.00	2,610,934.02
Accounts Receivable	338,779.56	0.00	0.00	750,281.43	0.00	0.00	1,089,060.99
Interfund Loans Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accrued Interest Receivable	0.27	1,017.49	1,220.98	4,069.92	0.00	0.00	6,308.66
Inventory	707,429.34	0.00	0.00	0.00	0.00	0.00	707,429.34
Prepaid Items	350,281.99	0.00	0.00	0.00	0.00	0.00	350,281.99
Investments	5,526,229.32	1,205,238.94	5,989,302.07	9,078,116.44	1,298,097.43	0.00	23,096,984.20
Investments/Cash With Trustee	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Self-Insurance Security Deposit	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS	13,438,795.35	1,377,942.51	10,507,681.20	10,009,148.42	1,316,834.80	0.00	36,650,402.28
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred Outflows of Resources - Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	13,438,795.35	1,377,942.51	10,507,681.20	10,009,148.42	1,316,834.80	0.00	36,650,402.28
LIABILITIES							
Accounts Payable	704,418.44	15,205.77	0.00	453,691.79	0.00	0.00	1,173,316.00
Contracts Payable Current	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accrued Interest Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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

Marysville School District No. 025
 Balance Sheet - Governmental Funds
 August 31, 2023

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Accrued Salaries	155,087.40	0.00	0.00	0.00	0.00	0.00	155,087.40
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
LIABILITIES:							
Payroll Deductions and Taxes Payable	2,407,107.95	-0.60	0.00	0.00	0.00		2,407,107.35
Due To Other Governmental Units	0.00	0.00	0.00	2,605.33	0.00	0.00	2,605.33
Deferred Compensation Payable	0.00		0.00	0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	11,079.26	13,760.37	0.00	116,354.30	0.00	0.00	141,193.93
Interfund Loans Payable	0.00	0.00	0.00	0.00	0.00		0.00
Deposits	0.00	0.00	0.00	0.00	0.00		0.00
Unearned Revenue	78,347.50	47,265.00	0.00	0.00	0.00		125,612.50
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
TOTAL LIABILITIES	3,356,040.55	76,230.54	0.00	572,651.42	0.00	0.00	4,004,922.51
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	0.00	0.00	0.00	742,868.26	0.00	0.00	742,868.26
Unavailable Revenue - Taxes Receivable	281,912.87		4,502,144.26	60,431.88	0.00		4,844,489.01
TOTAL DEFERRED INFLOWS OF RESOURCES	281,912.87	0.00	4,502,144.26	803,300.14	0.00	0.00	5,587,357.27
FUND BALANCE:							
Nonspendable Fund Balance	1,057,711.33	0.00	0.00	0.00	0.00	0.00	1,057,711.33
Restricted Fund Balance	852,078.83	1,301,711.97	6,005,536.94	0.00	1,316,834.80	0.00	9,476,162.54
Committed Fund Balance	28,000.00	0.00	0.00	5,387,635.27	0.00	0.00	5,415,635.27
Assigned Fund Balance	0.00	0.00	0.00	3,245,561.59	0.00	0.00	3,245,561.59

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

Marysville School District No. 025
 Balance Sheet - Governmental Funds
 August 31, 2023

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Unassigned Fund Balance	7,863,051.77	0.00	0.00	0.00	0.00	0.00	7,863,051.77
TOTAL FUND BALANCE	9,800,841.93	1,301,711.97	6,005,536.94	8,633,196.86	1,316,834.80	0.00	27,058,122.50
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	13,438,795.35	1,377,942.51	10,507,681.20	10,009,148.42	1,316,834.80	0.00	36,650,402.28

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

Marysville School District No. 025

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the Year Ended August 31, 2023

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	15,313,360.36	1,198,803.17	9,340,360.13	3,246,529.27	26,412.81		29,125,465.74
State	142,455,726.08		0.00	107,595.89	961,155.16		143,524,477.13
Federal	22,344,920.43		0.00	0.00	0.00		22,344,920.43
Other	2,404,086.13			0.00	0.00	0.00	2,404,086.13
TOTAL REVENUES	182,518,093.00	1,198,803.17	9,340,360.13	3,354,125.16	987,567.97	0.00	197,398,949.43
EXPENDITURES:							
CURRENT:							
Regular Instruction	92,229,647.38						92,229,647.38
Special Education	30,934,537.38						30,934,537.38
Vocational Education	7,660,561.83						7,660,561.83
Skill Center	0.00						0.00
Compensatory Programs	13,054,408.87						13,054,408.87
Other Instructional Programs	4,719,514.98						4,719,514.98
Federal Stimulus COVID-19	5,337,829.50						5,337,829.50
Community Services	2,724,104.26						2,724,104.26
Support Services	35,685,750.92						35,685,750.92
Student Activities/Other		1,015,583.90				0.00	1,015,583.90
CAPITAL OUTLAY:							
Sites				57,280.26			57,280.26
Building				2,013,260.90			2,013,260.90
Equipment				1,295,792.55			1,295,792.55
Instructional Technology				5,610.00			5,610.00
Energy				166,594.63	0.00		166,594.63
Transportation Equipment					363,136.53		363,136.53
Sales and Lease						0.00	0.00
Other	89,034.44						89,034.44
DEBT SERVICE:							
Principal	307,477.43		8,986,000.00	0.00	0.00		9,293,477.43

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

Marysville School District No. 025

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the Year Ended August 31, 2023

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Interest and Other Charges	33,409.29		1,350,579.50	0.00	0.00		1,383,988.79
Bond/Levy Issuance				3,500.00	0.00		3,500.00
TOTAL EXPENDITURES	192,776,276.28	1,015,583.90	10,336,579.50	3,542,038.34	363,136.53	0.00	208,033,614.55
REVENUES OVER (UNDER) EXPENDITURES	-10,258,183.28	183,219.27	-996,219.37	-187,913.18	624,431.44	0.00	-10,634,665.12
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		1,239,180.00	0.00	0.00		1,239,180.00
Transfers Out (GL 536)	0.00		0.00	-1,239,180.00	0.00	0.00	-1,239,180.00
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	0.00		1,239,180.00	-1,239,180.00	0.00	0.00	0.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-10,258,183.28	183,219.27	242,960.63	-1,427,093.18	624,431.44	0.00	-10,634,665.12
BEGINNING TOTAL FUND BALANCE	20,059,025.21	1,118,492.70	5,762,576.31	10,060,290.04	692,403.36	0.00	37,692,787.62
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	9,800,841.93	1,301,711.97	6,005,536.94	8,633,196.86	1,316,834.80	0.00	27,058,122.50

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

MARYSVILLE SCHOOL DISTRICT #25

Notes to the Financial Statements September 1, 2022 Through August 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fund Accounting

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

Governmental Funds

General Fund

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

Capital Projects Funds

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

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

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

Debt Service Fund

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

Special Revenue Fund

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

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

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

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which are recorded when due. Purchases of capital assets are expensed during the year of acquisition. For federal grants, the recognition of expenditures is dependent on the obligation date. (Obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.)

Budgets

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

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

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

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

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

The government's fund balance classifications policies and procedures.

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

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

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

Committed Fund Balance. Amounts that are reported as Committed are those resources of the District that have had a limitation placed upon their usage by formal action of the District's board of directors. Commitments are made either through a formal adopted board resolution or

are related to a school board policy. Commitments may only be changed when the resources are used for the intended purpose or the limitation is removed by a subsequent formal action of the board of directors.

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

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

The Executive Director of Finance, Superintendent, and/or Board of Directors are the only persons who have the authority to create Assignments of fund balance.

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

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

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

Cash and Cash Equivalents

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

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

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

Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method *(or weighted average)*. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. A portion of fund balance, representing inventory, is considered Nonspendable. *(Such reserves for inventory indicate that a portion of net current assets is set aside to replace or increase the inventory.)* USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

Accounting and Reporting Changes

Subscription-Based Information Technology Arrangements (SBITA)

For the year ended August 31, 2023, the district implemented guidance for the presentation and disclosures of Subscription-Based Information Technology Arrangements (SBITA), as required by the School District Accounting Manual. These changes were in response to the provisions of GASB Statement No. 96.

The District implemented the changes to the School District Accounting Manual with no significant impact on financial reporting.

NOTE 2: DEPOSITS AND INVESTMENTS

All of the District's bank balances are insured by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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 savings 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 and holds all accounts of the District. The District directs the County Treasurer to invest those financial resources of the District that the District has determined are not needed to meet the current financial obligations of the District.

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

The district's participation in the Snohomish County investment pool is voluntary and the pool does not have a credit rating. The district reports its investment in the pool at the fair value amount, which is not the same as the value of the pool per share. The fair value of the district's investment in the pool is measured using a net asset value (NAV) as determined by the pool. The pool maintains a (duration/weighted average maturity) of 1.62 years.

All of the District's investments during the year and at year-end were insured or registered and held by the District or its agent in the District's name.

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

- Certificates, notes, or bonds of the United States, its agencies, or any corporation wholly owned by the government of the United States,
- Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System,
- Bankers' acceptances purchased on the secondary market,
- Repurchase agreements for securities listed in the three items above, provided that the transaction is structured so that the public treasurer obtains control over the underlying securities,
- Investment deposits with qualified public depositories,
- Washington State Local Government Investment Pool, and

- County Treasurer Investment Pools.

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

Type of Investment	(District's) own investments	Total
State Treasurer's Investment Pool	\$19,996,984.20	\$19,996,984.20
County Treasurer's Investment Pool	\$ 3,100,000.00	\$ 3,100,000.00
Total	\$23,096,897.45	\$23,096,897.45

The District is a participant in the Local Government Investment Pool (LGIP). The LGIP was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the LGIP and adopts rules. The State Treasurer is responsible for establishing the investment policy for the LGIP and reviews the policy annually; proposed changes are reviewed by the LGIP Advisory Committee.

The LGIP is an unrated external investment pool. Investments in the Pool are reported at amortized cost, which approximates fair value. The Pool is invested in manner that meets the maturity, quality, diversification, and liquidity requirements set forth by generally accepted accounting principles for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The Pool does not have any legally binding guarantees of share values.

The Pool does not impose liquidity fees or redemption gates on participant withdrawals. It is the policy of the Pool to permit participants to withdraw their investments on a daily basis; therefore, the District's investment balance in the Pool is equal to fair value. Fair value is measured using quoted prices in active markets for identical assets that the pool can access at the measurement date (Level 1 Inputs). Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

NOTE 3: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Marysville School District's General Fund borrowed \$5 Million dollars at 5.419882% per annum from the District's Capital Projects Fund in November 2023. The interfund loan will be repaid by November 2024 from the General Fund Unrestricted.

Marysville School District's General Fund borrowed \$2.5 Million dollars at 5.430488% per annum from the District's Capital Projects Fund on June 28, 2024. The interfund loan will be repaid by August 1, 2024, from the General Fund Unrestricted.

NOTE 4: PENSION PLANS

General Information

The Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, prepares a stand-alone annual comprehensive financial report that includes financial statements and required supplementary information for each pension plan. The pension plan's basic financial statement is accounted for using the accrual basis of accounting. The measurement date of the pension plans is June 30. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The school district is reporting the net pension liability in the notes and on the Schedule of Long-term Liabilities calculated as the district's proportionate allocation percentage multiplied by the total plan collective net pension liability. The DRS total collective net pension liabilities for the pension plans school districts participate in are shown here.

The Collective Net Pension Liability (Asset)

The collective net pension liability or asset for the pension plans districts participated in are reported in the following tables.

The Collective Net Pension Liability or (Asset) as of June 30, 2023				
	Total Pension Liability	Plan fiduciary net position	Participating employers' net pension liability or (Asset)	Plan fiduciary net position as a percentage of the total pension liability
PERS 1	11,508,253,000	9,225,521,000	2,282,732,000	80.16%
SERS 2/3	9,283,864,000	9,427,008,000	(143,144,000)	101.54%
TRS 1	8,491,576,000	7,225,059,000	1,266,517,000	85.09%
TRS 2/3	24,937,867,000	25,060,682,000	(122,815,000)	100.49%

Detailed information about the pension plans' fiduciary net position is available in the separately issued DRS report. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, P.O. Box 48380, Olympia, WA 98504-8380; or online at [Annual Comprehensive Financial Report](#) or <http://www.drs.wa.gov>.

Membership Participation

Substantially all school district full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by DRS: Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS).

Membership & Plan Benefits

Certificated employees are members of TRS. Classified employees are members of PERS (if Plan 1) or SERS. Plan 1 under the TRS and PERS programs are defined benefit pension plans whose members joined the system on or before September 30, 1977. TRS 1 and PERS 1 are closed to new entrants.

TRS Plan Information

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

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

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

Members are eligible for retirement at any age after 30 years of service, at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA).

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

Members are eligible for retirement with a full benefit at age 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. TRS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older are

eligible for early retirement with a reduced benefit. The benefit is reduced by a factor that varies according to age for each year before age 65. TRS Plan 2/3 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit.

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

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

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

PERS Plan Information

PERS was established in 1947, and its retirement benefit provisions are contained in Chapters 41.34 and 41.40 RCW. PERS is a cost-sharing, multiple-employer retirement system. PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% times the member's Average Final Compensation (AFC) times the member's years of services. AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from inactive status before age 65 may also receive actuarially reduced benefits. Other benefits include an optional Cost-of-Living Adjustment (COLA).

SERS Plan Information

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

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

SERS provides retirement, disability, and death benefits. Retirement benefits for Plan 2 are calculated as 2% times the member's Average Final Compensation (AFC) times the member's years of service. Defined benefits for Plan 3 are calculated using 1% times the member's AFC times the member's years of service. AFC is the monthly average of the member's 60 consecutive highest-paid service credit months.

Members are eligible for retirement with a full benefit at age 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. SERS members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by a factor that varies according to age for each year before age 65.

SERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen.

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

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

Plan Contributions

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW for PERS, Chapters 41.35 and 41.45 RCW for SERS, and Chapters 41.32 and 41.45 RCW for TRS. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

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

	From this date	Through this date	Member rate	Employer rate	
PERS 1	7/1/2022	6/30/2023	6.00%	10.39%	
PERS 1	7/1/2023	8/31/2023	6.00%	9.39%	
SERS 2	9/1/2022	8/31/2023	7.76%	11.79%	
SERS 3	9/1/2022	8/31/2023	*	11.79%	**
TRS 1	9/1/2022	8/31/2023	6.00%	14.69%	
TRS 2	9/1/2022	8/31/2023	8.05%	14.69%	
TRS 3	9/1/2022	8/31/2023	*	14.69%	**
<i>Note: The Employer rates include .0018 DRS administrative expense.</i>					
* – TRS and SERS Plan 3 Employee Contribution Variable from 5% to 15% based on rate selected by the employee member.					
** – TRS and SERS Plan 2/3 Employer Contributions for defined benefit portion only.					

The School District’s Proportionate Share of the Net Pension Liability (Asset)

At June 30, 2023, the school district reported a total liability of **\$16,758,063** for its proportionate shares of the individual plans’ collective net pension liability and **\$2,657,807** for its proportionate shares of net pension assets. Proportions of net pension amounts are based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2023 the district’s proportionate share of each plan’s net pension liability is reported below:

June 30, 2023	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District’s Annual Contributions	1,203,658	2,430,363	5,423,113	6,784,173
Proportionate Share of the Net Pension Liability (Asset)	4,032,134	(1,426,481)	12,725,929	(1,231,327)

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

Change in Proportionate Shares	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share	0.176636%	0.996536%	1.004797%	1.002587%
Prior year proportionate share	0.190792%	1.045757%	1.034675%	1.045013%
Net difference percentage	-0.014156%	-0.049222%	0.029878%	-0.042426%

Actuarial Assumptions

The total pension liabilities for TRS 1, TRS 2/3, PERS 1 and SERS 2/3 were determined by actuarial valuation as of June 30, 2022, with the results rolled forward to June 30, 2023, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

Mortality Rates

Mortality rates used in the plans were developed using the Society of Actuaries' Pub.H-2010 Mortality rates, which vary by member status as the base table. OSA applies age offsets for each system to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale to project mortality rates for every year after the 2010 base table. The actuarial assumptions used in the June 30, 2022, valuation were based on the results of the *2013–2018 Demographic Experience Study Report and the 2021 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report.

Long-term Expected Rate of Return

OSA selected a 7.00% long-term expected rate of return on pension plan investments using a building-block method. In selecting the assumptions, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the Washington State Investment Board (WSIB) provided.

The CMAs contain three pieces of information for each class of assets the WSIB currently invest in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The expected future rates of return are developed by the WSIB for each major asset class.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2023, are summarized in the following table:

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

The inflation component used to create the above table was 2.20% and represents WSIB's long-term estimate of broad economic inflation consistent with their 2021 CMAs.

Discount Rate

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

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

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following table presents the Marysville School District's proportionate share of the collective net pension liability or asset calculated using the discount rate of 7.00%, as well as what the net pension liability or asset would be if it were calculated using a discount rate that is 1 percentage-point lower (6.00%) or 1 percentage-point higher (8.00%) than the current rate. Amounts are calculated using the school district's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability or asset.

Sensitivity of the Net Pension Liability or Asset to Changes in the Discount Rate			
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
PERS 1	\$3,189,149,000	\$2,282,732,000	\$1,491,643,000
Allocation Percentage	0.176636%	0.176636%	0.176636%
Proportionate Share	\$5,633,195	\$4,032,134	\$2,634,783
SERS 2/3	\$1,168,408,000	(\$143,144,000)	(\$1,224,160,000)
Allocation Percentage	0.996536%	0.996536%	0.996536%
Proportionate Share	\$11,643,601	(\$1,426,481)	(\$12,199,189)
TRS 1	\$1,927,853,000	\$1,266,517,000	\$688,424,000
Allocation Percentage	1.004797%	1.004797%	1.004797%
Proportionate Share	\$19,371,016	\$12,725,929	\$6,917,266
TRS 2/3	3,965,509,000	(122,815,000)	(3,446,561,000)
Allocation Percentage	1.002587%	1.002587%	1.002587%
Proportionate Share	\$39,757,659	(\$1,231,327)	(\$34,554,757)

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

The state, through the Health Care Authority (HCA), administers a defined benefit other post-employment benefit (OPEB) plan that is not administered through a qualifying trust. The Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits, and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Benefits purchased by PEBB include medical, dental, life insurance and long-term disability insurance.

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one, which the employers and plan members understand the plan terms. This understanding is based on communications between the HCA, employers and plan members, and historical pattern of practice with regards to sharing of benefit costs.

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the K–12 school districts and ESDs. The District's retirees (approximately 557) are eligible to participate in the PEBB plan under this arrangement.

Eligibility

District members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) Under PERS 1, 2, 3; TRS 1, 2, or 3; or SERS 2 and 3 plans.

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

Medical Benefits

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

Members not eligible for Medicare (or enrolled in Part A only)			
Descriptions	Type of Coverage		
	Employee	Employee & Spouse	Full Family
Kaiser Permanente NW Classic	\$841.77	\$1,678.60	\$2,306.22
Kaiser Permanente NW CDHP	\$700.40	\$1394.80	\$1,870.59
Kaiser Permanente WA Classic	\$836.57	\$1,668.20	\$2,291.92
Kaiser Permanente WA CDHP	\$699.88	\$1,393.04	\$1,869.16
Kaiser Permanente WA Sound Choice	\$715.63	\$1,426.32	\$1,959.34
Kaiser Permanente WA Value	\$764.09	\$1,523.24	\$2,092.60
UMP Classic	\$805.36	\$1,605.78	\$2,206.10
UMP Select	\$729.13	\$1,453.32	\$1,996.46
UMP CDHP	\$704.42	\$1,402.12	\$1,881.65
UMP Plus-Puget Sound High Value Network	\$766.95	\$1,528.96	\$2,100.47
UMP Plus-UW Medicine Accountable Care Network	\$766.95	\$1,528.96	\$2,100.47

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

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

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

Funding Policy

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

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

The SEBB collects benefit premiums from all school district entities for covered employees. The premium includes a fee, established in state law. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees who elect to purchase their health care benefits through the state Health Care Authority PEBB plan. The amount collected is set forth in the state's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

For the fiscal year 2022-23, the Marysville School District paid \$16,999,408.80 in total to HCA-SEBB.

The District has no control over the benefits offered to retirees, the rates charged to retirees, nor the fee paid to the Health Care Authority. The District does not determine its annual required contribution, nor the net other post-employment benefit obligation associated with this plan. These amounts are not shown on the financial statements.

For further information on the results of the actuarial valuation of the employer provided subsidies associated with the state's PEBB plan, refer to the [Office of the State Actuary](#).

The plan does not issue a separate report; however, additional information is included in the State of Washington Annual Comprehensive Financial Report, which is available on the [OFM](#) website.

NOTE 6: LEASES

The district is committed under various leases for copiers and vehicles. The leasing arrangements are as follows: copiers are rented for terms not to exceed 5 years, vehicle leases expired in July 2023, and new vehicles lease to purchase agreements will end in July 2027. The District recognized \$631,095 in lease principle with \$307,089.42 due within one year Interest rates for copier leases range from 1.33% to 8.01% while the vehicle leases are at 5.0%. There are no guarantees or residual values.

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

Year ended August 31	Principal	Interest	Total
2024	\$ 263,266.79	\$ 20,667.31	\$ 283,934.10
2025	\$ 254,901.54	\$ 10,347.61	\$ 265,249.15
2026	\$ 72,672.32	\$ 3,627.37	\$ 76,299.69
2027	\$ 40,569.41	\$ 1,140.48	\$ 41,709.89
2028	\$ 487.49	\$ 2.31	\$ 489.80
Total	\$ 631,897.55	\$ 35,785.08	\$ 667,682.63

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

Lease of Capital Assets (owned by the District)

The District leases space to tenants in buildings not currently needed by the District for program service delivery (excess capacity). A brief description of leasing arrangements are as follows:

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

	Lease Income
Service Center Back Lot	\$17,653.19
North Building of Marysville Pilchuck Campus	17,103.99
Cell Tower	11,106.61
Cell Tower	23,971.23
Cell Tower	15,948.58
Land 84th	5,980.09
Total Lease Income	\$91,763.69

NOTE 7: SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District has two Subscription Based Information Technology Arrangements with the Trebon Company. Both are three year commitments expiring in August 2024 with 5.0% interest.

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

Year ended August 31	Principal	Interest	Total
2024	\$51,533	\$2,617	\$54,150
Total	\$51,533	\$2,617	\$54,150

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

NOTE 8: OTHER SIGNIFICANT COMMITMENTS

Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. The following encumbrance amounts were re-encumbered by fund on September 1, 2023:

Fund	Amount
General	\$248,893.13
ASB Fund	\$0.00
Capital Projects Fund	\$425,850.08
Transportation Vehicle Fund	\$311,851.00

NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$487,592,672 for fiscal year 2023. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

NOTE 10: LONG-TERM DEBT

Long-Term Debt

The accompanying Schedule of Long-Term Liabilities provides more details of the outstanding debt and liabilities of the district and summarizes the district's debt transactions for year ended August 31, 2023.

The following is a summary of changes in long-term debt of the District for the fiscal year ended August 31, 2023:

Governmental activities	Balance at Sept. 1, 2022	Increases	Decreases	Balance at Aug. 31, 2023	Due within One Year
General Obligation Bonds	36,586,000	0	8,986,000	27,600,000	8,460,000
Total	36,586,000	0	8,986,000	27,600,000	8,460,000

Long-term debt at August 31, 2023, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
General Obligation Bonds					
UTGOR 2013	58,070,000	6,865,000 – 9,020,000	12/1/2025	4.00-5.00%	23,740,000
UTGOR 2015	9,165,000	915,000 – 1,595,000	12/1/2025	3.00-4.00%	3,860,000
Total	67,235,000				27,600,000

Debt service requirements on long-term debt as of August 31, 2023, are as follows:

Bonds			
Years Ending August 31	Principal	Interest	Total
2024	8,460,000	961,150	9,421,150
2025	9,205,000	581,500	9,786,500
2026	9,935,000	198,700	10,133,700
Total	27,600,000	1,741,350	29,341,350

At August 31, 2023, the District had \$6,005,536.94 available in the Debt Service Fund to service the general obligation bonds.

NOTE 11: INTERFUND BALANCES AND TRANSFERS

The following table depicts interfund loan activity:

Debtor Fund	Due to	Balance at 9/1/2022	New Loans	Repayments	Balance at 8/31/2023
General Fund	Capital Projects	\$0	\$6,000,000	\$6,000,000	\$0
Total			\$6,000,000	\$6,000,000	

The following table depicts interfund transfer activity:

Transferred From	Transferred To	Amount	Description
Capital Projects Fund	Debt Service Fund	\$1,239,180	Non Voted Debt

NOTE 12: ENTITY RISK MANAGEMENT ACTIVITIES

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.

Marysville School District	
Total Insured Value for FY 2022-2023	\$ 487,592,672
Fully accrued Contribution for FY 2022-2023	\$ 1,843,128

In January 1978, the District joined other school districts in Island, San Juan, Skagit, Snohomish, and Whatcom Counties, to form the Northwest Educational Service District 189 Unemployment

Pool Cooperative (Pool), a public entity risk pool for unemployment insurance coverage. The Washington State Department of Employment Securities (WSEDES) pays claims against the District. The Pool reimbursed WSEDES for all claims paid. The fund operates for the district's benefit in-lieu of making monthly premiums to the State of Washington for unemployment insurance beneficiaries as they occur and minimizes the district's cost for this program. The District's balance as of 8/31/23 is \$550,715.60.

Insurance Coverage with WSRMP will cease on August 31, 2024.

The District is currently working with an Insurance Broker for new coverage.

The Insurance Brokerage says we will have coverage for future years.

NOTE 13: PROPERTY TAXES

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

Tax Abatements

The Marysville School District independently has entered into agreements that affect the levy rate assessed by the District:

Tax Abatement Program	Total Amount of Taxes Abated
Native American/Tribal Lands	\$261,265.88

The Native American/Tribal Lands tax statement tax abatement program provides tax-exemption for any federally recognized Indian Tribe according to RCW 84.36.010(1).

NOTE 14: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The Marysville School District is part of a transportation cooperative with Lakewood School District #306. The cooperative is operated by the Marysville School District. Lakewood paid its local share of \$3,200 per year along with any operating costs for Cooperative Services that it elects to use. Lakewood pays an hourly rate of \$45.00 adding parts plus ten percent for maintenance performed to Lakewood School District's buses and vehicles.

The District is a member of the King County Directors' Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association by passing a resolution dated April 1, 1974, and has remained in the joint venture ever since. The District's current equity of \$116,235.44 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

NOTE 15: FUND BALANCE CLASSIFICATION DETAILS

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

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items	\$1,057,711.33				
Restricted Fund Balance					
For Other Items					
For Fund Purpose		\$1,301,711.97			\$1,316,834.80
For Carryover of Restricted Revenues	\$852,078.83				
For Skill Centers					
For Carryover of Food Service Revenue					
For Debt Service				\$6,005,536.94	
For Arbitrage Rebate					
For Self-Insurance					
For Uninsured Risks					
Restricted from Bond Proceeds					
Restricted from State Proceeds					
Restricted from Federal Proceeds					
Restricted from Other Proceeds					
Restricted from Impact Fee Proceeds					
Restricted from Mitigation Fee Proceeds					
Restricted from Undistributed Proceeds					
Committed Fund Balance					
Committed from Levy Proceeds			\$5,387,635.27		
For Economic Stabilization					
Other Commitments	\$28,000.00				
Assigned Fund Balance					
Contingencies					
Other Capital Projects					
Other Purposes					
Fund Purposes			\$3,245,561.59		
Unassigned Fund Balance	\$7,863,051.77				

NOTE 16: DEFINED CONTRIBUTION PENSION AND OPEB PLANS

457 Plan – Deferred Compensation Plan

District employees have the option of participating in Washington State's deferred compensation plan as defined in §457 of the Internal Revenue Code. It is administered by the state deferred compensation plan. The District does not make employer contributions to the plan.

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

The District offers payroll deductions for third party tax deferred annuity plan for its employees. The third party plan permits participants to defer a portion of their salary until future years.

The District does not make employer contributions to these plans.

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

NOTE 17: TERMINATION BENEFITS

Compensated Absences

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

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

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

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

No unrecorded liability exists for other employee benefits.

NOTE 18: CONDITIONS AND EVENTS GIVING RISE TO SUBSTANTIAL DOUBT ABOUT THE GOVERNMENT'S ABILITY TO CONTINUE AS A GOING CONCERN

At the start of the 2023 - 2024 school year, the Marysville School District entered into Binding Conditions with the Washington State Office of Superintendent of Public Instruction (OSPI) because expenditures exceeded revenues, and the district could not balance its budget. This was due to multiple events, including a double levy failure that resulted in the loss of \$25M in funding, the loss of COVID-related Elementary and Secondary Schools Emergency Relief (ESSER) funds, and the loss of state funding due to declining student enrollment.

As a requirement of Binding Conditions, the Marysville School District was mandated to submit a Comprehensive Financial Plan to OSPI and the Northwest Educational Service District (NWESD) 189. This plan showed that the district could return to financial stability by the end of the 2025 - 2026 school year, and the plan included an estimated fund balance at the end of the current school year totaling \$1.26M.

While the district passed its levy in February 2023, those funds did not become available until this year (2024). The levy's passage in 2023 was excellent news, but the deficit that was caused by a year without a levy left a big hole in the district's revenue, which the renewed 2023 levy could not retroactively refill.

In November 2023, the district set controls and reductions including a 10% reduction in non-employee budgets, the removal of procurement cards allowing for more control of spending, budget confirmation for all purchase requests(to ensure funds were available before authorization of expenditure), charging for credit card convenience fees, an increase in facility rental fees, an updated review and approval process for technology purchases and grant-purchased items, reduction of travel to only allow essential and grant-funded travel, the application of late fees to unpaid invoices, the elimination of school budget carryover, and other fiscal measures.

After the Comprehensive Financial Plan was submitted, the district received feedback from the state and submitted a revised plan. The District is required to have a positive fund balance at year end. The plan includes the district reaching an ending fund balance of \$1.26M for the current 2023-2024 school year.

The district's comprehensive financial plan included information proposing the closure of two elementary and one middle school. Closure of schools requires a full year of planning, which will include community involvement in the process. No schools will be closed in the 2024-2025 school year. Any possible closures would not take effect until the 2025-2026 school year at the earliest.

Additional reductions are necessary to meet the 2024-25 requirements:

- 33 Certificated Employees
- 10 Classified Employees
- Additional \$468,890 Non-Employee costs

On June 18, 2024, State Superintendent Reykdal notified the district about his decision to convene a Financial Oversight Committee in accordance with the Revised Code of Washington (RCW) 28A.315.221 The committee will review the district's financial situation and recommend a path forward to financial stability

On July 2, 2024, Superintendent Reykdal at Washington State's Office of Superintendent of Public Instruction announced the four individuals named to serve on the financial oversight committee.

Marysville School District No. 025
 Schedule of Long-Term Liabilities
 For the Year Ended August 31, 2023

Description	Beginning Outstanding Debt September 1, 2022	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2023	Amount Due Within One Year
Voted Debt					
Voted Bonds	35,360,000.00	0.00	7,760,000.00	27,600,000.00	8,460,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt and Liabilities					
Non-Voted Bonds	1,226,000.00	0.00	1,226,000.00	0.00	0.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Leases	1,203,222.51	0.00	571,317.51	631,905.00	307,089.42
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	4,201,777.83	308,682.13	0.00	4,510,459.96	1,303,522.93
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
Other Liabilities					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities:					
Net Pension Liabilities TRS 1	19,677,768.00	0.00	6,951,839.00	12,725,929.00	
Net Pension Liabilities TRS 2/3	0.00	0.00	0.00	0.00	
Net Pension Liabilities SERS 2/3	0.00	0.00	0.00	0.00	
Net Pension Liabilities PERS 1	5,312,356.00	0.00	1,280,222.00	4,032,134.00	
Total Long-Term Liabilities	66,981,124.34	308,682.13	17,789,378.51	49,500,427.96	10,070,612.35

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

Marysville School District No. 25
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	School Breakfast Program	10.553	N/A	1,158,293	-	1,158,293	-	1, 4
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	National School Lunch Program	10.555	N/A	3,381,512	-	3,381,512	-	1, 4
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	National School Lunch Program	10.555	N/A	226,794	-	226,794	-	1, 4
				Total ALN 10.555:	-	3,608,306	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	Summer Food Service Program for Children	10.559	N/A	48,211	-	48,211	-	1, 4
				Total Child Nutrition Cluster:	-	4,814,810	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	Child and Adult Care Food Program	10.558	N/A	374,920	-	374,920	-	1, 5
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	Child and Adult Care Food Program	10.558	N/A	122,482	-	122,482	-	1, 4

The accompanying notes are an integral part of this schedule.

**Marysville School District No. 25
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Forest Service Schools and Roads Cluster				Total ALN 10.558:	497,402	-	497,402	
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Treasurer)	Schools and Roads - Grants to States	10.665	NA	23,301	-	23,301	-	1, 4
Total Forest Service Schools and Roads Cluster:				23,301	-	23,301	-	
Department of Defense	Navy Junior Reserve Officers Training Corps	12.U01	-	-	126,475	126,475	-	1, 4
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Snohomish County)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	EL-22-AR-22- 050	347,418	-	347,418	-	1, 4
FEDERAL COMMUNICATIONS COMMISSION, FEDERAL COMMUNICATIONS COMMISSION	COVID 19 - Emergency Connectivity Fund Program	32.009	-	-	2,188,153	2,188,153	-	1, 4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	Title I Grants to Local Educational Agencies	84.010	GT--00254	2,051,403	-	2,051,403	-	1, 3, 4, 6
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	Title I Grants to Local Educational Agencies	84.010	0270379	75,855	-	75,855	-	1, 3, 4, 6

The accompanying notes are an integral part of this schedule.

**Marysville School District No. 25
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	Title I Grants to Local Educational Agencies	84.010	GT--00482	3,022	-	3,022	-	1, 3, 4, 6
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	Title I Grants to Local Educational Agencies	84.010	0270400	75,855	-	75,855	-	1, 3, 4, 6
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	Title I Grants to Local Educational Agencies	84.010	0270404	75,159	-	75,159	-	1, 3, 4, 6
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	Title I Grants to Local Educational Agencies	84.010	0271127	28,678	-	28,678	-	1, 3, 4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	Title I Grants to Local Educational Agencies	84.010	0271137	30,000	-	30,000	-	1, 3, 4, 6
Total ALN 84.010:				2,339,972	-	2,339,972	-	

The accompanying notes are an integral part of this schedule.

**Marysville School District No. 25
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	Migrant Education State Grant Program	84.011	GT--00254	245,178	-	245,178	-	1, 3, 4
Special Education Cluster (IDEA)								
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	Special Education Grants to States	84.027	GT--00530	222,030	-	222,030	-	1, 4
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	COVID 19 - Special Education Grants to States	84.027	0312070	7,515	-	7,515	-	1, 3, 4
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	COVID 19 - Special Education Grants to States	84.027	0312305	248,716	-	248,716	-	1, 3, 4
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	Special Education Grants to States	84.027	0307648	2,539,497	-	2,539,497	-	1, 3, 4

The accompanying notes are an integral part of this schedule.

Marysville School District No. 25
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
			Total ALN 84.027:	3,017,758	-	3,017,758	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	Special Education Preschool Grants	84.173	0389018	10,000	-	10,000	-	1, 3, 4
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	COVID 19 - Special Education Preschool Grants	84.173	0371063	355	-	355	-	1, 4
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	COVID 19 - Special Education Preschool Grants	84.173	0371273	5,651	-	5,651	-	1, 3, 4
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	Special Education Preschool Grants	84.173	0367044	78,623	-	78,623	-	1, 3, 4
			Total ALN 84.173:	94,629	-	94,629	-	
			Total Special Education Cluster (IDEA):	3,112,387	-	3,112,387	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	Impact Aid	84.041	-	-	190,508	190,508	-	1, 4

The accompanying notes are an integral part of this schedule.

Marysville School District No. 25
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	Impact Aid	84.041	-	-	905,275	905,275	-	1, 4
Total ALN 84.041:				-	1,095,783	1,095,783	-	
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	Career and Technical Education -- Basic Grants to States	84.048	0176189	79,032	-	79,032	-	1, 3, 4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	Indian Education Grants to Local Educational Agencies	84.060	-	-	328,424	328,424	-	1, 3, 4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	Education for Homeless Children and Youth	84.196	0457578	54,779	-	54,779	-	1, 3, 4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via Washington Alliance for Better Schools)	Twenty-First Century Community Learning Centers	84.287	WABS FP32 & FP974	80,698	-	80,698	-	1, 4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	English Language Acquisition State Grants	84.365	GT-00254	226,752	-	226,752	-	1, 3, 4

The accompanying notes are an integral part of this schedule.

**Marysville School District No. 25
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	GT--00254	208,855	-	208,855	-	1, 3, 4
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	Student Support and Academic Enrichment Program	84.424	GT--00254	122,529	-	122,529	-	1, 3, 4
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	COVID 19 - Education Stabilization Fund	84.425	0143101 84.425D	8,689	-	8,689	-	1, 4
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	COVID 19 - Education Stabilization Fund	84.425	0144532 84.425D	20,892	-	20,892	-	1, 4
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	COVID 19 - Education Stabilization Fund	84.425	0120562 84.425D	280,847	-	280,847	-	1, 3, 4
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	COVID 19 - Education Stabilization Fund	84.425	0142125 84.425U	292,299	-	292,299	-	1, 3, 4

The accompanying notes are an integral part of this schedule.

Marysville School District No. 25
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	COVID 19 - Education Stabilization Fund	84.425	0459017 84.425W	11,010	-	11,010	-	1, 3, 4
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	COVID 19 - Education Stabilization Fund	84.425	0138261 84.425U	3,026,233	-	3,026,233	-	1, 3, 4
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	COVID 19 - Education Stabilization Fund	84.425	84.425D	205,139	-	205,139	-	1, 4
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	COVID 19 - Education Stabilization Fund	84.425	84.425D	619,750	-	619,750	-	1, 4
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	COVID 19 - Education Stabilization Fund	84.425	84.425D	602,726	-	602,726	-	1, 4
Total ALN 84.425:				5,067,585	-	5,067,585	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction (OSPI))	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K3928	86,357	-	86,357	-	1, 4

The accompanying notes are an integral part of this schedule.

Marysville School District No. 25
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	COVID 19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	-	-	829,017	829,017	-	1, 4
Total Federal Awards Expended:				17,307,055	4,567,852	21,874,907	-	

The accompanying notes are an integral part of this schedule.

Marysville School District

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

NOTE BASIS OF ACCOUNTING

1 This Schedule is prepared on the same basis of accounting as the Marysville School District's financial statements. The Marysville School District uses the modified accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE FEDERAL DE MINIMIS INDIRECT RATE

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

NOTE FEDERAL INDIRECT COST RATE

3 The amount expended includes **\$789,891.87** claimed as an indirect cost recovery using an approved indirect cost rate of **4.53** percent & **4.14** percent (Restricted Rate) or **11.30** percent & **13.47** percent (Unrestricted Rate).

NOTE PROGRAM COSTS/MATCHING CONTRIBUTIONS

4 The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the Marysville School 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 NONCASH AWARDS

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

NOTE SCHOOLWIDE PROGRAMS

6 The Marysville School District operates a "schoolwide program" in two elementary buildings; one middle school building; one high school building. 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 Marysville School District in its schoolwide program: Title I (84.010) **\$ 2,339,971.67**; Migrant Education (84.011) **\$ 245,178.35**

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

**Marysville School District No. 25
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).

Finding ref number: 2023-001	Finding caption: The District's financial condition places it at risk of being unable to meet financial obligations or provide services at current levels
Name, address, and telephone of District contact person: Brandon Bowman, Executive Director of Finance and Operations 4220 80 th Street NE Marysville, WA 98270 (360) 965-0095	
Corrective action the auditee plans to take in response to the finding: <i>Marysville School District will follow an approved two year financial plan with the Washington State Office of Public Instruction (OSPI). The plan has a positive fund balance during 2024 and 5% fund balance by the conclusion of August 2026 financials. We will continue to work collaborative with OSPI to improve our financial condition.</i>	
Anticipated date to complete the corrective action: August 31, 2025	

<p>Finding ref number: 2023-002</p>	<p>Finding caption: The District did not have adequate internal controls for ensuring compliance with allowable activities and costs, and restricted purpose requirements.</p>
<p>Name, address, and telephone of District contact person: Brandon Bowman, Executive Director of Finance and Operations 4220 80th Street NE Marysville, WA 98270 (360) 965-0095</p>	
<p>Corrective action the auditee plans to take in response to the finding: <i>The Emergency Connectivity Fund will not be used again. The funding has ended. The District will ensure they follow best practices on all grants.</i></p>	
<p>Anticipated date to complete the corrective action: September 1, 2023</p>	

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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