Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Northshore School District No. 417

For the period September 1, 2024 through August 31, 2025

Published May 28, 2026

Report No. 1039750

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Office of the Washington State Auditor
Pat McCarthy

May 28, 2026

Board of Directors
Northshore School District No. 417
Bothell, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Northshore School District No. 417's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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TABLE OF CONTENTS

Schedule of Findings and Questioned Costs 4

Independent Auditor's 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* 6

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance 9

Independent Auditor's Report on the Financial Statements 12

Financial Section 16

About the State Auditor's Office 61

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Northshore School District No. 417
September 1, 2024 through August 31, 2025

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of Northshore School District No. 417 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 no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the District's compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

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

ALN	Program or Cluster Title
10.553	Child Nutrition Cluster - School Breakfast Program
10.555	Child Nutrition Cluster - National School Lunch Program
84.010	Title I Grants to Local Educational Agencies

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

The District qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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*

Northshore School District No. 417
September 1, 2024 through August 31, 2025

Board of Directors
Northshore School District No. 417
Bothell, 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 Northshore School District No. 417, as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 22, 2026.

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 the financial statements are prepared by the District using accounting practices prescribed by state law and the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual) described in Note 1, which is a basis of accounting other than 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.



Pat McCarthy, State Auditor

Olympia, WA

May 22, 2026

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

Northshore School District No. 417
September 1, 2024 through August 31, 2025

Board of Directors
Northshore School District No. 417
Bothell, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of Northshore School District No. 417, 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, 2025. The District's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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.

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

Purpose of this Report

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



Pat McCarthy, State Auditor

Olympia, WA

May 22, 2026

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Northshore School District No. 417
September 1, 2024 through August 31, 2025

Board of Directors
Northshore School District No. 417
Bothell, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of Northshore School District No. 417, as of and for the year ended August 31, 2025, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinion on the 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 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 fund balance of Northshore School District No. 417 , and its changes in fund balance, for the year ended August 31, 2025, on the basis of accounting 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 Northshore School District No. 417, as of August 31, 2025, 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 *Government 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 audit unmodified and adverse opinions.

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

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the 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 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Matters of Emphasis

As discussed in Note 12 to the financial statements, in 2025, the District adopted new accounting guidance for presentation and disclosure of compensated absences, as required by the Accounting Manual. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 that collectively comprise the District's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule

of Long-Term Liabilities is also presented for purposes of additional analysis, as required by the prescribed Accounting Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2026 on our consideration of the District's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

May 22, 2026

FINANCIAL SECTION

Northshore School District No. 417
September 1, 2024 through August 31, 2025

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2025
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2025
Notes to the Financial Statements – 2025

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Long-Term Liabilities – 2025
Schedule of Expenditures of Federal Awards – 2025
Notes to the Schedule of Expenditures of Federal Awards – 2025

Northshore School District No. 417

Balance Sheet - Governmental Funds

August 31, 2025

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Assets							
Cash and Cash Equivalents	28,406,721.18	3,557,520.33	33,789,644.15	230,134,840.14	5,787,010.34	0.00	301,675,736.14
Minus Warrants Outstanding	-8,350,689.92	-86,366.44	0.00	-265,430.21	0.00	0.00	-8,702,486.57
Taxes Receivable	32,571,910.91		38,712,799.88	9,580,609.71	0.00		80,865,320.50
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	3,345,125.90	0.00	0.00	0.00	0.00	0.00	3,345,125.90
Accounts Receivable	1,252,457.82	16,484.28	0.00	14,924.60	0.00	0.00	1,283,866.70
Leases Receivable	49,177.71		0.00	377,574.16	0.00	0.00	426,751.87
Interfund Loans Receivable	0.00			0.00	0.00		0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	588,871.10	0.00		0.00			588,871.10
Prepaid Items	2,607,654.65	166,944.43			0.00	0.00	2,774,599.08
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	**60,471,229.35**	**3,654,582.60**	**72,502,444.03**	**239,842,518.40**	**5,787,010.34**	**0.00**	**382,257,784.72**
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	**60,471,229.35**	**3,654,582.60**	**72,502,444.03**	**239,842,518.40**	**5,787,010.34**	**0.00**	**382,257,784.72**
LIABILITIES							
Accounts Payable	1,350,846.90	63,185.20	0.00	61,779.29	0.00	0.00	1,475,811.39
Contracts Payable Current	11,815.82	694.95		995,013.75	0.00	0.00	1,007,524.52

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

Northshore School District No. 417

Balance Sheet - Governmental Funds

August 31, 2025

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Accrued Interest Payable			0.00				0.00
Accrued Salaries	566,748.72	0.00		0.00			566,748.72
Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
LIABILITIES:							
Payroll Deductions and Taxes Payable	5,229,178.72	0.00		0.00			5,229,178.72
Leases Payable - Current	0.00		0.00	0.00	0.00	0.00	0.00
Due To Other Governmental Units	-12,174.22	-704.32		52,290.55	1,143.09	0.00	40,555.10
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	2,643,538.28						2,643,538.28
Due To Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		1,500.00			1,500.00
Unearned Revenue	1,489,158.51	414,041.67	5,732.00	0.00	0.00		1,908,932.18
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	**11,279,112.73**	**477,217.50**	**5,732.00**	**1,110,583.59**	**1,143.09**	**0.00**	**12,873,788.91**
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unavailable Revenue - Leases	50,144.40		0.00	392,810.99	0.00	0.00	442,955.39
Unavailable Revenue - Taxes Receivable	32,571,910.91		38,712,799.88	9,580,609.71	0.00		80,865,320.50
TOTAL DEFERRED INFLOWS OF RESOURCES	**32,622,055.31**	**0.00**	**38,712,799.88**	**9,973,420.70**	**0.00**	**0.00**	**81,308,275.89**
FUND BALANCE:							
Nonspendable Fund Balance	3,196,526.00	166,944.43	0.00	0.00	0.00	0.00	3,363,470.43

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

Northshore School District No. 417

Balance Sheet - Governmental Funds

August 31, 2025

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Restricted Fund Balance	1,271,179.00	0.00	33,783,912.15	201,257,023.53	5,785,867.25	0.00	242,097,981.93
Committed Fund Balance	0.00	0.00	0.00	5,023,770.46	0.00	0.00	5,023,770.46
Assigned Fund Balance	1,741,643.00	3,010,420.67	0.00	22,477,720.12	0.00	0.00	27,229,783.79
Unassigned Fund Balance	10,360,713.31	0.00	0.00	0.00	0.00	0.00	10,360,713.31
TOTAL FUND BALANCE	**16,570,061.31**	**3,177,365.10**	**33,783,912.15**	**228,758,514.11**	**5,785,867.25**	**0.00**	**288,075,719.92**
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	**60,471,229.35**	**3,654,582.60**	**72,502,444.03**	**239,842,518.40**	**5,787,010.34**	**0.00**	**382,257,784.72**

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

Northshore School District No. 417

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

For the Year Ended August 31, 2025

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	80,924,103.65	4,350,889.84	74,740,122.96	39,187,755.97	229,586.26		199,432,458.68
State	330,555,518.70		0.00	0.00	1,714,049.53		332,269,568.23
Federal	13,862,053.04		350,490.41	0.00	0.00		14,212,543.45
Other	2,533,740.68			15,818.00	0.00	0.00	2,549,558.68
TOTAL REVENUES	**427,875,416.07**	**4,350,889.84**	**75,090,613.37**	**39,203,573.97**	**1,943,635.79**	**0.00**	**548,464,129.04**
EXPENDITURES:							
CURRENT:							
Regular Instruction	228,731,427.48						228,731,427.48
Special Education	86,776,721.66						86,776,721.66
Vocational Education	13,602,849.41						13,602,849.41
Skill Center	0.00						0.00
Compensatory Programs	14,937,263.53						14,937,263.53
Other Instructional Programs	12,036,636.42						12,036,636.42
Federal Stimulus COVID-19	3,332.44						3,332.44
Community Services	695,394.10						695,394.10
Support Services	73,186,393.25						73,186,393.25
Student Activities/Other		4,192,963.24				0.00	4,192,963.24
CAPITAL OUTLAY:							
Sites				3,831,511.20			3,831,511.20
Building				146,849,815.43			146,849,815.43
Equipment				1,612,088.38			1,612,088.38
Instructional Technology				11,104,771.04			11,104,771.04
Energy				346,224.79	0.00		346,224.79
Transportation Equipment					2,265,399.90		2,265,399.90
Sales and Lease				0.00			0.00
Other	1,315,287.54						1,315,287.54
DEBT SERVICE:							
Principal	209,782.32		38,160,000.00	0.00	0.00		38,369,782.32

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

Northshore School District No. 417

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

For the Year Ended August 31, 2025

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Interest and Other Charges	40,364.25		32,878,750.38	0.00	0.00		32,919,114.63
Bond/Levy Issuance				5,865.00	0.00		5,865.00
TOTAL EXPENDITURES	**431,535,452.40**	**4,192,963.24**	**71,038,750.38**	**163,750,275.84**	**2,265,399.90**	**0.00**	**672,782,841.76**
REVENUES OVER (UNDER) EXPENDITURES	-3,660,036.33	157,926.60	4,051,862.99	-124,546,701.87	-321,764.11	0.00	-124,318,712.72
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	719,069.07			0.00	0.00		719,069.07
Transfers In	11,061,121.70		0.00	0.00	0.00		11,061,121.70
Transfers Out (GL 536)	0.00		0.00	-11,061,121.70	0.00	0.00	-11,061,121.70
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	272,025.17		0.00	0.00	22,035.00		294,060.17
TOTAL OTHER FINANCING SOURCES (USES)	**12,052,215.94**		**0.00**	**-11,061,121.70**	**22,035.00**	**0.00**	**1,013,129.24**
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	**8,392,179.61**	**157,926.60**	**4,051,862.99**	**-135,607,823.57**	**-299,729.11**	**0.00**	**-123,305,583.48**
BEGINNING TOTAL FUND BALANCE	**8,177,881.70**	**3,019,438.50**	**29,732,049.16**	**364,366,337.68**	**6,085,596.36**	**0.00**	**411,381,303.40**
Accounting Changes and Error Corrections	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	**16,570,061.31**	**3,177,365.10**	**33,783,912.15**	**228,758,514.11**	**5,785,867.25**	**0.00**	**288,075,719.92**

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

NORTHSHORE SCHOOL DISTRICT
Notes to the Financial Statements
September 1, 2024 Through August 31, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Northshore 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 Superintendent or Deputy Superintendent 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

The District considers cash and cash equivalents to be cash on hand, demand deposits, and all highly liquid investments with a maturity of three months or less when purchased. Because the County Investment Pool is sufficiently liquid to effectively allow for deposit and withdrawal of cash at any time without prior notice or penalty as if it were a demand deposit account, equity in the pool is deemed to be a cash equivalent.

Capital Assets

Capital assets are assets with an initial individual cost of more than $5,000 and a useful life of more than 1 year.

Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. A portion of fund balance, representing inventory, is considered Nonspendable. USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

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

The District follows the modified accrual basis of accounting in its treatment of leases and SBITAs. Agreements are evaluated regarding the lease term, payments, and discount rates as well as materiality to the District's financial position. The District's capitalization threshold for recognition of leases and SBITAs is $50,000. Arrangements that are considered short term or do not meet capitalization thresholds are treated as revenues and expenditures in the current year.

Compensated Absences

Employees earn vacation leave at varying rates in accordance with District policy. Accrued but unused vacation leave is payable upon termination or death, limited to 240 hours.

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.

In the governmental fund statements, expenditures are recognized in the amount normally liquidated with expendable, available resources. Liabilities are included in benefits payable, reported on a basis consistent with governmental fund accounting principles. The total estimated liability for the district's compensated absences is reported on the Schedule of Long-Term Liabilities. Additions and reductions in the liability are reported as a net change.

Accounting and Reporting Changes

Compensated Absences
For the year ended August 31, 2025 the District implemented guidance for the presentation and disclosures of Compensated Absences, as required by the School District Accounting Manual. These changes were in response to the provisions of GASB Statement No. 101. See Note 12 Accounting Changes and Error Corrections.

NOTE 2: DEPOSITS AND INVESTMENTS

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

Bank balances for Washington governments 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 bank approved by the Public Deposit Protection Commission.

The District's investments as of August 31, 2025, are as follows:

Investment Type	Fair Value	Effective Duration
King County Investment Pool	$303,510,956.91	1.05 years

Impaired Investments. As of August 31, 2025, all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The District's share of the impaired investment pool principal is $69,724.45 and the District's fair value of these investments is $37,811.57.

Interest Rate Risk. As of August 31, 2025, the Pool's average duration was 1.05 years. As a means of limiting exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk. As of August 31, 2025, the District's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes,

Pool policies authorize investments in U.S. Treasury Securities, U.S. agency securities and mortgage-backed securities, corporate notes (rated at least "A"), municipal securities (rated at least "A" by two NRSROs), commercial depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

NOTE 3: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Subsequent Event – Issuance of Bonds

Subsequent to the fiscal year ending August 31, 2025, on October 7, 2025, the District issued $111,610,000 of unlimited general obligation bonds. $69,710,000 of the bonds, along with original issue premium of $5,290,000 were deposited into the District's Capital Projects Fund and represent the final sale of the 2022 voter-approved bond authorization.

The $41,900,000 of general obligation refunding bonds, along with the original issue premium of $5,228,475 were used to refund $58,355,000 of the district's outstanding 2015 Unlimited Tax General Obligation Bonds.

The net proceeds of $47,128,475, combined with a Debt Service Fund contribution of $12,362,236 – consisting of 2025 tax collections of $4,172,236 and Debt Service Fund reserves of $8,190,000 – and payment of $269,336 in underwriting fees and issuance costs, were used to retire the 2016 UTGO Bonds.

As a result of this transaction, the 2015 UTGO Bonds are no longer outstanding obligations of the District. The transaction will be reflected in the District's fiscal year 2026 financial statements.

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, 2025				
	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	10,789,754,000	9,610,758,000	1,178,996,000	89.07%
SERS 2/3	11,005,685,000	11,250,334,000	(244,649,000)	102.22%
TRS 1	7,987,466,000	7,037,456,000	950,010,000	88.11%
TRS 2/3	29,865,548,000	30,138,755,000	(273,207,000)	100.91%

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

Membership Participation

Substantially all school district full-time and qualifying part-time employees participate in one of the following three contributory, multiple-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 multiple-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, and 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 calculated 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, multiple-employer 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 COLA of 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 statue 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, 2024. PERS contribution rates changed on July 1, 2025. The pension plan contribution rates (expressed as a percentage of covered payroll) for fiscal year 2025 are listed below:

	From this date	Through this date	Member rate	Employer rate	
PERS 1	9/1/2024	6/30/2025	6.00%	9.11%	
PERS 1	7/1/2025	8/31/2025	6.00%	5.58%	
SERS 2	9/1/2024	8/31/2025	7.76%	10.51%	
SERS 3	9/1/2024	8/31/2025	*	10.51%	**
TRS 1	9/1/2024	8/31/2025	6.00%	9.86%	
TRS 2	9/1/2024	8/31/2025	8.06%	9.86%	
TRS 3	9/1/2024	8/31/2025	*	9.86%	**
Note: The Employer rates include .0020 DRS administrative expense.					
* – TRS and SERS Plan 3 Employee Contribution Variable from 5% to 15% based on rate selected by the employee member.					
** – TRS and SERS Plan 2/3 Employer Contributions for defined benefit portion only.					

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

At June 30, 2025, the school district reported a total liability of $24,807,176 for its proportionate shares of the individual plans' collective net pension liability and $11,643,901 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, 2025 the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2025	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	$2,246,846	$6,561,092	$3,038,449	$15,595,513
Proportionate Share of the Net Pension Liability (Asset)	$4,804,301	($5,875,052)	$20,002,875	($5,768,850)

At June 30, 2025, 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	0.407491%	2.401421%	2.105544%	2.111531%
Prior year proportionate share	0.407782%	2.336796%	2.051475%	2.205498%
Net difference percentage	-0.000291%	0.064625%	0.054069%	-0.093967%

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, 2024, with the results rolled forward to June 30, 2025, 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 service-based salary increases.
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, 2024, valuation were based on the results of the *2013–2018 Demographic Experience Study Report and the 2023 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2023 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	19.00%	2.10%
Tangible Assets	8.00%	4.50%
Real Estate	18.00%	4.80%
Global Equity	30.00%	5.60%
Private Equity	25.00%	8.60%

The inflation component used to create the above table was 2.50% and represents WSIB's long-term estimate of broad economic inflation consistent with their 2023 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 of 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 Northshore 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	$1,989,440,000	$1,178,996,000	$468,217,000
Allocation Percentage	0.407491%	0.407491%	0.407491%
Proportionate Share	$8,106,787	$4,804,301	$1,907,942
SERS 2/3	$1,301,271,000	($244,649,000)	($1,517,029,000)
Allocation Percentage	2.401421%	2.401421%	2.401421%
Proportionate Share	$31,248,992	($5,875,052)	($36,430,250)
TRS 1	$1,539,720,000	$950,010,000	$431,512,000
Allocation Percentage	2.105544%	2.105544%	2.105544%
Proportionate Share	$32,419,476	$20,002,875	$9,085,673
TRS 2/3	4,593,068,000	(273,207,000)	(4,227,395,000)
Allocation Percentage	2.111531%	2.111531%	2.111531%
Proportionate Share	$96,984,038	($5,768,850)	($89,262,741)

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. [(5).]

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one, which the employers and plan

members understand the plan terms. This understanding is based on communications between the HCA, employers and plan members, and historical pattern of practice with regards to sharing of benefit costs.

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the K–12 school districts and ESDs. The District's retirees (approximately 1,530) 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. The 2025 PEBB Retirees monthly rates for pre-65 medical coverage are available on the Washington State Health Care Authority website (www.hca.wa.gov).

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 2024-25, the Northshore School District paid $47,405,093 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 leases for conduit use and copiers. The leasing arrangements are as follows:

Conduit Use

In 2004, the District entered into an agreement with the Teachers Insurance and Annuity Association of America for the use of a conduit within the Canyon Park Infrastructure System. This agreement allows for the delivery of telecommunications services to the District. The initial lease term was for five years and included three optional renewal terms of five years each. The District opted to renew the lease through the final renewal term, which ended March 31, 2024. In April of 2024, the District agreed to extend the agreement through March 31, 2029 and was granted the option to extend the term for 3 additional renewal terms of five years each. The original agreement required yearly payments in the following amounts:

Original Term	$22,000 per year
First Renewal Term	$25,000 per year
Second Renewal Term	$27,000 per year
Third Renewal Term	$29,000 per year

In 2020, two addendums were signed to allow the use of an additional conduit. These addendums increased the yearly payments by the following amounts:

Period	Annual Added License Fee
July 1, 2020 – June 30, 2021	$21,865.00
July 1, 2021 – June 30, 2022	$22,520.95
July 1, 2022 – June 30, 2023	$23,196.58
July 1, 2023 – March 31, 2024	$23,892.48 (prorated)

The yearly payments based on the sixth addendum to the agreement, effective as of April 1, 2024, are as follows:

Fourth Renewal Term (4/1/24 - 3/31/29)	$55,000 per year
Fifth Renewal Term (4/1/29 - 3/31/34)	$59,000 per year
Sixth Renewal Term (4/1/34 – 3/31/39)	$63,000 per year
Seventh Renewal Term (4/1/39 – 3/31/44)	$67,000 per year

Copiers

Pacific Office Automation

The District has several five-year agreements with Pacific Office Automation for copy machines that are located throughout the District. Pacific Office Automation provides the equipment as well as services and software solutions. The District pays fixed monthly lease rates as well as a variable maintenance cost based on usage. At the end of the lease terms all equipment will be returned to Pacific Office Automation. The following leases are in effect:

	Type of Machine	Monthly Lease Rate
Lease 1A (12/1/22 - 11/30/27)	Ricoh Pro C53005S	$1,092.49
Lease 5 (12/1/23 – 11/30/28)	KM Accurio Press 6136	$1,816.67
Lease 6 (1/1/25 – 8/31/29	PR C7500 with Plockmatic	$1,858.00

Each month, the District also pays a maintenance fee based on the number of clicks used during the month. Monthly rates per click are between $0.0029 and $0.0032 depending on the machine. Again, taxes are added on top of these rates. In 2024-25 the District paid a total of $22,766.41 for these maintenance costs.

As of August 31, 2025, the principal and interest requirements to maturity are as follows:

Year Ended August 31	Principal	Interest	Total
2025	$49,648	$13,451	$63,098
2026	$49,640	$13,440	$63,080
2027	$49,640	$13,440	$63,080
2028	$39,187	$13,028	$52,215
2029	$23,869	$6,707	$30,576

Copiers Northwest

In July 2024, the District entered into a five-year agreement with Copiers Northwest Inc. effective November 1, 2024 through October 31, 2029. Copiers Northwest will provide copier lease, service and maintenance to various District locations. The District pays fixed monthly lease rates as well as a variable maintenance costs based on usage. At the end of the lease term all equipment will be returned to Copiers Northwest. The District leases the following types of copy machines with monthly rates as follows. Taxes are added on top of these rates:

Type of Machine	Monthly Lease Rate
Sharp BP-70M65	$108.94
Sharp BP-70C65	$126.70
Sharp BP-70M65 w/ external finisher	$133.94
Sharp BP-70C65 w/ external finisher	$151.70

Sharp BP-70M65 w/ external finisher and hole punch	$141.19
Sharp BP-70C65 w/ external finisher and hole punch	$158.95

Each month, the District also pays a maintenance fee based on the number of clicks used during the month. Monthly rates per click are $0.0029 for black & white copy and $0.034 for color copy. The click rate includes toner supplies and maintenance. In 2024-25 The District paid a total of $85,452.59 for these maintenance costs.

As of August 31, 2025, the principal and interest requirements to maturity are as follows:

Year Ended August 31	Principal	Interest	Total
2025	$105,548	$3,502	$109,050
2026	$125,608	$5,435	$131,043
2027	$125,608	$5,435	$131,043
2028	$125,608	$5,435	$131,043
2029	$125,608	$5,435	$131,043
2030	$21,556	$284	$21,841

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 a tenant in part of a building not currently needed by the District for program service delivery. The District also leases part of its conduit system. A brief description of these lease agreements are as follows:

Tenant Leases, Buildings

The District owns the building known as the Northshore School District Transportation Center located at 20th Ave SE, Bothell, WA 98021. In October 2009, when the District was building the Transportation Center, the District entered into a lease agreement with the City of Bothell allowing the use of approximately 7,080 square feet (six maintenance bays) as well as identified common areas. The space is to be used for maintenance and repair of city-owned vehicles and equipment. The City also has access to the vehicle wash system and the fueling station. There is a fee of $5.60 per vehicle washed and fuel is charged at the actual fuel cost plus a 5% administrative charge.

The initial lease term is for twenty years ending June 30, 2030, and includes two optional extensions of five years each. The agreement required monthly payments of $6,667 for the first 60 months. Every five years the rate is adjusted based on a calculation using the Consumer Price Index. The monthly rate for 2024-25 was $7,594 per month.

Lease income for the fiscal year ended August 31, 2025 is detailed below:

	Lease Income	Additional Income
Lease Revenue	$81,271	
Interest Revenue	$9,488	
Fuel Revenue		$396,476
Vehicle Wash Revenue		$2,027
Total Lease Income	**$90,759**	**$398,503**

Conduit Lease Agreement

The District owns or has rights in a conduit system in Bothell, Washington. In September 2012, the District entered into an agreement with Zayo Group, LLC allowing Zayo to lease certain conduits on the District's system. In exchange, Zayo agreed to perform the installation work and annually pay the District the rental rate of $1.25 per linear foot for 5,554 feet of conduits.

The initial lease term is for five (5) years ending August 31, 2017, and automatically renews for up to three (3) consecutive five (5) year terms unless terminated by either party by giving written notice no later than one hundred and eighty (180) days prior to expiration of the then-current term.

Lease income for the fiscal year ended August 31, 2025 is as follows:

	Lease Income
Lease Revenue	$6,268
Interest Revenue	$465
Total Lease Income	**$6,733**

NOTE 7: OTHER SIGNIFICANT COMMITMENTS

The District has active construction projects as of August 31, 2025:

Project	Project Authorization Amount	Expended as of 8/31/25	Additional Local Funds Committed
Leota MS Replacement Phase 1	$64,671,000	$18,391,262	$46,279,738
Inglemoor HS Replacement Phase 1	$26,160,000	$16,719,221	$9,440,779
Crystal Springs ES Expansion	$36,599,000	$23,047,852	$13,551,148
Fernwood ES Expansion	$38,895,000	$18,979,367	$19,915,633
Sorenson ECC Expansion	$20,290,000	$15,138,828	$5,151,172
Woodin ES Expansion	$31,692,000	$22,957,735	$8,734,265
Kenmore ES Modernization	$38,742,781	$28,821,969	$9,920,812
Maywood Hills ES Modernization	$48,975,219	$34,044,336	$14,930,883
Modular Buildings	$12,707,000	$11,277,253	$1,429,747
Total	$318,732,000	$189,377,822	$129,354,178

NOTE 8: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of $1,229,042,902 for fiscal year 2025. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

NOTE 9: 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, 2025.

The following is a summary of changes in long-term debt of the District for the fiscal year ended August 31, 2025:

Governmental activities	Balance at Sept. 1, 2024	Increases	Decreases	Balance at Aug. 31, 2025	Due within One Year
General Obligation Bonds	$709,810,000		$38,160,000	$671,650,000	$38,935,000

Long-term debt at August 31, 2025, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
General Obligation Bonds					
2010	$91,000,000	$0 - $21,000,000	12/01/2029	4.70-5.62	$38,500,000
2010B	$30,000,000	$0 - $15,000,000	12/01/2029	4.50-5.17	$30,000,000
2015	$89,125,000	$0 - $26,670,000	12/01/2034	2.50-5.00	$58,355,000
2018	$153,175,000	$0 - $39,885,000	12/01/2036	4.00-5.00	$111,395,000
2019	$90,545,000	$0 - $32,135,000	12/01/2038	4.00	$64,245,000
2022	$154,095,000	$0 - $30,000,000	12/01/2041	4.00-5.00	$139,345,000
2024	$243,900,000	$0 - $43,655,000	12/01/2042	4.00-5.00	$229,810,000
Total	$851,840,000				$671,650,000

Debt service requirements on long-term debt as of August 31, 2025, are as follows:

	Bonds		
Years Ending August 31	Principal	Interest	Total
2026	$38,935,000	$30,997,833	$69,932,833
2027	$52,185,000	$28,864,037	$81,049,037
2028	$18,040,000	$27,191,340	$45,231,340
2029	$20,480,000	$26,222,140	$46,702,140
2030-2034	$134,370,000	$114,131,140	$248,501,140
2035-2039	$219,085,000	$71,016,200	$290,101,200
2040-2044	$188,555,000	$17,552,125	$206,107,125
Total	$671,650,000	$315,974,815	$987,624,815

At August 31, 2025, the District had $33,783,912 available in the Debt Service Fund to service the general obligation bonds.

Refunded Debt

On October 7, 2025, the District issued $41,900,000 of general obligation bonds, with a true interest cost of 2.92%, to refund $58,355,000 of the District's outstanding 2015 Unlimited Tax General Obligation Bonds, with an average interest rate of 5.00%. The net proceeds of $47,128,475, along with a Debt Service Fund Contribution of $12,362,236 (2025 tax collections of $4,172,236 plus Debt Service Fund reserves of $8,190,000) and payment of $269,336 in underwriting fees and issuance cost, were used to retire the 2015 UTGO Bonds. As a result, the 2015 UTGO Bonds are no longer outstanding.

The District refunded the 2015 UTGO Bonds to reduce its total debt service payments in years 2025 through 2034 by $7,984,633 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $5,314,091.

Cash Flows Difference		
Old Debt Service Cash Flows	$71,884,133	
Less: Contribution of Debt Service Fund Balance Reserves	$8,190,000	
New Debt Service Cash Flows		$55,709,500
Total	$63,694,133	$55,709,500
Cash Flow Savings		$7,984,633
Economic Gain		
Present Value of Cash Flow Savings		$5,314,091

NOTE 10: INTERFUND BALANCES AND TRANSFERS

The following table depicts interfund loan activity:

Debtor Fund	Due To	Balance at 9/1/24	Loan Activity		Balance at 8/31/25
			New Loans	Repayments	
General Fund	Capital Projects Fund	$0	$7,000,000	$7,000,000	$0

On February 10, 2025, the School Board approved Resolution 897, allowing the Capital Projects Fund to provide a $13,000,000 interfund loan to the General Fund. The General Fund received $5,000,000 on June 27,2025 and another $2,000,000 on July 28, 2025. On August 1, 2025, the General Fund repaid the total $7,000,000 loan plus interest. Using the most recent King County

gross earnings interest rate available as of the repayment date (4.587%), total interest amounted to $22,999.

The following table depicts interfund transfer activity:

Transferred From (Fund) 535 or 536	Transferred To (Fund) 965 9900 or 9901	Amount	Description
Capital Projects Fund	General Fund	$935,070.86	Interest earnings on unrestricted Capital Projects Funds
Capital Projects Fund	General Fund	$3,449,971.02	Software
Capital Projects Fund	General Fund	$6,676,079.82	Ongoing Technology Training

NOTE 11: ENTITY RISK MANAGEMENT ACTIVITIES

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Insurance Pool
In September 2001, the District became a member of the Washington Schools Risk Management Pool (Pool), a non-profit public sector, self-funded cooperative, whose members have joined together in a self-insured program to provide property and liability coverage that is tailored solely and exclusively to public school districts in Washington state. The District pays an annual premium to the Pool for its general insurance coverage. The agreement for formation of the Washington Schools Risk Management Pool provides that the Pool will be self-sustaining through member premiums and will reinsure through commercial companies for losses over $1,000,000.

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

Self-insurance
The District self-insures workers' compensation for all its employees up to $450,000. Insurance is purchased for claims that exceed $450,000. Actual employee claims are managed and paid by a third-party administrator, Helmsman-Eberle Vivian.

The District self-insures unemployment compensation for all its employees. Actual employee claims are paid by the Washington State Department of Employment Security and then reimbursed by the District.

The District reports all its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

On August 31, 2025, the amount of liabilities totaled $2,643,538. This liability is the District's best estimate based on available information. Changes in the reported liability since August 31 2024, resulted in the following:

	9/1/24 Liability	Current Year Claims and Changes in Estimates	Claim Payments	8/31/25 Balance
Unemployment Compensation	$1,000,653	$139,743	$226,456	$913,940
Industrial Insurance	$1,950,704	$1,868,006	$2,089,112	$1,729,598

At August 31, 2025, General Fund Investments of $600,000 were held for purposes of funding the District's future claims liabilities. As a result, $600,000 of General Fund balance is considered Restricted for payment of future claim liabilities.

NOTE 12: ACCOUNTING CHANGES AND ERROR CORRECTIONS

Compensated Absences: Change in Accounting Principle

For the year ended August 31, 2024 the District implemented guidance for the presentation and disclosures of compensated absences, as required by the School District Accounting Manual. These changes were in response to the provisions of GASB Statement No. 101. As a result, beginning balances for compensated absences liabilities presented on the Schedule of Long-Term Liabilities have been restated to reflect implementation of these requirements. Information regarding the District's compensated absences are presented in Note 1.

	8/31/2024 As previously reported	Change in accounting principle (A)	Change to or within the financial reporting Entity (B)	Error correction (C)	8/31/2024 As restated/ adjusted
General Fund	$9,772,719	$61,942,301			$71,715,020

NOTE 13: PROPERTY TAXES

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

Tax Abatements

As of December 31, 2020, King and Snohomish Counties have independently entered into agreements that affect the levy rate assessed by the District in multiple programs – the Current Use Program, the Historical Preservation Program, the Single-family Dwelling Program, and the Nonprofit Churches Program. All these programs are property tax abatements. The property tax system in the state of Washington is budget-based, which means the taxing authority determines a budget or dollar amount and adjusts the rates for the taxpayers based on the assessed valuation of their property. The tax abatements did not result in a reduction or loss of revenue to the District because, pursuant to state law, these taxes were effectively reallocated to other property taxpayers.

Current Use Programs

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

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

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

Farm and Agricultural Land enrollment requires land to be used to produce livestock or agricultural commodities for commercial purposes.

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

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

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

Historic Preservation Program

The Historic Preservation Program provides property tax abatements through the legislature's encouragement to maintain, improve and preserve privately owned historic landmarks pursuant to Chapter 84.26 RCW. The property must meet four criteria to qualify for special valuation to receive a reduction in property taxes. The property must: (1) be a historic property; (2) fall within a class of historic property determined eligible for special valuation by the local legislative authority; (3) be rehabilitated at a cost which meets the definition set forth in RCW 84.26.020(2) within 24 months prior to the application for special valuation; and (4) be protected by an agreement between the owner and the local review board as described in RCW 84.26.050(2). Abatement under this program remains valid for ten (10) consecutive assessment years from the date of application.

The County Assessor shall, for 10 consecutive assessment years following the calendar year in which the application is made, place a special valuation on property classified as eligible historic property. The entitlement of property to the special valuation provisions of this section shall be determined as of January 1. If property becomes disqualified for the special valuation for any reason, the property shall receive the special valuation for that part of any year during which it remained qualified or the owner was acting in good faith belief that the property was qualified. At the conclusion of special valuation, the cost shall be considered new construction.

Whenever property classified and valued as eligible historic property under RCW 84.26.070 becomes disqualified for the valuation, there shall be added to the tax an additional tax equal to (a) the cost multiplied by the levy rate in each year the property was subject to special valuation; plus (b) interest on the amounts of the additional tax at the statutory rate charged on delinquent property taxes from the dates on which the additional tax could have been paid without penalty if the property had not been valued as historic property under this chapter; plus (c) a penalty equal to 12 percent of the amount determined in (a) and (b).

Single-family Dwelling Improvement Program

The Single-family Dwelling Improvement Program provides property tax abatements to encourage home improvements to single-family dwellings under RCW 84.36.400. Any physical improvement to single-family dwellings upon real property shall be exempt from taxation for three (3) assessment years after the completion of the improvement. Abatements are obtained through application by the property owner, including proof that the improvements have been

made and equal 100 percent of the additional property tax resulting from the increase in assessed value because of the improvements, not to exceed 30 percent of the pre-improvement value of the structure.

Below is a summary of the tax abatement programs and the total amount of taxes abated during the calendar year ended December 31, 2024.

County	Tax Abatement Program	Total Amount of Taxes Abated
King	Current Use	$174,435
	Historic	$46,449
	Home Improvement	$1,909

NOTE 14: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The District's current equity of $514,426.22 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	$3,196,526	$166,944			
Restricted Fund Balance					
For Other Items	$361,896				
For Fund Purpose					$5,785,867
For Carryover of Restricted Revenues	$309,283				
For Debt Service				$33,783,912	
For Uninsured Risks	$600,000				
Restricted from Bond Proceeds			$192,814,471		
Restricted from State Proceeds			$3,380,986		
Restricted from Impact Fee Proceeds			$5,061,567		
Committed Fund Balance					
Committed from Levy Proceeds			$5,023,770		
Assigned Fund Balance					
Other Purposes	$1,741,643				
Fund Purposes		$3,010,421	$22,477,720		
Unassigned Fund Balance	$10,360,713				

The Board of Directors has established a minimum fund balance policy for the General Fund to provide for financial stability and contingencies within the District. The policy is that the District shall maintain three percent of budgeted expenditures. Portions of fund balance that are set aside for the purpose of meeting this policy are recorded on the financial statements as a part of Unassigned fund balance. The Board is aware that the District ended the 2024-2025 fiscal year with a fund balance below 3% of budgeted expenditures.

NOTE 16: DEFINED CONTRIBUTION PENSION AND OPEB PLANS

457 Plan – Deferred Compensation Plan

District employees have the option of participating in a deferred compensation plan as defined in §457 of the Internal Revenue Code that is administered by the state deferred compensation plan, or the District. The District does not make employer contributions to the plan.

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

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years with elective deferrals (employee contributions).

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 National Benefit Services. Plan assets are assets of the District employees, not the school district, and are therefore not reflected on the financial statements.

Voluntary Employees' Benefits Association (VEBA)

VEBA Trust is a non-profit, multiple employee voluntary employees' beneficiary association authorized under Internal Revenue Code 501(c)(g). The Trust is managed by a board of trustees appointed by the Association of Washington School Principals, Washington Association of School Administrators, and Washington Association of School Business Officials. The Trust provides health reimbursement plan for employees and eligible dependents. The plan can be used to reimburse employees for qualified health expenses during employment and after retirement. Each year, bargaining units must decide whether to participate in VEBA. If participating, the District will remit annual and / or retirement / separation sick and vacation leave buy-out payments. Plan assets are assets of the District employees, not the school district, and are therefore not reflected on the financial statements.

Description	Beginning Outstanding Debt September 1, 2024	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2025	Amount Due Within One Year
Voted Debt					
Voted Bonds	709,810,000.00	0.00	38,160,000.00	671,650,000.00	38,935,000.00
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	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Leases	1,257,536.00	740,372.00	209,781.00	1,788,127.00	229,833.00
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	71,715,020.00	7,843,191.00	0.00	79,558,211.00	21,765,594.00
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
Other Liabilities					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities:					
Net Pension Liabilities TRS 1	22,756,948.00	0.00	2,754,073.00	20,002,875.00	
Net Pension Liabilities TRS 2/3	4,419,597.00	0.00	4,419,597.00	0.00	
Net Pension Liabilities SERS 2/3	0.00	0.00	0.00	0.00	
Net Pension Liabilities PERS 1	7,245,630.00	0.00	2,441,329.00	4,804,301.00	
Total Long-Term Liabilities	**817,204,731.00**	**8,583,563.00**	**47,984,780.00**	**777,803,514.00**	**60,930,427.00**

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

Refer to the notes to the financial statements for more information.

Northshore School District No. 417
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2025

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)	School Breakfast Program	10.553	N/A	452,327	-	452,327	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	National School Lunch Program	10.555	N/A	2,065,101	-	2,065,101	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	National School Lunch Program	10.555	N/A	718,151	-	718,151	-	4
			Total ALN 10.555:	**2,783,252**	**-**	**2,783,252**	-	
			Total Child Nutrition Cluster:	**3,235,579**	**-**	**3,235,579**	-	
Schools and Roads Cluster								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Treasurer)	Schools and Roads - Grants to States	10.665	N/A	29,596	-	29,596	-	
			Total Schools and Roads Cluster:	**29,596**	**-**	**29,596**	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Title I Grants to Local Educational Agencies	84.010	GT--02813	839,444	-	839,444	-	5,6

The accompanying notes are an integral part of this schedule.

Northshore School District No. 417
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2025

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)	Title I Grants to Local Educational Agencies	84.010	GT--03943	28,114	-	28,114	-	5,6
			Total ALN 84.010:	**867,558**	**-**	**867,558**	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	GT—02813	48,605	-	48,605	-	5,6
Special Education Cluster (IDEA)								
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Special Education Grants to States	84.027	GT--03536	5,052,734	-	5,052,734	-	6
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Special Education Grants to States	84.027	GT-HNI25-00068	876,531	-	876,531	-	
			Total ALN 84.027:	**5,929,265**	**-**	**5,929,265**	-	

The accompanying notes are an integral part of this schedule.

Northshore School District No. 417
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2025

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Special Education Preschool Grants	84.173	GT—03536	86,070	-	86,070	-	6
	Total Special Education Cluster (IDEA):			**6,015,335**	**-**	**6,015,335**	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	English Language Acquisition State Grants	84.365	GT—02813	569,076	-	569,076	-	6
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	GT—02813	351,142	-	351,142	-	6
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	Student Support and Academic Enrichment Program	84.424	GT—02813	61,397	-	61,397	-	6
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA State Office of Superintendent of Public Instruction)	COVID 19 - Education Stabilization Fund	84.425	84.425W 459576	4,703	-	4,703	-	7

The accompanying notes are an integral part of this schedule.

Northshore School District No. 417
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2025

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		
Head Start Cluster								
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via ESD 121)	Head Start	93.600	N/A	1,530,326	-	1,530,326	-	
			Total Head Start Cluster:	**1,530,326**	**-**	**1,530,326**	-	
			Total Federal Awards Expended:	**12,713,317**	**-**	**12,713,317**	**-**	

The accompanying notes are an integral part of this schedule.

Northshore School District No. 417
EIN: 916001566
Schedule of Expenditures of Federal Awards
For the Year Ending August 31, 2025
Notes to the Schedule

NOTE 1 - BASIS OF ACCOUNTING

This Schedule is prepared on the same modified accrual basis of accounting as the District's financial statements and in accordance with the requirements contained in Uniform Guidance.

NOTE 2 - FEDERAL DE MINIMIS INDIRECT RATE

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

NOTE 3 - PROGRAM COSTS/MATCHING CONTRIBUTIONS

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

NOTE 4 - NONCASH AWARDS

The amount of commodities reported on the schedule is the value of commodities shipped to the District during the current year and valued as prescribed by the Value of Commodities Shipped Report (Report ID: FDP032).

NOTE 5 - SCHOOLWIDE PROGRAM

The District operates a "schoolwide program" in four elementary buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the District in its schoolwide program: Title I (84.010) ($560,560.33)

NOTE 6 - FEDERAL INDIRECT RATE

The District used the federal restricted rate of 3.44%.

NOTE 7 – ESSER III UNRESTRICTED RATE

The District used the 2021-22 federal unrestricted rate of 9.58%.

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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