OFFICIAL STATEMENT dated August 24, 2022

NEW ISSUE
BOOK-ENTRY ONLY

NOT BANK QUALIFIED

MOODY’S RATINGS: District’s Underlying: “Aa2”
Washington State School District Credit Enhancement Program: “Aaa”
(See “RATINGS” and “APPENDIX C - WASHINGTON STATE SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM” herein.)

In the opinion of K&L Gates LLP, Seattle, Washington (“Bond Counsel”), assuming compliance with certain covenants of the District, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. However, interest on the Bonds is taken into account in determining “adjusted financial statement income” of certain corporations for purposes of computing the alternative minimum tax imposed on “applicable corporations” for tax years beginning after December 31, 2022. (See “TAX MATTERS,” herein for a discussion of the opinion of Bond Counsel.)

$48,395,000
AUBURN SCHOOL DISTRICT NO. 408
KING AND PIERCE COUNTIES, WASHINGTON
UNLIMITED TAX GENERAL OBLIGATION
REFUNDING BONDS, 2022

DATED: Date of Delivery (Estimated to be September 8, 2022)
DUE: December 1, as shown on the inside cover

Auburn School District No. 408, King and Pierce Counties, Washington (the “District”) provides this Official Statement in connection with the issuance of its Unlimited Tax General Obligation Refunding Bonds, 2022 (the “Bonds”). The Bonds mature on December 1 in the years and amounts, and will bear interest from the Date of Delivery (defined below) to their maturity dates at the rates per annum shown on the inside cover of this Official Statement.

The Bonds will be issued as fully registered bonds under a book-entry only system, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as initial securities depository for the Bonds. Individual purchases of the Bonds will be made in the principal amount of $5,000, or integral multiples thereof within a single maturity. The owners of any beneficial interest in the Bonds (the “Beneficial Owners”) will not receive certificates representing their interest in the Bonds as long as the Bonds are in book-entry only form. Interest will be payable semiannually on each June 1 and December 1, commencing June 1, 2023, to the maturity of the Bonds. The Washington State Fiscal Agent, currently U.S. Bank Trust Company, National Association, will serve as registrar, paying agent and transfer agent for the Bonds (the “Bond Registrar”). For so long as the Bonds are held by DTC in book-entry only form, principal and interest payments will be made as described herein. (See “APPENDIX F - BOOK-ENTRY ONLY SYSTEM.”)

The Bonds are unlimited tax general obligations of the District. For as long as any of the Bonds are outstanding, the District has irrevocably pledged to levy taxes annually without limitation as to rate or amount on all of the taxable property within the District in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the Bonds. The full faith, credit and resources of the District have been pledged irrevocably for the annual levy and collection of those taxes and the prompt payment of that principal and interest. The Bonds do not constitute a debt or indebtedness of King or Pierce Counties, the State of Washington or any political subdivision thereof other than the District. (See “SECURITY” herein.)

The proceeds of the Bonds will be used (i) to refund, on a current basis, all or a portion of the District’s outstanding Unlimited Tax General Obligation and Refunding Bonds, 2013 (the “2013 UTGO Bonds”), maturing on and after December 1, 2023 (the “Refunded Bonds”); and (ii) pay the costs of issuing, selling and delivering the Bonds. (See “PURPOSE AND USE OF PROCEEDS” herein.)

The Bonds are not subject to optional redemption prior to their stated maturity dates. (See “THE BONDS – Redemption and Purchase” herein.)

The District has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the “Code”).

Payment of principal of and interest on the Bonds when due is guaranteed by the full faith, credit, and taxing power of the STATE OF WASHINGTON
under the provisions of the Washington State School District Credit Enhancement Program. (See Appendix C attached hereto and titled “WASHINGTON STATE SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM.”)

The Bonds are offered by D.A. Davidson & Co. (the “Underwriter”) when, as and if issued by the District, subject to the opinion as to legality and tax-exemption of the Bonds by K&L Gates LLP, Seattle, Washington, Bond Counsel. The Bonds, in book-entry form, are expected to be available through the facilities of DTC for delivery by Fast Automated Securities Transfer on or about September 8, 2022 (the “Date of Delivery”).

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to making an informed investment decision.

D.A. DAVIDSON & CO.
$48,395,000
Auburn School District No. 408
King and Pierce Counties, Washington
Unlimited Tax General Obligation Refunding Bonds, 2022

MATURITY SCHEDULE
DATED: Date of Delivery (Estimated to be September 8, 2022)

DUE: December 1, as shown below

<table>
<thead>
<tr>
<th>Year</th>
<th>Amounts</th>
<th>Interest Rates</th>
<th>Yields</th>
<th>Prices (% of Par)</th>
<th>CUSIP No.(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>$9,110,000</td>
<td>5.00%</td>
<td>2.25%</td>
<td>103.315%</td>
<td>494619GH6</td>
</tr>
<tr>
<td>2024</td>
<td>9,510,000</td>
<td>5.00</td>
<td>2.26</td>
<td>105.924</td>
<td>494619GJ2</td>
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<tr>
<td>2025</td>
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<td>2.32</td>
<td>108.291</td>
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<td>5.00</td>
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<td>112.862</td>
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<td>2028</td>
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<td>5.00</td>
<td>2.41</td>
<td>114.897</td>
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<td>5.00</td>
<td>2.71</td>
<td>120.337</td>
<td>494619GS2</td>
</tr>
</tbody>
</table>

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and do not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for the convenience of reference only and are subject to change. Neither the District, the Underwriter, or its agents or counsel takes any responsibility for the accuracy of such CUSIP numbers.
Officials of the District:

Board of Directors .................................................................................................................... Arlista Holman, President
Sheilia McLaughlin, Vice President
Tracy Arnold
Laura Theimer
Valarie Gonzales

Superintendent .......................................................................................................................... Dr. Alan Spicciati
Associate Superintendent of Business and Operations ....................................................... Cindi Blansfield

Certain King County Officials

Assessor .................................................................................................................................... John Wilson
Department of Executive Services, Finance and Business Operations
Division Finance Director and ex officio Treasurer of the District ........................................ Ken Guy
Senior Debt Analyst ................................................................................................................ Nigel Lewis

Underwriter
D.A. DAVIDSON & CO.
Columbia Center
701 5th Avenue, Suite 4050
Seattle, Washington 98104

Bond and Disclosure Counsel
K&L GATES LLP
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Seattle, Washington 98104

Municipal Advisor
NORTHWEST MUNICIPAL ADVISORS
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Bellevue, Washington 98005

1 Neither the information on the District’s website nor any links from that website are a part of this Official Statement, and such information cannot be relied upon to be accurate as of the date of this Official Statement, nor should any such information be relied upon to make investment decisions regarding the Bonds.
This Official Statement does not constitute an offer to sell the Bonds in any jurisdiction in which or to a person to whom it is unlawful to make such an offer.

No dealer, broker, salesman or other person has been authorized by the District or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. The information in this Official Statement was obtained from sources believed to be reliable, but is not guaranteed as to accuracy or completeness, except the District makes no representation regarding the accuracy or completeness of Bond Counsel’s form of opinion or information provided by the Underwriter regarding the reoffering prices, or information related to the Underwriter, “DISTRICT FINANCIAL INFORMATION – Local Government Investment Pool,” which was extracted from the State Treasurer’s website; in “APPENDIX C – WASHINGTON STATE SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM”, which has been provided by the State of Washington; or in “APPENDIX F – BOOK-ENTRY ONLY SYSTEM,” which has been provided by DTC. The information and expressions of opinion herein are subject to change without notice and neither the delivery of the Official Statement nor any sale made hereby shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended and should not be interpreted as statements of fact.

The Underwriter has reviewed the information in the Official Statement in accordance with, as a part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of the information.

The descriptions of the Bonds and Bond Resolution, as defined herein, and all references to other documents or materials not claiming to be quoted in full are only brief outlines of some of the provisions and do not claim to summarize or describe all provisions thereof. Copies of such documents may be obtained from the District or the Underwriter.


In connection with the offering and issuance of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.
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$48,395,000
AUBURN SCHOOL DISTRICT NO. 408
KING AND PIERCE COUNTIES, WASHINGTON
UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, 2022

SUMMARY STATEMENT

The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement.

ISSUER............................................. Auburn School District No. 408, King and Pierce Counties, Washington (the “District”) is located in western Washington in southern King and northern Pierce Counties. The District encompasses most of the cities of Auburn, Algona and Pacific, and small portions of the cities of Black Diamond and Kent. An estimated 96,906 residents live within the District, according to the September 2020 estimate (most recent data available) provided by the Washington State Office of Financial Management. The District provides instruction to approximately 16,373 students in grades kindergarten through twelve as estimated by the District. (See “THE DISTRICT” herein.)

INTEREST AND REDEMPTION .................................. Interest on the Bonds is payable semiannually on each June 1 and December 1, commencing June 1, 2023. The Bonds are not subject to optional redemption prior to their stated maturity dates. (See “THE BONDS – Principal Amount, Date, Interest Rates and Maturities” and “– Redemption and Purchase” herein.)

AUTHORITY FOR ISSUANCE.......................... The Bonds will be issued in accordance with the provisions of the Constitution and laws of the State of Washington (the “State”), particularly chapters 28A.530, 39.36, 39.46, and 39.53 of the Revised Code of Washington (“RCW”) and pursuant to Resolution No. 1355 of the District (the “Bond Resolution”) adopted on August 8, 2022, authorizing the issuance of the Bonds. (See “THE BONDS – Authorization for Issuance” herein.)

SOURCE OF REPAYMENT.............................. The Bonds are unlimited tax general obligations of the District. For as long as any of the Bonds are outstanding, the District has irrevocably pledged to levy taxes annually without limitation as to rate or amount on all of the taxable property within the District in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the Bonds. The full faith, credit and resources of the District have been pledged irrevocably for the annual levy and collection of those taxes and the prompt payment of that principal and interest. Payment of principal of and interest on the Bonds when due is guaranteed by the full faith, credit and taxing power of the State under the provisions of the Washington State School District Credit Enhancement Program. (See “SECURITY” and “APPENDIX C - WASHINGTON STATE SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM” herein.) The Bonds do not constitute a debt or indebtedness of King County, Pierce County, the State or any political subdivision thereof other than the District. (See “SECURITY” herein.)

USE OF PROCEEDS................................... The proceeds of the Bonds will be used (i) to refund, on a current basis, all or a portion of the District’s outstanding Unlimited Tax General Obligation and Refunding Bonds, 2013 (the “2013 UTGO Bonds”) maturing on and after December 1, 2023 (the “Refunded Bonds”); and (ii) pay the costs of issuing, selling and delivering the Bonds. (See “PURPOSE AND USE OF PROCEEDS” herein.)
Auburn School District No. 408, King and Pierce Counties, Washington (the “District”), a municipal corporation duly organized and existing under and by virtue of the laws of the State of Washington (the “State”), furnishes this Official Statement in connection with the offering of its Unlimited Tax General Obligation Refunding Bonds, 2022 (the “Bonds”). This Official Statement, which includes the cover page, inside cover page, Summary Statement and appendices, provides information concerning the District and the Bonds. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Bond Resolution (defined below).

Brief descriptions of the Bonds, the District, the Bond Resolution, and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, reports, or other instruments described herein are qualified in their entirety by reference to each such document, statute, report, or other instrument. Information contained herein has been obtained from officers, employees and records of the District and from other sources believed to be reliable. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is not to be construed as a contract or agreement between the District and purchasers or holders of any of the Bonds. COVID-19, a respiratory illness caused by a novel strain of coronavirus, or other highly contagious or epidemic diseases is currently affecting many parts of the world, including the State, King County, Pierce County, and the District. This Official Statement presents historical data that may not predict near term trends accurately in light of the unprecedented nature of the COVID-19 pandemic. Investors should exercise caution when relying on such data. For a discussion of the impacts of the COVID-19 pandemic on the District and its response (see “THE DISTRICT – Response to COVID-19” herein).

THE BONDS

Authorization for Issuance

The Bonds will be issued in accordance with the provisions of the Constitution and laws of the State, particularly chapters 28A.530, 39.36, 39.46, and 39.53 of the Revised Code of Washington, and pursuant to Resolution No. 1355 (the “Bond Resolution”), adopted by the District’s Board of Directors (the “Board”) on August 8, 2022. This Official Statement is qualified in its entirety by references to the Bond Resolution. Under State law, voter approval of refunding bonds is not required.

Principal Amount, Date, Interest Rates and Maturities

The Bonds will be issued in the aggregate principal amount of $48,395,000 in fully registered form, will be in the denomination of $5,000 each, or any integral multiple thereof within a single maturity (“Authorized Denomination”) and will be dated the Date of Delivery. The Bonds will mature on December 1 in the years and amounts and will bear interest (payable semiannually on each June 1 and December 1, commencing June 1, 2023) until the stated date of maturity of the Bonds at the rates set forth
on the inside cover hereof. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Washington State Fiscal Agent, currently U.S. Bank Trust Company, National Association, will serve as registrar, paying agent and transfer agent (the “Bond Registrar”) for the Bonds. Principal and interest on the Bonds will be payable by the Bond Registrar as described in “Bond Registrar and Registration Features” herein.

Redemption and Purchase

Optional Redemption. The Bonds are not subject to optional redemption.

Purchase of Bonds. The District reserves the right to purchase any of the Bonds offered to the District at any time at a price deemed reasonable by the District.

Bond Registrar and Registration Features

Book-Entry Only System. The Bonds will be issued as fully-registered bonds and, when issued, will be initially registered in the name of Cede & Co., as the nominee of DTC. DTC will act as initial securities depository for the Bonds. Individual purchases and sales of the Bonds may be made in book-entry only form only in Authorized Denominations. So long as the Bonds are in book-entry only form, principal of and interest on the Bonds will be payable as required by the operational arrangements of DTC referenced in the Letter of Representations. The owners of any beneficial interest in the Bonds (the “Beneficial Owners”) will not receive certificates representing their interest in the Bonds. (See “APPENDIX F – BOOK - ENTRY ONLY SYSTEM” attached hereto.)

No Book-Entry Only System. During any period in which the Bonds are not in book-entry only form, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date, and principal of the Bonds of that series shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Bond Registrar; provided, however, that if so requested in writing by the Registered Owner of at least $1,000,000 principal amount of Bonds of that series, interest will be paid by wire transfer on the date due to an account with a bank located within the United States.

Procedure in the Event of Revisions of Book-Entry Only System. If (i) DTC resigns as the securities depository and the District does not appoint a substitute securities depository, or (ii) the District terminates the services of DTC, the District will execute, authenticate and deliver at no cost to the Beneficial Owners of the Bonds or their nominees, Bonds in fully registered form, in Authorized Denominations.

Transfer and Exchange of Bonds. The Bonds will be subject to transfer and exchange as provided in the Bond Resolution.

Defeasance

In the event that money and/or noncallable Government Obligations, which are direct obligations of the United States or obligations unconditionally guaranteed by the United States, maturing at such time or times and bearing interest to be earned thereon in amounts (together with such money, if necessary) sufficient to redeem and retire part or all of the Bonds in accordance with their terms, are set aside in a special account of the District to effect such redemption and retirement, and such money and the principal
of and interest on such government obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Debt Service Fund of the District for the payment of the principal of and interest on the Bonds so provided for, and such Bonds shall cease to be entitled to any lien, benefit or security of the Bond Resolution except the right to receive the money so set aside and pledged, and such Bonds shall be deemed not to be outstanding under the Bond Resolution.

As currently defined in chapter 39.53 RCW, the term “government obligations” means (a) direct obligations of or obligations, the principal and interest on which are unconditionally guaranteed by the United States of America and bank certificates of deposit secured by such obligations; (b) bonds, debentures, notes, participation certificates or other obligations issued by the Banks for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank System, the Export-Import Bank of the United States, federal land banks or the Federal National Mortgage Association; (c) public housing bonds and project notes fully secured by contracts with the United States; and (d) obligations of financial institutions insured by the Federal Deposit Insurance Corporation to the extent insured or guaranteed as permitted under any other provision of State law.

**PURPOSE AND USE OF PROCEEDS**

The proceeds of the Bonds will be used (i) to refund, on a current basis, all or a portion of the District’s outstanding Unlimited Tax General Obligation and Refunding Bonds, 2013 (the “2013 UTGO Bonds”) maturing on and after December 1, 2023 (the “Refunded Bonds”); and (ii) pay the costs of issuing, selling and delivering the Bonds.

*Sources and Uses.* The sources and uses of Bond proceeds are shown in the table that follows.

<table>
<thead>
<tr>
<th>Sources of Funds:</th>
<th>The Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds of the Bonds</td>
<td>$48,395,000</td>
</tr>
<tr>
<td>Original Issue Premium</td>
<td>4,778,831</td>
</tr>
<tr>
<td>District Debt Service Fund Contribution</td>
<td>1,063,900</td>
</tr>
<tr>
<td><strong>Total Sources of Funds</strong></td>
<td><strong>$54,237,731</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses of Funds:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit to the Refunding Escrow Account</td>
<td>$53,936,170</td>
</tr>
<tr>
<td>Costs of Issuance of the Bonds&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>301,561</td>
</tr>
<tr>
<td><strong>Total Application of Funds</strong></td>
<td><strong>$54,237,731</strong></td>
</tr>
</tbody>
</table>

<sup>(1)</sup> Includes Bond Counsel fee, Underwriter’s Discount, Municipal Advisor fee, rating agency fee and other related fees and expenses.

*Refunding Plan.* The proceeds of the Bonds will be used to provide money to establish an irrevocable escrow to: (a) pay interest on the Refunded Bonds when due up to and including December 1, 2022; (b) call, pay and redeem on December 1, 2022, all of the Refunded Bonds at a price of par; and (c) pay the administrative costs of the refunding and the costs related to the issuance, sale and delivery of the Bonds (the “Refunding Plan”).
From the proceeds of the Bonds, the District will purchase certain non-callable Government Obligations
(referred to herein as “Acquired Obligations”). These Acquired Obligations, together with additional
proceeds of the Bonds, if necessary, and other money of the District available in the Debt Service Fund, if
any, will be deposited in the custody of U.S. Bank Trust Company, National Association, Seattle,
Washington (the “Refunding Trustee”). The maturing principal of the Acquired Obligations, interest
earned thereon, and necessary cash balance, if any, will be used to accomplish the Refunding Plan.

The Acquired Obligations, interest earned thereon, and necessary cash balance, if any, will be irrevocably
pledged to and held in trust for the benefit of the owners of the Refunded Bonds by the Refunding Trustee,
pursuant to a refunding trust agreement to be executed by the District and the Refunding Trustee.

Information on the Refunded Bonds is as follows:

<table>
<thead>
<tr>
<th>Issue</th>
<th>Amount Outstanding(1)</th>
<th>Refunded Maturities</th>
<th>Amount Refunded</th>
<th>Redemption Date</th>
<th>Redemption (Call) Price(2)</th>
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</thead>
<tbody>
<tr>
<td>2013 UTGO Bonds</td>
<td>$55,505,000</td>
<td>2023-2032</td>
<td>$53,195,000</td>
<td>12/01/2022</td>
<td>100%</td>
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Refunded Bonds

<table>
<thead>
<tr>
<th>Payment Date (Dec. 1)</th>
<th>Principal Amount</th>
<th>Interest Rates</th>
<th>CUSIP No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>$10,280,000</td>
<td>4.00%</td>
<td>494619BX6</td>
</tr>
<tr>
<td>2024</td>
<td>10,080,000</td>
<td>4.00</td>
<td>494619BY4</td>
</tr>
<tr>
<td>2025</td>
<td>6,560,000</td>
<td>4.00</td>
<td>494619BZ1</td>
</tr>
<tr>
<td>2026</td>
<td>6,315,000</td>
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<td>494619CA5</td>
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<td>2027</td>
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</tr>
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<td>4.00</td>
<td>494619CE7</td>
</tr>
<tr>
<td>2031</td>
<td>2,035,000</td>
<td>4.00</td>
<td>494619CF4</td>
</tr>
<tr>
<td>2032</td>
<td>1,685,000</td>
<td>4.00</td>
<td>494619CG2</td>
</tr>
<tr>
<td>Total</td>
<td>$53,195,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) As of the Date of Delivery.
(2) Redemption price is expressed as a percentage of the principal amount.

Verification of Mathematical Calculations. Robert Thomas CPA, LLC, independent certified public
accountants, will verify the accuracy of the mathematical computations concerning the adequacy of the
maturing principal amounts of and interest earned on the Acquired Obligations to be placed together with
other escrowed money in the escrow account to pay when due, pursuant to the call for redemption, the
principal of and interest on the Refunded Bonds.

SECURITY

General

The Bonds are unlimited tax general obligations of the District. For as long as any of the Bonds are
outstanding, the District has irrevocably pledged to levy taxes annually without limitation as to rate or
amount on all of the taxable property within the District in an amount sufficient, together with other money
legally available and to be used therefor, to pay when due the principal of and interest on the Bonds. The
full faith, credit and resources of the District have been pledged irrevocably for the annual levy and collection of those taxes and the prompt payment of that principal and interest. The foregoing excess taxes, when collected, are required to be applied solely for the purpose of payment of principal of and interest on the Bonds and for no other purpose until the Bonds have been fully paid, satisfied and discharged.

The rights and remedies of anyone seeking enforcement of the Bonds are subject to laws of bankruptcy and insolvency and to other laws affecting the rights and remedies of creditors and to the exercise of judicial discretion. (See “CERTAIN INVESTMENT CONSIDERATIONS - Limitations on Remedies; Financial Insolvency and Bankruptcy” herein.)

The District may, subject to applicable laws, apply other money legally available to make payments with respect to the Bonds and thereby reduce the amount of future tax levies for such purposes.

*The Bonds do not constitute a debt or indebtedness of King and Pierce Counties, the State or any political subdivision thereof other than the District.* For a description of the manner in which taxes are levied and collected, see “PROPERTY TAX LIMITATION AND PROCEDURES - Property Tax Levy Procedures” herein.

Washington State School District Credit Enhancement Program

The payment of principal of and interest on the Bonds when due is guaranteed by the full faith, credit and taxing power of the State under the provisions of the Washington State School District Credit Enhancement Program. (See “APPENDIX C - WASHINGTON STATE SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM” for more information.)

**DEBT LIMITATIONS**

The power of the District to contract debt of any kind is controlled and limited by State law. All debt must be set forth in accordance with detailed budget procedures and paid for out of identifiable receipts and revenues. The budget must be balanced for each fiscal year. It is unlawful for an officer or employee of the District to incur liabilities in excess of budgetary appropriations.

The District may issue total indebtedness, including non-voted and voter-approved debt, in an amount not to exceed 5% of the assessed value of all taxable property (the “Bond Assessed Value”), which includes all real and personal property (as described within “PROPERTY TAX LIMITATION AND PROCEDURES – Property Tax Levy Procedures” herein), within the District. Following issuance of the Bonds, the District will have $470,820,000 of voter-approved debt outstanding, which represents 2.89% of the District’s 2022 tax collection year Bond Assessed Value of $16,284,630,861.

Washington municipal corporations, including the District, are authorized under State law to borrow money and issue short-term obligations, the proceeds of which may be used for any lawful purpose. Short-term obligations may be issued in anticipation of the receipt of revenues, taxes, or grants or the sale of bonds. These short-term obligations will be repaid out of money derived from the source or sources in anticipation of which they were issued or from any money legally available for this purpose.

RCW 28A.530.080 authorizes school districts, including the District, to incur long-term indebtedness without a vote of the people through the issuance of bonds, payable out of the District’s ordinary revenues.
Such bonds may be issued to acquire real or personal property or make structural changes and additions to school facilities, including energy conservation improvements.

School districts also are authorized to incur debt by purchasing real or personal property pursuant to a conditional sales (installment purchase) contract and financing leases.

In an emergency, school districts may authorize indebtedness outside the current budget. All expenditures for emergency purposes will be paid by warrants from any available money in the fund properly chargeable with such expenditures. If there is insufficient money on hand in the fund, the warrants become registered interest-bearing warrants. In adopting the budget for any fiscal year, the school district’s board of directors will appropriate funds to retire any outstanding registered warrants issued since the adoption of the last preceding budget.

The amount of all non-voted debt (including limited general obligation bonds, short-term obligations, conditional sales contracts, financing leases and warrants) may not exceed 3/8 of 1.0% (0.375%) of the District’s Bond Assessed Value. As of the date of this Official Statement, the District has no outstanding non-voted debt. (See “DISTRICT FINANCIAL INFORMATION – Calculation of Debt Capacity”.)

WASHINGTON SCHOOL DISTRICT BUDGETING AND FINANCING

General Information

School districts in the State are municipal corporations empowered to provide elementary and secondary educational services. Their operations are supported primarily by State funds, property taxes and federal grants. The District is governed by a board of five directors elected by voters of the District for four-year terms. The chief administrative officer is a superintendent chosen by the Board.

School districts in the State receive revenue from three primary sources including (1) Federal funding, (2) State funding, and (3) local funding through tax receipts. Of these sources, State funding comprises 74.6% of the District’s total operating revenue, local sources comprise 13.7%, and federal sources comprise 11.7% as reported in the District’s 2021-22 General Fund Budget. In addition, the District may receive income from local non-tax sources including tuition, sales of goods and supplies, food service, investment earnings, fines and damages, rentals and other miscellaneous sources. These additional revenues, if received, generally comprise less than 1% of total funding, exclusive of excess property taxes collected to pay outstanding voter approved general obligation bonds.

Federal Funding

The District receives federal money from the following sources: Federal Revenue for Federal Forests, Supplemental Handicapped Assistance, Remedial Education, Free and Reduced Lunch Program and various other special purpose programs. Principal of and interest on the Bonds are payable from excess property tax levies unlimited as to rate or amount. Consequently, changes in federal funding due to programmatic alterations, loss of funding due to federal sequestration, or loss of funding for any other reason, is not expected to impair the security for the Bonds.

In the 2021-22 General Fund Budget, federal money comprises approximately 11.7% of total General Fund revenues.
State Funding

**General.** The Washington Basic Education Act of 1977 (the “Act”) provides for the full funding of what the Act refers to as “basic education,” or the regular program, and for vocational education, according to statutory formulas, and for operational costs for transportation, the purchase of transportation equipment, and programs for students with special needs by the State. Legislation passed in 1979 recognized the State’s responsibility to fund bilingual and remediation programs. The Washington State Legislature (the “Legislature”), at its discretion, may provide funds for other special programs, including, but not limited to, vocational-technical institutes, gifted education and others. State funding for school districts is provided through the general apportionment formula (a/k/a the Basic Education Allocation) and funds basic education as well as a number of non-basic education adjustments. The amount received by each school district varies based on certain characteristics.

At each regular session in an odd-numbered year, the Legislature is required to appropriate money to the Office of the Superintendent of Public Instruction (“OSPI”) (i) from the State General Fund for the current use of the common schools during the ensuing biennium, and (ii) from the Common School Construction Account for the support of school construction projects.

**Basic Education Allocation.** The Basic Education Allocation is reviewed biennially by OSPI and the governor of the State (the “Governor”). Pursuant to RCW 28A.150.260, the Governor shall, and OSPI may, recommend to the Legislature a formula based on a ratio of students to staff. Once the Legislature adopts a formula it is used for the distribution of a basic education allocation for each annual average full time equivalent student enrolled in a common school. In the event the Legislature rejects the distribution formula recommended by the Governor, without adopting a new distribution formula, the distribution formula for the previous school year will remain in effect. In the event of an unforeseen emergency, in the nature of either an unavoidable cost to a district or unexpected variation in anticipated revenues to a district, OSPI is authorized, for a period of time not to exceed two years, to make such an adjustment in the allocation of funds. An objective of the Basic Education Allocation is to equalize educational opportunities among the State’s public school districts.

In the 2009-11 biennium, the Legislature enacted two significant bills to redefine basic education and to restructure K-12 funding formulas. The first was ESHB 2261 (Chapter 548, Laws of 2009), which added programs to the definition of basic education—including the program for highly capable students and phasing in full-day kindergarten. ESHB 2261 increased the number of instructional hours, increased the minimum number of credits for high school graduation, and changed the system for funding student transportation. ESHB 2261 also created the framework for a new K-12 funding allocation formula based on prototypical schools. Changes took effect September 1, 2011, and most enhancements were to be phased in by 2018 on a schedule set by the Legislature (subject to subsequent adjustments).

The second bill, SHB 2776 (Chapter 236, Laws of 2010), enacted the funding formulas for the new prototypical schools format at levels that represented what the State was spending on basic education at the time. SHB 2776 set targets for class-size reduction in the lower grades and established a timeline for phasing in certain enhancements to basic education and the new funding levels.

Under this new funding structure, effective September 1, 2011, the general apportionment formula follows the prototypical school model. Prototypes illustrate a level of resources to operate a school of a particular size with particular types and grade levels of students. Allocations to school districts are based on actual full-time equivalent (“FTE”) student enrollment in each grade in a district, adjusted for small schools and
reflecting other factors in the State’s biennial budget. Under SHB 2776, the Legislature designed a funding formula that allocates funding in three primary groups: schools, district-wide support, and central administration.

On July 6, 2017, the Governor signed into law Engrossed House Bill 2242 (“EHB 2242”), which modifies the State’s program of basic education by changing State and local education contributions. EHB 2242 increased State allocations to categorical programs beginning in the 2017-18 school year. Additionally, EHB 2242 revised the salary allocation model to require State funding to school districts be based on minimum statewide salaries adjusted for regional differences. EHB 2242 was amended by Engrossed Second Substitute Senate Bill 6362 in 2018 (“E2SSB 6362”) to accelerate implementation of the revised salary allocation model from the 2019-20 school year to the 2018-19 school year. While EHB 2242 maintains the prototypical school model, OSPI must report funding rates in a per-pupil format.

In addition to the Basic Education Allocation, eligible school districts have received local assistance funds from the State under the Local Effort Assistance Program (“LEA”). The LEA was originally implemented in 1989 and seeks to equalize the tax burden by providing state funds to districts with low property values and high levy rates. Until calendar year 2020, eligible school districts were those school districts with an assessed value (for excess levy purposes) per pupil lower than the State average. Starting in calendar year 2020, the Legislature created two categories of eligible school districts. The first category provides funding for eligible LEA districts whose enrichment levy rate is less than $1.50 per thousand dollars of assessed value. The second category provides funding for eligible LEA districts whose enrichment levy is equal to or exceeds $1.50 per thousand of assessed value. For calendar year 2022, the District it is eligible to receive $4,134,599 in LEA funds. (See “District Funding Sources—Local Funding—EP&O Levies” herein.)

Passed by voters in November 2000, Initiative 732 (“I-732”) required the State to provide annual cost-of-living increases for Washington’s public school employees. In 2003 and again in 2009 through 2015, the Legislature suspended the inflation increases in I-732. For the 2015-17 biennium, the Legislature did not suspend inflation increases in I-732. EHB 2242 renames cost-of-living increases as “inflationary increases” and changes the inflationary adjustment index from the consumer price index to the implicit price deflator.

The Legislature also provides some funding to support K-3 class size compliance. All districts receive this enhanced allocation.

The State’s largest General Fund expenditures are for education, social and health services and corrections. A significant portion of the State’s General Fund budget for 2021-23 supports K-12 public schools. The 2021-2023 biennium budget increased K-12 public education spending by approximately $3.9 billion, which includes both State funding increases and one-time federal stimulus funds (Elementary and Secondary School Emergency Relief Fund or ESSER). For the 2021-2023 biennium budget, the Legislature focused on K-12 public school enhancements concerning, among others: (1) pupil transportation and enrollment stabilization; (2) learning recovery due to the impacts of the COVID-19 pandemic; (3) special education; (4) counselors in high poverty schools; and (5) educational technology. For a discussion of the impacts of the COVID-19 pandemic on the District and its ESSER funding, see “THE DISTRICT – Response to COVID-19” herein. The 2022 supplemental operating budget increased policy level K-12 public education spending for the remainder of the 2021-2023 biennium budget by approximately $830 million, which includes both State funding increases and additional ESSER funding, but also excludes K-12 maintenance level reductions. For the 2022 supplemental operating budget, the
Legislature focused on K-12 public school enhancements concerning, among others: (1) pupil transportation and enrollment stabilization; (2) staffing (e.g., nurses, social workers, psychologists and counselors); (3) learning recovery due to the impacts of the COVID-19 pandemic; and (4) federal food assistance.

**McCleary et al. v State Ruling.** In 2007, a lawsuit was filed challenging the State’s funding of local school districts under Article IX of the Washington State Constitution, which provides that it is the “paramount duty” of the State to make “ample provision” for the education of all children residing within the State. In 2010, the King County Superior Court ruled that the State was failing to fulfill this constitutional duty and ordered the State to address the issue. On appeal, the Washington State Supreme Court (the “Supreme Court”) upheld that ruling of the lower court. The Supreme Court deferred to the Legislature’s chosen means to discharge the State’s duty under Article IX, but retained jurisdiction to ensure the State’s full implementation of its new statutory program of basic education by September 1, 2018. In addition to prior measures, the Legislature enacted various school funding measures in 2017, 2018, and 2019 (including the 2017-19 Operating Budget, EHB 2242, E2SSB 6362, the 2018 Supplemental Budget and ESSB 5313). On June 7, 2018, the Supreme Court entered an order declaring that the State had fully implemented its statutory program of basic education and terminated its jurisdiction over the case.

**Wahkiakum School District No. 200 v State.** On December 28, 2021, the Wahkiakum School District filed a lawsuit in Wahkiakum County Superior Court alleging the State’s failure to amply fund needed capital facilities and infrastructure violates the State’s “paramount duty” under Article IX of the Washington State Constitution to make “ample provision” for the education of all children residing within the State. The District cannot predict what effect (if any) this case or subsequent events may have on the District’s finances.

**Local Funding**

Local property taxes, the most significant local revenue source, provide money that enhances the State-funded Basic Education Allocation. Pursuant to Article VII, Section 2 of the State Constitution and RCW 84.52.053 and 84.52.056, school districts may, upon voter approval, impose excess property tax levies for various purposes, including educational programs and operations (historically known as “M&O Levies,” now as “Enrichment Levies” pursuant to EHB 2242, as described below, referred to herein as educational programs and operations levies (“EP&O Levies”)), capital projects (“Capital Projects Levies”), repayment of bonds issued to finance capital projects (“Bond Levies”), and acquisition of transportation vehicles (“Transportation Vehicle Levies”). The voter approval requirement for EP&O, Capital Projects, and Transportation Vehicle Levies is a simple majority. Any election to authorize Bond Levies must have a voter turnout of at least 40 percent of those in the district who voted in the last State general election, and, of those voting, 60 percent must vote in the affirmative. Bond Levies are dedicated exclusively to the repayment of the bonds for which the taxes were approved and those tax proceeds cannot be diverted to other purposes. Therefore, a change in EP&O, Capital Projects, and Transportation Vehicle Levies will not affect the District’s levy of excess property taxes for the repayment of the Bonds. Beginning with the 2019-20 school year, the State Auditor must include a review of the expenditures of school district local revenues as a part of their regular financial audit of the district. The audits must ensure that the EP&O Levies are spent for permitted enrichment activities.
**EP&O Levies.** The State Constitution allows school districts to submit to voters EP&O Levies for up to four years. In 1977, when the State assumed additional responsibility for funding schools, the Legislature limited school district EP&O Levy authority by passing the levy lid law. This law establishes the maximum amount of a school district’s EP&O Levy for a calendar year. In 1979, the levy lid law took effect, limiting excess General Fund revenue to 10 percent of the school district’s basic education allocation for the school year. The law allowed districts that historically relied on EP&O Levies to be grandfathered in and exceed the 10 percent limit. In 1987, the levy lid limit was increased to 20 percent. In 1994, the levy lid limit increased to 24 percent. RCW 84.52.0531 outlines the process for calculating a district’s levy limit.

In 2017, EHB 2242 reduced districts’ maximum EP&O Levies, changed LEA allocations, and placed additional restrictions on EP&O Levy expenditures. On April 28th, 2019, the Legislature passed Engrossed Substitute Senate Bill 5313 ("ESSB 5313"), which further amends the laws governing levy collection. ESSB 5313 increases local EP&O Levy capacity to the lesser of $2,500 per pupil (adjusted for inflation beginning in 2020) or $2.50 per $1,000 of assessed value for districts with fewer than 40,000 FTE students; and the lesser of $3,000 per pupil (adjusted for inflation beginning in 2020) or $2.50 per $1,000 of assessed value for districts with 40,000 FTE students or more, beginning in calendar year 2020. Beginning in calendar year 2019, school districts eligible for LEA funding are those districts that do not generate an EP&O Levy of at least $1,550 per student when levying at a rate of $1.50 per $1,000 of assessed value. These districts will be eligible for LEA assistance equalized up to 10 percent of the state and federal levy base. For taxes levied for collection in 2020 or later, a district must receive pre-ballot approval of an enrichment expenditure plan from OSPI before submitting an EP&O Levy to the voters. Beginning September 1, 2018, districts are not allowed to use EP&O Levies, LEA funding, or other local revenues to fund costs of basic education and must establish a local revenue subfund to account for certain local revenues. The District cannot predict what future legislative actions will be taken with respect to EP&O Levies, LEA funding, or certain other local revenues or what effect such actions, if any, will have on District finances.

In February 2020, the qualified electors of the District approved a four-year EP&O Levy to be collected in the amount of $37,652,132 for collection in 2021, $41,187,668 for collection in 2022, $45,055,190 for collection in 2023, and $49,285,872 for collection in 2024 (based on $2.50 per $1,000 of assessed value). The District does not expect to seek an additional increase of its authorized levy amounts during the term of collection of its current levy pursuant to the 2010 Supplemental Levy Act.

By law, taxes levied to pay principal of and interest on unlimited tax general obligation bonds, such as the Bonds, are not available for any other use. Thus, a decline in the District’s EP&O Levy would not impair the security of the Bonds.

**Capital Projects and Transportation Vehicle Levies.** Capital Projects Levies (maximum term of six-years) and Transportation Vehicle Levies may also be authorized by a school district’s voters (RCW 84.52.053). These types of levies also require a simple majority vote of approval by the District’s voters. The levy lid lift described previously does not apply to Capital Projects Levies or Transportation Vehicle Levies. Voters of the District approved a six-year technology capital projects levy on February 11, 2020, in the total amount of $35,000,000, to be collected in the amount of $5,833,333 each year in 2021 through 2026, inclusive, to provide technology improvements and equipment. The District does not currently collect a Transportation Levy. (See “PROPERTY TAX LIMITATION AND PROCEDURES—Regular Property Tax Limitations.”)
PROPERTY TAX LIMITATION AND PROCEDURES

Regular Property Tax Limitations

Generally, Washington municipalities (or taxing districts) have the authority to impose both regular property tax levies and excess property tax levies. Regular property tax levies are imposed without a vote of the people and may be used for the payment of the principal of and interest on non-voted general obligations, for costs of maintenance and operation, or for any other lawful purpose. Washington school districts, however, do not have the authority to impose regular property tax levies. School districts may only impose excess property tax levies upon voter approval. These excess property tax levies may be used to pay principal of and interest on voter-approved debt and/or pay the costs of maintenance and operation, capital improvements and the acquisition of transportation vehicles. The Bonds are voter-approved bonds, and therefore, the principal of and interest on the Bonds are payable from excess property tax levies. Consequently, the following limitations are inapplicable to the excess property tax levies pledged to repay the Bonds.

Regular property tax levies are subject to rate limitations and amount limitations, as described below, and to the uniformity requirement of Article VII, Section 1 of the Washington Constitution, which specifies that a taxing district must levy the same rate on similarly classified property throughout the district. Aggregate property taxes vary within King County and Pierce County because of their different overlapping taxing districts. In the event that the maximum permissible levy varies within a district, the lowest permissible rate for any part of such district would be applied to the entire district.

Regular Property Tax Increase Limitation. Chapter 84.55 RCW limits the total dollar amount of regular property taxes levied by an individual taxing district to the amount of such taxes levied in the highest of the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction at the previous year’s rate. The limit factor is defined as the lesser of inflation or 101 percent of the highest levy in the three previous years (excluding new construction, improvements, and State-assessed property). Chapter 84.55 RCW permits a taxing district to exceed the amount limitations upon receiving simple majority voter approval of a proposition describing the proposed increase. Such voter approval does not permit the taxing district to exceed the limitations described below.

The One Percent Aggregate Regular Levy Limitation. Article VII, Section 2 of the Washington Constitution limits aggregate regular property tax levies by the State and all taxing districts, except port districts and public utility districts, to one percent (1.00%) of the true and fair value of property. RCW 84.52.050 provides the same limitation by statute.

$5.90/$1,000 Aggregate Non-Voted Levy Limitation. RCW 84.52.043(2) imposes an aggregate limitation on non-voted tax levies by all taxing districts, except the State, ports and public utility districts, of $5.90/$1,000 of assessed value. RCW 84.52.010 provides, in general, that if aggregate levies certified by all taxing districts exceed the aggregate levy limitation or the one percent aggregate regular levy limitation described above, levies certified by junior taxing districts are reduced or eliminated according to priority established by statute.

Whenever any individual levy code reaches the $5.90/$1,000 limit or the one percent aggregate regular levy limitation, and a junior taxing district is forced to reduce its levy, it must be reduced uniformly throughout that junior taxing district, because of the uniformity of taxation requirement.
Property Tax Levy Procedures

Valuations and Assessments of Property for Taxation Purposes. Each county’s Assessor (the “Assessor”) determines the value of all real and personal property throughout each county that is subject to ad valorem taxation, except certain utility properties which are valued by the State Department of Revenue. The Assessor is an elected official whose duties and methods of determining value are prescribed and controlled by statute and by detailed regulations promulgated by the State Department of Revenue. For tax purposes, the goal for assessed value of property is 100% of its true and fair market value as of January 1 of each year.

In accordance with State law, each county conducts an annual revaluation of all real and personal property based on market sales. In addition, at least one-sixth of the real property parcels, in each county, are visited for an on-site inspection on an annual basis. The property characteristics and assessed values are listed by the Assessor on the property tax roll, which is maintained in each respective Assessors’ office. The Assessors’ determinations of value are subject to revision by each county’s Board of Equalization and/or by the State Board of Tax Appeals. After all administrative procedures are completed, the values are certified and passed on to the King County Department of Executive Services, Finance and Business Operations Division and the Pierce County Department of Budget and Finance (each, the “County Treasurer”) and to each county’s Board of Equalization.

Property Tax Collection Procedures. Property taxes are levied in specific amounts, and the rate for all taxes levied for all taxing districts in each county are determined, calculated, and fixed by the Assessor based upon the assessed valuation of the property within the various taxing districts. The Assessor extends the taxes to be levied within each taxing district upon a property tax roll, which contains the total amount of taxes to be so levied and collected. The property tax roll is delivered to the Treasurer by January 15, who bills and collects the taxes as certified. All such taxes are due and payable on the 30th of April of each year; but if the amount due from a taxpayer exceeds fifty dollars, one-half may be paid then and the balance no later than October 31 of that year. Delinquent taxes are subject to interest at the rate of 12 percent per year computed on a monthly basis from the date of delinquency until paid. In addition, a penalty of three percent will be assessed on June 1st of the year in which the tax was due; and eight percent on December 1st of the year the tax was due. State law (RCW 84.56.020) provides that during a state of emergency declared by the Governor, a County Treasurer, on his or her own motion or at the request of any taxpayer affected by the emergency, may grant such extensions of the property tax payment due date as the County Treasurer deems proper.

The method of giving notice of payment of taxes due, the Treasurer’s accounting for the money collected, the distribution of the taxes among the various taxing districts, notices of delinquency, and collection procedures are all covered by detailed statutes. The lien for property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, the Treasurer may commence foreclosure of a tax lien on real property after three years have passed since the first delinquency.

Tax Liens and Foreclosure. By law, a county treasurer may commence foreclosure of a tax lien on real property after three years have passed since the first delinquency. Property taxes and all charges and expenses relating to taxes constitute a statutory lien on the property taxed. The lien attaches to the property from and including January 1 in the year in which the tax is levied, and is discharged only when taxes are paid.
The lien for ad valorem property taxes on personal property, which have been levied prior to the filing of federal tax liens, is prior to such federal tax liens. In addition, a federal civil judgment lien (but not a federal tax lien) is senior to real property taxes that are incurred after the judgment lien has been recorded. In other respects and subject to the “Homestead Exemption,” the lien for delinquent property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. The State’s courts have not decided whether the Homestead Law (Chapter 6.13 RCW) may give the occupying homeowner a right to retain the first $125,000 of proceeds of the forced sale of the family residence or other “homestead” property for delinquent general property taxes. (See Algona vs. Sharp, 30 Wn. App. 837, 638 P.2d 627 (1982), holding the homestead right superior to the improvement district assessment). The United States Bankruptcy Court for the Western District of Washington has held that the Homestead Exemption applies to the lien for property taxes, while the State Attorney General has taken the position that it does not.

DISTRICT DEBT AND FINANCIAL INFORMATION

Debt Summary

The following table presents a summary of certain District debt factors, including the Bonds.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020 Population Estimate (most recent data available)</td>
<td>96,906</td>
</tr>
<tr>
<td>2022 Bond Assessed Value(1)</td>
<td>$16,284,630,861</td>
</tr>
<tr>
<td>Direct Debt Outstanding (Including the Bonds)(2)</td>
<td>470,820,000</td>
</tr>
<tr>
<td>Estimated Overlapping Debt Outstanding(3)</td>
<td>$62,342,599</td>
</tr>
<tr>
<td>Direct and Estimated Overlapping Debt Outstanding(2),(3)</td>
<td>$533,162,599</td>
</tr>
<tr>
<td>Remaining Non-Voted General Obligation Debt Capacity(2)</td>
<td>$60,554,793</td>
</tr>
<tr>
<td>Remaining Total General Obligation Debt Capacity(2)</td>
<td>$343,411,543</td>
</tr>
</tbody>
</table>

(1) Assessed valuation within the District is based upon 100% of estimated actual valuation, excluding senior citizens’ exemptions plus timber assessed value, if any. The District’s 2022 Bond Assessed Value is comprised of $14,972,264,800 (91.94%) of property in King County and $1,312,366,061 (8.06%) of property in Pierce County.

(2) Includes the Bonds and outstanding unlimited tax general obligation bonds. (See “DISTRICT FINANCIAL INFORMATION - Direct Debt and Estimated Overlapping General Obligation Debt” and “- Schedule of Unlimited Tax General Obligation Bond Debt Service” herein.)

(3) Estimated overlapping debt outstanding is as of June 30, 2022.

Source: Washington State Office of Financial Management for population estimate and King County Department of Assessments, Pierce County Assessor-Treasurer’s Office, and King County Finance and Business Operations Division.

Future Financing

The District anticipates that it may from time to time issue additional general obligation bonds to finance capital improvements. The District currently has no plans to seek authorization from the District’s voters for additional capital projects within the next two years.

Debt Repayment Record

The District has never defaulted on a payment of principal or interest on any of its bonds or obligations. Furthermore, the District has never issued refunding bonds for the purpose of avoiding an impending default.
General Obligation Debt Ratios \(^{(1)}\)

| Bond Assessed Value Per Capita | $168,046 |
| Direct Debt Per Capita | $4,859 |
| Direct and Estimated Overlapping Debt Per Capita | $5,502 |
| Direct Debt to Bond Assessed Value | 2.89% |
| Direct and Estimated Overlapping Debt to Bond Assessed Value | 3.27% |

\(^{(1)}\) Includes the Bonds and outstanding unlimited tax general obligation bonds. (See “DISTRICT FINANCIAL INFORMATION - Direct Debt and Estimated Overlapping General Obligation Debt” and “- Schedule of Unlimited Tax General Obligation Bond Debt Service” herein.)

Source: King County Department of Assessments, Pierce County Assessor-Treasurer’s Office, and King County Finance and Business Operations Division.

Direct Debt and Estimated Overlapping General Obligation Debt

The following information sets forth the general obligation indebtedness of the District (excluding the Refunded Bonds, and including the Bonds), and of taxing entities with boundaries that overlap with the District.

**Direct General Obligation Debt (excludes the Refunded Bonds):**

<table>
<thead>
<tr>
<th>Voted General Obligation Debt Outstanding</th>
<th>Maturity</th>
<th>Amount Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 UTGO Refunding Bonds</td>
<td>12/01/22</td>
<td>$8,210,000</td>
</tr>
<tr>
<td>2013 UTGO Bonds (Non-Refunded Maturity) (^{(1)})</td>
<td>12/01/22</td>
<td>2,310,000</td>
</tr>
<tr>
<td>2014 UTGO and Refunding Bonds</td>
<td>12/01/33</td>
<td>27,275,000</td>
</tr>
<tr>
<td>2017 UTGO Bonds</td>
<td>12/01/36</td>
<td>68,305,000</td>
</tr>
<tr>
<td>2018 UTGO Bonds</td>
<td>12/01/37</td>
<td>134,705,000</td>
</tr>
<tr>
<td>2019 UTGO Bonds</td>
<td>12/01/39</td>
<td>73,815,000</td>
</tr>
<tr>
<td>2020 UTGO and Refunding Bonds</td>
<td>12/01/40</td>
<td>107,805,000</td>
</tr>
<tr>
<td>The Bonds (^{(2)})</td>
<td>12/01/32</td>
<td>48,395,000</td>
</tr>
<tr>
<td><strong>Total Voted Debt</strong></td>
<td></td>
<td><strong>$470,820,000</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-Voted General Obligation Debt Outstanding</th>
<th>Maturity</th>
<th>Amount Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>--</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total Non-Voted Debt</strong></td>
<td></td>
<td><strong>$0</strong></td>
</tr>
<tr>
<td><strong>Total Outstanding Long-Term Direct Debt of the District</strong></td>
<td></td>
<td><strong>$470,820,000</strong></td>
</tr>
</tbody>
</table>

\(^{(1)}\) The maturity and amount outstanding reflect the current refunding of the 2013 UTGO Bonds. Accordingly, the December 1, 2022 principal payment is the only amount shown to be outstanding.

\(^{(2)}\) See “PURPOSE AND USE OF PROCEEDS,” “DISTRICT FINANCIAL INFORMATION - Schedule of Unlimited Tax General Obligation Bond Debt Service” herein.
### Estimated Overlapping General Obligation Debt as of June 30, 2022 (except as noted):

<table>
<thead>
<tr>
<th>Taxing Entity</th>
<th>GO Debt Outstanding</th>
<th>Percent Overlapping</th>
<th>Amount Overlapping</th>
</tr>
</thead>
<tbody>
<tr>
<td>King County</td>
<td>$910,028,875</td>
<td>2.10%</td>
<td>$19,081,918</td>
</tr>
<tr>
<td>Pierce County</td>
<td>118,905,000</td>
<td>0.82</td>
<td>980,582</td>
</tr>
<tr>
<td>Port of Seattle</td>
<td>362,650,000</td>
<td>2.10</td>
<td>7,604,217</td>
</tr>
<tr>
<td>Port of Tacoma</td>
<td>135,562,000</td>
<td>0.82</td>
<td>1,117,948</td>
</tr>
<tr>
<td>City of Algona</td>
<td>1,680,125</td>
<td>100.00</td>
<td>1,680,125</td>
</tr>
<tr>
<td>City of Auburn</td>
<td>21,916,309</td>
<td>94.42</td>
<td>20,695,735</td>
</tr>
<tr>
<td>City of Kent</td>
<td>65,535,740</td>
<td>0.82</td>
<td>540,092</td>
</tr>
<tr>
<td>King Co. Rural Library District</td>
<td>44,335,000(2)</td>
<td>3.42</td>
<td>1,516,385</td>
</tr>
<tr>
<td>King Co. Fire District No. 39</td>
<td>31,630,000(3)</td>
<td>0.02</td>
<td>4,831</td>
</tr>
<tr>
<td>King Co. Fire District No. 44</td>
<td>4,300,000(3)</td>
<td>45.03</td>
<td>1,936,087</td>
</tr>
<tr>
<td>King Co. Fire District No. 62</td>
<td>392,706(3)</td>
<td>0.68</td>
<td>2,658</td>
</tr>
<tr>
<td>Valley Regional Fire Authority</td>
<td>8,115,000</td>
<td>87.50</td>
<td>7,182,021</td>
</tr>
</tbody>
</table>

**Total Estimated Overlapping Debt**: $62,342,599

**Total Direct and Estimated Overlapping General Obligation Debt** (4) $533,162,599

---

(1) King County’s net outstanding general obligation debt is the preliminary amount as of December 30, 2020. The total net general obligation debt excludes available cash in debt service funds, proprietary-type debt, debt financed from component unit, credit enhancement program.

(2) Amount as of December 31, 2021.

(3) Amount as of September 30, 2020.

(4) Estimate.

*Source: King County Department of Assessments, Pierce County Assessor-Treasurer’s Office, King County Finance and Business Operations Division and certain taxing districts.*
Calculation of Debt Capacity

Washington municipalities, including the District, are limited by Constitution and statute as to the amount of bonded, or other, indebtedness they may incur. (See “DEBT LIMITATIONS” herein.) The following chart sets forth the remaining debt capacity for voted and non-voted general obligation debt as of the Date of Delivery, including the Bonds. The Bond Assessed Value for the District for the 2022 tax collection year is $16,284,630,861\(^{(1)}\).

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Non-Voted General Obligation Debt Capacity (3/8 of 1.0% of Bond Assessed Valuation(^{(1)}))</td>
<td>$61,067,366</td>
</tr>
<tr>
<td>Less: Non-Voted G.O. Debt Outstanding</td>
<td>(0)</td>
</tr>
<tr>
<td>Less: Principal Amount of the 2012 UTGOR Bonds in Excess of Principal Refunded (^{(2)})</td>
<td>(512,573)</td>
</tr>
<tr>
<td>Remaining Non-Voted General Obligation Debt Capacity</td>
<td>$60,554,793</td>
</tr>
<tr>
<td>Percent of Non-Voted Debt Capacity Remaining</td>
<td>99.16%</td>
</tr>
<tr>
<td>II. Total General Obligation Debt Capacity (5.0% of Bond Assessed Valuation(^{(1)}))</td>
<td>$814,231,543</td>
</tr>
<tr>
<td>Less: Voted G.O. Bonds Outstanding (Including the Bonds) (^{(3)})</td>
<td>(470,820,000)</td>
</tr>
<tr>
<td>Less: Non-Voted G.O. Debt Outstanding</td>
<td>(0)</td>
</tr>
<tr>
<td>Remaining General Obligation Debt Capacity</td>
<td>$343,411,543</td>
</tr>
<tr>
<td>Percent of Total Debt Capacity Remaining</td>
<td>42.17%</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Assessed valuation within the District is based upon 100% of estimated actual valuation, excluding senior citizens’ exemptions plus timber assessed value, if any. The District’s 2022 Bond Assessed Value is comprised of $14,972,264,800 (91.94%) of property in King County and $1,312,366,061 (8.06%) of property in Pierce County.

\(^{(2)}\) The remaining principal amount of the District’s 2012 UTGO Refunding Bonds issued in excess of the principal amount of the bonds they refunded that must be counted against non-voted debt capacity.

\(^{(3)}\) Includes the Bonds, other outstanding unlimited tax general obligation bonds and non-voted debt. (See “DISTRICT DEBT AND FINANCIAL INFORMATION - Direct Debt and Estimated Overlapping General Obligation Debt” and “- Schedule of Unlimited Tax General Obligation Bond Debt Service” herein.)

Source: King County Department of Assessments, Pierce County Assessor-Treasurer’s Office, and King County Finance and Business Operations Division.

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Schedule of Unlimited Tax General Obligation Bond Debt Service

In addition to the Bonds, the District has outstanding bonds, as shown under “DISTRICT DEBT AND FINANCIAL INFORMATION – Direct Debt and Estimated Overlapping General Obligation Debt,” which will be collectively referenced, with the exception of the Bonds, as the “Outstanding UTGO Bonds.” Set forth in the following table is the aggregate debt service schedule for the District’s Outstanding UTGO Bonds and a debt service schedule for the Bonds. (See the subheadings “- Direct Debt and Estimated Overlapping General Obligation Debt” and “- Calculation of Debt Capacity” above.) Interest figures may have been rounded.

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Outstanding UTGO Bonds(1)</th>
<th>The Bonds</th>
<th>Total UTGO Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
<td>Interest</td>
<td>Principal</td>
</tr>
<tr>
<td>2022</td>
<td>$15,220,000</td>
<td>$8,729,325</td>
<td>-</td>
</tr>
<tr>
<td>2023</td>
<td>7,250,000</td>
<td>16,884,950</td>
<td>$9,110,000</td>
</tr>
<tr>
<td>2024</td>
<td>9,325,000</td>
<td>16,522,450</td>
<td>9,510,000</td>
</tr>
<tr>
<td>2025</td>
<td>14,840,000</td>
<td>16,056,200</td>
<td>6,065,000</td>
</tr>
<tr>
<td>2026</td>
<td>10,710,000</td>
<td>15,384,200</td>
<td>5,860,000</td>
</tr>
<tr>
<td>2027</td>
<td>12,795,000</td>
<td>14,853,700</td>
<td>5,600,000</td>
</tr>
<tr>
<td>2028</td>
<td>13,900,000</td>
<td>14,223,950</td>
<td>4,910,000</td>
</tr>
<tr>
<td>2029</td>
<td>18,505,000</td>
<td>13,538,950</td>
<td>2,260,000</td>
</tr>
<tr>
<td>2030</td>
<td>20,825,000</td>
<td>12,631,400</td>
<td>2,005,000</td>
</tr>
<tr>
<td>2031</td>
<td>23,185,000</td>
<td>11,748,150</td>
<td>1,710,000</td>
</tr>
<tr>
<td>2032</td>
<td>25,760,000</td>
<td>10,718,400</td>
<td>1,365,000</td>
</tr>
<tr>
<td>2033</td>
<td>29,795,000</td>
<td>9,586,300</td>
<td>-</td>
</tr>
<tr>
<td>2034</td>
<td>32,265,000</td>
<td>8,295,850</td>
<td>-</td>
</tr>
<tr>
<td>2035</td>
<td>34,770,000</td>
<td>7,005,250</td>
<td>-</td>
</tr>
<tr>
<td>2036</td>
<td>37,540,000</td>
<td>5,490,200</td>
<td>-</td>
</tr>
<tr>
<td>2037</td>
<td>33,380,000</td>
<td>3,968,500</td>
<td>-</td>
</tr>
<tr>
<td>2038</td>
<td>35,820,000</td>
<td>2,651,650</td>
<td>-</td>
</tr>
<tr>
<td>2039</td>
<td>31,485,000</td>
<td>1,533,950</td>
<td>-</td>
</tr>
<tr>
<td>2040</td>
<td>15,055,000</td>
<td>451,650</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$422,425,000</td>
<td>$190,275,025</td>
<td>$48,395,000</td>
</tr>
</tbody>
</table>

(1) Excludes the Refunded Bonds.

*Source: The District.*

(The remainder of this page intentionally left blank.)
Trends in Assessed Valuation

Set forth in the following table are the historical and current assessed valuation of taxable property located within the District. Based on the 2022 Bond Assessed Value, $14,972,264,800 (91.94%) of the District’s property was in King County and $1,312,366,061 (8.06%) of property was in Pierce County. Assessed valuation within the District is based upon 100% of estimated actual valuation, excluding senior citizens tax base, and including timber assessed value (“TAV”), which together totals $16,284,630,861 for tax collection year 2022.

<table>
<thead>
<tr>
<th>Tax Collection Year</th>
<th>District Bond Assessed Value</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>$16,284,630,861</td>
<td>8.96%</td>
</tr>
<tr>
<td>2021</td>
<td>14,945,688,619</td>
<td>7.40</td>
</tr>
<tr>
<td>2020</td>
<td>13,916,338,340</td>
<td>7.00</td>
</tr>
<tr>
<td>2019</td>
<td>13,005,654,007</td>
<td>8.18</td>
</tr>
<tr>
<td>2018</td>
<td>12,022,681,637</td>
<td>10.62</td>
</tr>
</tbody>
</table>

Source: King County Department of Assessments and Pierce County Assessor-Treasurer’s Office.
**Tax Levies**

The following table shows the representative consolidated *ad valorem* tax levy rates in dollars per $1,000 of assessed valuation for property located in the District in King County levy code area 138 for tax collection year 2022 located in the City of Auburn. The overlapping taxing districts within the District have the statutory power to levy regular property taxes at the following rates, subject to limitation and levy excess voter approved property taxes. The levy rates shown below do not apply to all property within the District; therefore, additional taxing districts levy taxes within the District, but are not shown below. Consolidated levy rates vary throughout the District. (See “PROPERTY TAX LIMITATION AND PROCEDURES” herein.)

<table>
<thead>
<tr>
<th>Taxing Entity</th>
<th>Levy Rate per $1,000 of Assessed Value</th>
<th>Statutory Maximum Regular Levy Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>State of Washington School Levy&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>$2.8170</td>
<td>$3.6000</td>
</tr>
<tr>
<td>King County&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>1.2283</td>
<td>1.8000</td>
</tr>
<tr>
<td>City of Auburn&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td>1.6624</td>
<td>3.6000</td>
</tr>
<tr>
<td>Port of Seattle&lt;sup&gt;(4)&lt;/sup&gt;</td>
<td>0.1126</td>
<td>0.4500</td>
</tr>
<tr>
<td>Regional Library District</td>
<td>0.3276</td>
<td>0.5000</td>
</tr>
<tr>
<td>The District&lt;sup&gt;(5)&lt;/sup&gt;</td>
<td>4.9850</td>
<td>---</td>
</tr>
<tr>
<td>Fire District No. 61</td>
<td>1.0332</td>
<td>1.5000</td>
</tr>
<tr>
<td>King County EMS&lt;sup&gt;(6)&lt;/sup&gt;</td>
<td>0.2484</td>
<td>0.4500</td>
</tr>
<tr>
<td>Valley General Hospital</td>
<td>0.3543</td>
<td>0.7500</td>
</tr>
<tr>
<td>King County Flood Zone</td>
<td>0.0815</td>
<td>---</td>
</tr>
<tr>
<td>Sound Transit (South)</td>
<td>0.1841</td>
<td>0.5000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$13.0344</strong></td>
<td></td>
</tr>
</tbody>
</table>

<sup>(1)</sup> The levy by the State may not exceed $3.60 per $1,000 assessed value adjusted to the State equalized value in accordance with the indicated ratio fixed by the State Department of Revenue to be used exclusively for the support of the common schools to equalize the assessment base as between counties with different appraisal schedules.

<sup>(2)</sup> A county may increase its levy from $1.80/$1,000 to a rate not to exceed $2.475/$1,000 for general county purposes if (a) the total levies for both the county and any road district within the county do not exceed $4.05/$1,000 and (b) no other taxing district has its levy reduced as a result of the increase county levy. County levy includes Transportation levy. Ferry or Marine District is separate district.

<sup>(3)</sup> The regular levy is limited to $3.375/1,000, plus an additional $0.225/$1,000 for any city with firefighter pension obligations, or for any city that is annexed into a library district or fire district.

<sup>(4)</sup> Port districts are authorized to impose independent $0.45/$1,000 levies under RCW 53.36.020, 53.36.070, 53.36.100, and 53.47.040, after complying with various voter approval, notice, public hearing or other requirements that differ depending on the statute. Port district levies are outside of the aggregate rate limitations.

<sup>(5)</sup> School districts are not authorized to impose non-voted regular property tax levies. School district levies are voted excess levies and, as such, are not subject to the rate and amount limitations applicable to regular property tax levies.

<sup>(6)</sup> EMS levies must be approved by a supermajority of the voters every six or ten years or, if permanent, must be subject to referendum.

*Source: King County Department of Assessments.*
The District’s Excess Property Tax Levies

The following table shows the District’s excess levy rates for EP&O, Bond and Capital Projects Levies since 2018.

<table>
<thead>
<tr>
<th>Tax Collection Year</th>
<th>Levy Rates (Dollars per $1,000 of Assessed Value)</th>
<th>EP&amp;O</th>
<th>Bond</th>
<th>Capital</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td></td>
<td>$2.50</td>
<td>$2.13</td>
<td>$0.36</td>
<td>$4.99</td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td>2.50</td>
<td>2.31</td>
<td>0.39</td>
<td>5.20</td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td>2.50</td>
<td>2.41</td>
<td>0.28</td>
<td>5.19</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td>1.50</td>
<td>2.05</td>
<td>0.26</td>
<td>3.81</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td>3.58</td>
<td>2.41</td>
<td>0.30</td>
<td>6.29</td>
</tr>
</tbody>
</table>

Source: King County Department of Assessments and Pierce County Assessor-Treasurer’s Office.

Property Tax Collections

Set forth in the following table are the total excess property tax levies and collections for the District for tax collection years 2018 through 2022(3). Property taxes are due and payable on April 30 of each year succeeding the levy. The entire tax or first half must be paid on or before April 30, and if not paid on a timely basis, the total amount becomes delinquent on May 1. The second half of the tax, if the total tax due for the taxpayer is more than $50.00, is payable on or before October 31, becoming delinquent November 1. (See “PROPERTY TAX LIMITATION AND PROCEDURES — Property Tax Collection Procedures” herein.)

<table>
<thead>
<tr>
<th>Collection Year</th>
<th>Levy Amounts</th>
<th>Collection Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EP&amp;O Levy</td>
<td>Bond Levy</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>$40,688,399</td>
<td>$34,606,708</td>
</tr>
<tr>
<td>2021</td>
<td>37,203,781</td>
<td>34,404,183</td>
</tr>
<tr>
<td>2020</td>
<td>34,866,165</td>
<td>33,700,104</td>
</tr>
<tr>
<td>2019</td>
<td>19,503,838</td>
<td>26,707,835</td>
</tr>
<tr>
<td>2018</td>
<td>42,918,974</td>
<td>28,924,978</td>
</tr>
</tbody>
</table>

(1) Totals may not foot due to rounding.
(2) Percentage calculated to include adjustments made to tax levies after certification.
(3) Full year of collections not yet available. Collections presented are through June 30, 2022.

Source: King County Finance and Business Operations Division and Pierce County Finance Department.

(The remainder of this page intentionally left blank.)
Major Taxpayers

The following table provides the ten largest taxpayers within the District on the basis of their 2022 tax collection year assessed valuation.

<table>
<thead>
<tr>
<th>Taxpayer</th>
<th>Business</th>
<th>2022 Assessed Value</th>
<th>% of District’s 2022 Assessed Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The Boeing Company</td>
<td>Aerospace</td>
<td>$387,694,858</td>
<td>2.4%</td>
</tr>
<tr>
<td>2. eProperty Tax Inc.</td>
<td>Software Dev.</td>
<td>198,647,800</td>
<td>1.2</td>
</tr>
<tr>
<td>3. Safeway Inc.</td>
<td>Supermarkets</td>
<td>197,982,386</td>
<td>1.2</td>
</tr>
<tr>
<td>4. PPF Industrial</td>
<td>Industrial Warehouse</td>
<td>180,506,900</td>
<td>1.1</td>
</tr>
<tr>
<td>5. Prologis</td>
<td>Real Estate/Logistics</td>
<td>160,979,800</td>
<td>1.0</td>
</tr>
<tr>
<td>6. Puget Sound Energy</td>
<td>Gas &amp; Electric Utility</td>
<td>114,997,565</td>
<td>0.7</td>
</tr>
<tr>
<td>7. Gilmcher Realty</td>
<td>Retail Mall</td>
<td>113,853,000</td>
<td>0.7</td>
</tr>
<tr>
<td>8. Harsch Investment Realty LLC</td>
<td>Commercial Real Estate</td>
<td>62,020,500</td>
<td>0.4</td>
</tr>
<tr>
<td>9. Cobble Court Apartments LLC</td>
<td>Apartments</td>
<td>60,293,000</td>
<td>0.4</td>
</tr>
<tr>
<td>10. Primus International</td>
<td>Aerospace Mfg.</td>
<td>57,184,520</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$1,534,160,329</strong></td>
<td><strong>9.4%</strong></td>
</tr>
</tbody>
</table>

*Source: King County Department of Assessments and Pierce County Assessor-Treasurer’s Office.*

Accounting Policies

The District’s accounting policies conform to the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor 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. School districts either utilize Generally Accepted Accounting Principles (“GAAP”) or an Other Comprehensive Basis of Accounting (“OCBOA”) that differs from GAAP. Financial statements for school districts in the State fall into one of three categories: (i) Unqualified GAAP-districts that issue GAAP financial statements that include the General Fixed Asset Account group; (ii) OCBOA - districts that issue GAAP financial statements except that the General Fixed Asset Group, district-wide financial statements and the original budget are not presented; debt is reported in the notes to financial statements; and management discussion and analysis are not reported; and (iii) OCBOA-districts with less than 1,000 FTE students for the preceding fiscal year may issue cash basis financial statements.

The District prepared its financial report through and including 2018-19 utilizing GAAP. The 2019-20 financial report and subsequent years are prepared utilizing OCBOA, which differs from GAAP, as the District elects to not present district-wide financial statements or management’s discussion and analysis, and long-term debt will be reported on a required supplementary schedule. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenues are recognized when they become 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, during a fiscal year, the District considers revenues to be available
if they are collected within 60 days after year-end. Property taxes receivable are measurable but are considered to be available only if they are collected within 30 days after year-end. Categorical program claims and interdistrict billings are measurable and available and are, therefore, accrued.

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.

Fund Accounting

The accounts of the District are organized on the basis of funds and account groups, each of which is a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The various funds are grouped into governmental funds as follows:

(i) General Fund. This fund is used to account for all expendable financial resources, except those required to be accounted for in another fund.

(ii) Debt Service Fund. This fund is used to account for revenue sources that are legally restricted for the payment of general long-term debt principal, interest and related expenditures.

(iii) Capital Projects Fund. This fund is used to account for resources set aside for the acquisition and construction of capital assets. It includes net rental income and net proceeds from the sale of real property and State grants for construction of school facilities. Non-refunding bond proceeds to finance the acquisition and construction of capital assets are deposited into this fund and disbursed during construction periods.

(iv) Transportation Vehicle Fund. This fund is used to account for expenditures related to student transportation expenses.

(v) Special Revenue Funds. These funds account for the proceeds of specific revenue sources that are legally restricted for specific purposes. The Associated Student Body program Fund (ASB Fund) is the only fund of this type, though the District may create additional funds as may be required by GASB 84. This fund is accounted for as a special revenue fund since the financial resources legally belong to the District.

Financial Reporting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The regulatory agencies require all funds be presented as major funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate.

Auditing

The State Auditor is required to examine the financial affairs of school districts. School districts are audited annually, biennially or triennially depending on its size and whether or not it receives certain federal funding. Additionally, annual audits may be conducted at the request of a school district or the
State. The District is audited annually. The examination must include, among other things, the financial conditions and resources of the school district, compliance with the State constitution and laws, and the methods and accuracy of the accounts and reports of the school district. Reports of the audit examinations are required to be filed in the office of the State Auditor and in the auditing department of the school district. The audited financial statements of the District for the fiscal year ended August 31, 2021, are incorporated by reference and are attached as Appendix D. Beginning with the 2019-2020 school year, regular financial audits must include a review of the expenditure of school district local revenues for compliance with expenditure restrictions on local revenues under EHB 2242. Any findings are reported to OSPI, the Office of Financial Management, and the education and operating budget committees of the Legislature. Each school district board of directors must adopt a policy for responding to audit findings, which policy must require a public hearing on any findings.

The Budgetary Process

**General Budgetary Policies.** Chapter 28A.505 RCW and Chapter 392-123 Washington Administrative Code mandate school district budget policies and procedures. The budget is adopted by the board of directors after a public hearing. An appropriation is a prerequisite to expenditure. Appropriations lapse at the end of the fiscal period. School districts develop four-year budget plans that include an enrollment projection and an estimate of funding necessary to maintain the continuing costs of program and service levels and any existing supplemental contracts. School district budgets must set forth State-funded basic education salary amounts and locally funded salary amounts, in addition to total salary amounts.

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

**Encumbrances.** Encumbrance accounting is employed in governmental funds. Purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances are closed at the end of the fiscal year and reopened the following year.

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Historical and Budgeted General Fund and Debt Service Fund Operating Results

The following summaries of financial information were extracted from the District’s annual audited financial statements for the fiscal years ending August 31, 2017 through 2021, and the 2021-22 Budget. Additional information which may interpret, clarify or modify the data presented below may be contained in the complete financial audits, including the accompanying footnotes, which may be obtained by contacting the District.

### Statement of Revenues, Expenditures and Changes in General Fund Balance.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Funds</td>
<td>$44,193,152</td>
<td>$46,584,681</td>
<td>$36,879,752</td>
<td>$31,165,039</td>
<td>$37,952,451</td>
<td>$43,427,265</td>
</tr>
<tr>
<td>State Funds</td>
<td>139,023,834</td>
<td>157,611,735</td>
<td>205,310,314</td>
<td>217,398,266</td>
<td>213,439,185</td>
<td>218,782,335</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>15,802,649</td>
<td>15,200,585</td>
<td>15,064,111</td>
<td>16,434,950</td>
<td>33,577,167</td>
<td>29,116,238</td>
</tr>
<tr>
<td>Other</td>
<td>848,264</td>
<td>1,040,381</td>
<td>1,664,122</td>
<td>845,056</td>
<td>1,065,560</td>
<td>1,419,122</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$199,867,900</td>
<td>$220,437,382</td>
<td>$258,918,298</td>
<td>$265,843,311</td>
<td>$286,034,364</td>
<td>$292,744,960</td>
</tr>
</tbody>
</table>

| Expenditures:                 |                |                |                |                |                |                |
| Regular Instruction           | $113,800,902   | $123,474,719   | $137,108,206   | $142,476,730   | $141,213,943   | $171,842,238   |
| Federal Stimulus              |                |                |                |                | 9,951,433      | 7,731,235      |
| Special Education Instruction | 24,684,257     | 27,385,339     | 29,994,918     | 34,451,424     | 35,480,754     | 37,076,927     |
| Vocational Education          | 6,866,517      | 7,184,605      | 7,928,434      | 7,839,047      | 9,427,499      | 8,923,684      |
| Compensatory Education        | 15,161,857     | 16,665,093     | 20,608,434     | 20,540,129     | 26,126,924     | 24,518,235     |
| Other Instructional Programs  | 881,152        | 1,212,921      | 1,978,922      | 2,234,473      | 4,970,075      | 6,195,475      |
| Community Services            | 971,631        | 1,167,512      | 1,171,710      | 5,558,868      | 2,337,358      | 2,986,532      |
| Support Services              | 21,495,127     | 23,462,431     | 26,851,151     | 47,632,120     | 45,424,078     | 48,933,340     |
| Capital Outlay                | 648,612        | 627,726        | 743,371        | 2,615,796      | 1,002,883      | -              |
| Child Nutrition Services      | 6,206,085      | 6,646,862      | 7,098,480      |                |                |                |
| Pupil Transportation Services | 7,185,911      | 7,801,675      | 8,244,242      |                |                |                |
| Total Expenditures            | $197,902,049   | $215,628,884   | $241,727,868   | $263,348,588   | $275,934,947   | $308,207,666   |

| Revenues Over/(Under) Expend: | $1,965,851     | $4,808,498     | $17,190,430    | $2,494,723     | $10,099,416    | $15,462,707    |
| Other Sources (Uses)          |                | 56,775         | 66,592         | 133,173        | 123,917        |                |
| Beginning Fund Balance        | 14,370,497     | 16,338,938     | 21,204,210     | 38,030,792     | 40,658,688     | 40,500,000     |
| Restricted/Nonspendable       | 4,369,918      | 5,046,177      | 7,982,214      | 6,401,545      | 5,542,070      | 1,850,000      |
| Committed/Assigned            | 2,285,950      | 8,208,996      | 8,159,582      | 5,096,663      | 3,896,663      | 2,487,033      |
| Unreserved/Unassigned         | 9,683,068      | 7,949,038      | 22,503,436     | 29,160,480     | 41,443,289     | 20,700,261     |
| Prior Year Corrections/Adjustments | -             | -              | -              | -              | -              | -              |
| Ending Fund Balance           | $16,338,938    | $21,204,210    | $38,461,232    | $40,658,688    | $50,882,022    | $25,037,293(1) |

(1) The District’s estimated ending fund balance for August 31, 2022, is approximately $45,500,000.

Source: The District’s Audited Financial Statements for years 2016-17 through 2020-21, and State Form F-195 for 2021-22 figures.
**Statement of Revenues, Expenditures and Changes in Debt Service Fund Balance.**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Funds</td>
<td>$22,660,656</td>
<td>$28,657,311</td>
<td>$28,209,733</td>
<td>$30,441,326</td>
<td>$34,103,349</td>
<td>$33,890,107</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$22,660,656</td>
<td>$28,657,311</td>
<td>$28,209,733</td>
<td>$30,441,326</td>
<td>$34,103,349</td>
<td>$33,890,107</td>
</tr>
</tbody>
</table>

| Expenditures:             |                 |                 |                 |                 |                 |                |
|---------------------------|                 |                 |                 |                 |                 |                |
| Principal                 | $10,635,000     | $19,210,000     | $19,370,000     | $12,830,000     | $16,260,000     | $13,365,000    |
| Interest and Other        | 7,473,583       | 9,270,038       | 13,641,833      | 15,894,309      | 18,649,814      | 19,897,030     |
| Total Expenditures        | $18,108,583     | $28,480,038     | $33,011,831     | $28,724,309     | $34,909,814     | $33,367,030    |

Revenues Over/(Under) Expenditures

| Over/(Under) Expenditures| $4,552,073      | $177,273        | $(4,802,098) (1) | $1,717,016      | $(806,466)      | $523,077       |
| Other Sources/(Uses)     | 1,237           | 3,367           | -               | 2,834,354       | 41,749          | -              |
| Balance                  | $7,857,971      | $12,411,281     | $12,591,921     | $7,740,675      | $12,292,045     | $10,889,568    |

Ending Fund Balance

| $12,411,281              | $12,591,921     | $7,789,823      | $12,292,045     | $11,527,328     | $11,412,645     |

(1) The 2018 Bonds were issued on August 22, 2018. The District increased budget capacity to include the first interest payment on these bonds of $5,019,870 due June 1, 2019, utilizing the fund balance to maintain a manageable tax rate for future collection periods. Additionally, King County unintentionally did not collect approximately $1.5 million of the District’s submitted debt levy. Together, these resulted in a decrease in the District’s fund balance of approximately $5,000,000.

Source: The District’s Audited Financial Statements for years 2016-17 through 2020-21, and State Form F-195 for 2021-22 figures.

**Authorized Investments**

As *ex officio* Treasurer for the District, the Treasurer receives deposits and makes investments on the District’s behalf. All temporary investments are stated at cost plus accrued interest, which approximates market. Investments are shown on the combined balance sheet at cost, net of amortized premium or discount. Reductions in market value are not reflected on the financial statements. Gains or losses on investments sold or exchanged are recognized at the time of sale or exchange.

Effective June 9, 2016, Chapter 39.59 RCW limits the investment of public funds by local governments to the following authorized instruments: (i) bonds of the State or any local government in the State, (ii) general obligation bonds of any other state or local government thereof which have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency, (iii) registered warrants of a local government in the same county as the local government making the investment, (iv) obligations of the U.S. government, its agencies and wholly owned corporations, or obligations issued or guaranteed by supranational institutions, provided, that at the time of investment, the United States government must be the largest shareholder of such institution, (v) obligations of the Federal Home Loan Bank, Federal National Mortgage Association (“FNMA” or “Fannie Mae”) and other government-sponsored corporations, (vi) bankers’ acceptances purchased on the secondary market, (vii) commercial paper purchased on the secondary market, subject to state investment board policies, and (viii) corporate notes purchased on the secondary market, subject to state investment board policies.

Investments authorized by law for the State Treasurer include (i) obligations of the U.S. government, its agencies and wholly owned corporations, or obligations issued or guaranteed by supranational institutions, provided, that at the time of investment, the United States government must be the largest shareholder of such institution, (ii) bankers’ acceptances purchased on the secondary market, (iii) commercial paper
purchased on the secondary market, subject to State investment board policies, (iv) obligations of the Federal Home Loan Bank, Fannie Mae and other government-sponsored corporations, (v) state, county, municipal or school district general obligation bonds and notes or warrants of taxing districts in the State, and (vi) general obligation bonds of any other state or local government thereof, which have at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency, and (vii) corporate notes purchased on the secondary market, subject to State investment board policies.

Any municipal corporation, including the District, may authorize the investment of funds not required for immediate expenditure by the Treasurer. Such funds of the District, including debt service funds, have been invested by the Treasurer. The Treasurer may, upon the request of one or more units of local government that invest their money with King County, combine that money for the purposes of investment (RCW 36.29.022). The office of the Treasurer charges 0.035% per annum of assets invested in the King County Investment Pool (the “KCIP”), as its investment service fee. The Treasurer may reimburse its office for any expenses incurred in the establishment and maintenance of such a County investment pool (RCW 36.29.024). In consultation with the District, the Treasurer makes investments on its behalf. The Treasurer may also invest the District’s funds in the Washington State Local Government Investment Pool (the “LGIP”), as further described below.

All of the investments of the District are insured or registered and held by the Treasurer or its agent in the District’s name. As of June 30, 2022, the District’s cash and investments held by the Treasurer had a total value of $12,461,999.38, in the Debt Service Fund. All investments are held in the KCIP.

**King County Investment Pool.** The following information was obtained by the County for use in this Official Statement, and neither the District, the Municipal Advisor, nor the Underwriter make any representation to the accuracy or completeness thereof.

The following information was provided by the County in May 2022.

The KCIP invests cash reserves for all County agencies and approximately 100 special purpose districts and other public entities such as fire, school, sewer and water districts, and other public authorities. It has an average asset balance of nearly $5.0 billion. On average, County agencies comprise 40% of the Investment Pool and outside districts 60% of the Investment Pool.

The Committee (defined herein) establishes the County’s investment policy and oversees the portfolio to ensure that specific holdings comply with both the investment policy and State law. The Investment Pool is allowed to invest only in certain types of highly-rated securities, including certificates of deposit, U.S. Treasury obligations, federal agency obligations, municipal obligations, repurchase agreements, bankers’ acceptances, corporate notes and commercial paper. A summary of the current investment policy is presented below.

The County has commissioned an outside financial consultant, Public Financial Management (“PFM”), to conduct quarterly reviews of all assets in the Investment Pool. In its most recent assessment, as of December 31, 2021, PFM concluded that “the County’s Investment Pool appears to provide ample liquidity, is well diversified, and is of sound credit quality.” The most recent portfolio review can be obtained at the following website, which is not incorporated into this Official Statement by reference:

SUMMARY OF KING COUNTY’S INVESTMENT POLICY

Additional discussion of recent developments pertaining to the King County Investment Pool can be found under “King County Investment Pool” above.

The Treasury Operations Section of the King County Finance and Business Operations Division (the “Finance Division”) administers the County’s investments. Under Section 4.10 of the County Code, the Executive Finance Committee (the “Committee”) oversees the County’s investment practices. The Committee consists of the Chair of the County Council or his or her designee, the County Executive or his or her designee, the Chief Budget Officer, and the County Director of the Finance Division.

The County’s own funds are invested in the County’s Residual Investment Pool (the “Investment Pool”). All investments of County funds are subject to written policies and procedures adopted by the Committee. The Committee reviews the performance of the Investment Pool on a monthly basis.

In addition to investing the County’s own funds, the Treasury Operations Section also invests the funds of approximately 100 special purpose districts within the County for which the Treasury Operations Section serves as treasurer, including all school districts, fire protection districts, water districts, sewer districts, and hospital districts. Each district has the option either to invest in the Investment Pool or to direct the term and amount of each of its investments. To participate in the Investment Pool, a district must sign an inter-local agreement that governs their participation in the Investment Pool, and, to exit the Investment Pool, a district must provide the required notice prior to their anniversary date. The Treasury Operations Section selects the particular investment instruments.

The Investment Pool must maintain an effective duration of less than 1.5 years and 40% of its total value must be held in securities that mature in 12 months or less. As of April 30, 2022, the Investment Pool had a balance of $10.4 billion, an effective duration of 1.01 years and 55.8% of the portfolio had a maturity of 12 months or less.

Under State law and the County’s current investment policy, subject to certain minimum credit and maximum maturity limitations as described therein, the County may invest in the following instruments:

(i) Up to 100% of the portfolio in U.S. Treasury or Governmental Agency securities;
(ii) Up to 25% of the portfolio in certificates of deposit (CDs) with institutions that are public depositaries in the State with a maximum of 5% per issuer across investment types;
(iii) Up to 25% of the portfolio in bankers’ acceptances with a maximum of 5% per issuer across investment types;
(iv) Up to 100% of the portfolio in repurchase agreements, with a maximum of 25% exposure to any on repo counterparty, provided that the underlying security must be a U.S. Treasury or U.S. Agency and all underlying securities are held by a third party;
(v) The combined total of commercial paper and corporate notes can be up to 25% of the portfolio with a maximum of 5% per issuer across investment types;
(vi) Up to 20% in general obligation municipal bonds with a maximum of 5% per issuer;
(vii) Up to 25% in mortgage-backed securities issued by agencies of the U.S. Government that pass the FFIEC (Federal Financial Institutions Examination Council) suitability test which banks use to determine lowest risk securities;

(viii) Up to 25% in the State’s Local Government Investment Pool.

The combined total of repurchase agreements greater than seven days, bankers’ acceptances, CDs, commercial paper, and bank notes must not exceed 50% of Investment Pool assets.

The County currently does not purchase structured notes or inverse floating rate notes, and has no intention of doing so in the near future.

The County’s entire investment policy is located on the County’s website at the following link:

http://www.kingcounty.gov/kcip

Local Government Investment Pool

The LGIP, which was authorized by the Legislature in 1986 and managed by the Office of the State Treasurer and is a voluntary pool that provides its participants the opportunity to take advantage of the economies of scale inherent in pooling. The LGIP also is intended to offer participants safety of principal and the ability to achieve a higher investment yield than otherwise would be available to them. The more than 530 local governments that participate in the LGIP are allowed 100 percent liquidity on a daily basis. As of May 31, 2022, the LGIP had an ending cash balance of approximately $26,082 billion. Although not regulated by the U.S. Securities and Exchange Commission (the “SEC”), the LGIP is invested in a manner generally consistent with the SEC guidelines for Rule 2a-7 money market funds; for example, currently it has a maximum weighted average maturity (“WAM”) of 60 days and a maximum weighted average life of 120 days. The maximum final maturity is 397 days except for floating- and variable-rate securities and securities that are used for repurchase agreements. The WAM of the LGIP generally ranges from 30 to 60 days. Typical investment holdings of the LGIP are repurchase agreements, U.S. Treasury bills and notes, U.S. agency discount notes, coupons, floating- and variable-rate notes, reverse repurchase agreements and bank deposits. The benchmarks utilized for the LGIP are the Government and Agency money market net and gross yields reported by iMoneyNet. The net yield is utilized for external comparisons while the gross yield is used internally to assess portfolio manager performance. For a full description of the LGIP and its interest structure visit the State Treasurer’s website at http://tre.wa.gov/LGIP (which website is not incorporated into this Official Statement by reference).

THE DISTRICT

General Information

The District is located in western Washington, in southern King County and northern Pierce County. The District encompasses the majority of the cities of Auburn (“Auburn”), Algona and Pacific and small portions of the cities of Black Diamond and Kent. Auburn is located approximately 28 miles southeast of the City of Seattle and approximately 15 miles northeast of the City of Tacoma. The District’s area is approximately 62 square miles, with an estimated 96,906 residents, as of September 2020 (most recent data available). (See “APPENDIX A – ECONOMIC AND DEMOGRAPHIC INFORMATION” herein for a description of the area’s economy.)
Form of Local Government and Governing Officials

The District’s executive, legislative, and policy-making body is the Board, which is composed of five members who are elected at large by the voters of the District to serve overlapping four-year terms. Shown below are the names of the individuals who comprise the present Board as well as the dates in which their respective terms of office expire.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Occupation</th>
<th>Number of Years Served</th>
<th>Expiration of Term (November)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arlista Holman</td>
<td>President</td>
<td>Retired</td>
<td>3</td>
<td>2023</td>
</tr>
<tr>
<td>Sheila McLaughlin</td>
<td>Vice President</td>
<td>Realtor</td>
<td>3</td>
<td>2023</td>
</tr>
<tr>
<td>Tracy Arnold</td>
<td>Director</td>
<td>Procurement Analyst</td>
<td>2</td>
<td>2025</td>
</tr>
<tr>
<td>Laura Theimer</td>
<td>Director</td>
<td>Insurance Agent</td>
<td>4</td>
<td>2023</td>
</tr>
<tr>
<td>Valarie Gonzales</td>
<td>Director</td>
<td>Licensed Practical Nurse</td>
<td>&lt;1</td>
<td>2023</td>
</tr>
</tbody>
</table>

Superintendent. The Superintendent of the District is the chief executive and is appointed by the Board and serves at the discretion of the Board. Dr. Alan Spicciati was appointed Superintendent of the District in 2015. Prior to being appointed as Superintendent, he served as a teacher, principal and administrator at Highline Public Schools and in New York prior to Highline. Dr. Spicciati earned a Bachelor’s degree in Music Education and Performance from the University of Rochester, a Master’s degree in Education from the University of Washington and his Superintendent Certification and Doctoral degree in Education from Seattle Pacific University.

Associate Superintendent of Business and Operations. Ms. Cindi Blansfield has served as the District’s Associate Superintendent of Business and Operations since 2015. Ms. Blansfield has been employed by the District for 20 years and previously served the District in various positions including Director and Executive Director of Secondary Student Learning, Coordinator of Career Education and Technology, High School Business Education Department Chair and Business Education Teacher. Prior to employment with the District, Ms. Blansfield served as Program Supervisor for Business and Marketing Pathway at the state Office of Superintendent of Public Instruction (OSPI). Ms. Blansfield earned a Bachelor's degree in Education from Eastern Washington University, a Master’s degree in Vocational Education from Eastern Washington University and Superintendent credential from Seattle University.

Executive Director of Business. Mr. Troy Dammel has served as the District’s Executive Director of Business since 2014. Prior to employment with the District, Mr. Dammel worked as Director of Business for the Warden School District. Mr. Dammel also served as Assistant State Auditor for the Washington State Auditor’s Office. Mr. Dammel holds a Bachelor of Science degree in Business Administration from Central Washington University.

Facilities

The District operates seventeen elementary schools, four middle schools and four high schools.
Enrollment Trends

The District provides education for students in grades kindergarten through twelve. The enrollment figures presented below are for historical and projected October 1 full time student enrollment. Projections exclude counts for the Running Start Program, in which students can simultaneously earn high school and college or university credit while attending certain institutions of higher education.

<table>
<thead>
<tr>
<th>October</th>
<th>Historical Enrollment</th>
<th>October</th>
<th>Projected Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>16,373</td>
<td>2022</td>
<td>17,553</td>
</tr>
<tr>
<td>2020</td>
<td>16,088</td>
<td>2023</td>
<td>17,616</td>
</tr>
<tr>
<td>2019</td>
<td>16,905</td>
<td>2024</td>
<td>17,801</td>
</tr>
<tr>
<td>2018</td>
<td>16,599</td>
<td>2025</td>
<td>17,122</td>
</tr>
<tr>
<td>2017</td>
<td>16,308</td>
<td>2026</td>
<td>17,134</td>
</tr>
</tbody>
</table>


Employment and Labor Relations

The District currently has approximately 2,363 full-time and part-time employees, which includes 1,320 certificated and 1,043 classified employees. The majority of the employees who are eligible under State law to be represented by a labor organization are employed under provision of negotiated contracts with the formally recognized collective bargaining units. The expiration dates of the current negotiated agreements with the unions and the respective employees they represent are shown below:

<table>
<thead>
<tr>
<th>Bargaining Unit</th>
<th>Number of Employees Covered</th>
<th>Expiration Date of Current Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auburn Education Association (Certificated)</td>
<td>1,204</td>
<td>8/31/2024</td>
</tr>
<tr>
<td>Professional and Technical Employees</td>
<td>109</td>
<td>8/31/2023</td>
</tr>
<tr>
<td>Auburn Educational Office Personnel</td>
<td>116</td>
<td>8/31/2024</td>
</tr>
<tr>
<td>Public School Employees of Auburn</td>
<td>682</td>
<td>8/31/2025</td>
</tr>
<tr>
<td>Transportation</td>
<td>122</td>
<td>8/31/2025</td>
</tr>
<tr>
<td>Auburn Association of School Principals</td>
<td>61</td>
<td>6/30/2025</td>
</tr>
<tr>
<td>Total</td>
<td>2,294</td>
<td></td>
</tr>
</tbody>
</table>

Source: The District.

Response to COVID-19

In response to the COVID-19 pandemic, the Governor proclaimed a state of emergency for the entire State on February 29, 2020, leading to closing schools for the balance of the 2019-20 school year and the 2020-21 school year. The District resumed in-person schooling for the 2021-22 school year in accordance with State school and health officials guidance and.

Pandemic-related expenses for the 2019-20, 2020-21 and 2021-22 school years included increased meal costs, as meal distribution continued, maintenance of staff salaries and benefits, lost revenue, and supplies and services. The District has been reimbursed for all claimed COVID-19 related costs through the Coronavirus Aid, Relief, and Economic Security Act grant awards (see table below). Despite increased
costs, revenues were not significantly impacted and savings on expenditures for purchased services, travel, utilities and athletics helped to offset increased expenses.

The District experienced decreased enrollment in fiscal years 2019-2020, 2020-2021 and 2021-2022. Current AAFTE enrollment is approximately 3.2% lower than AAFTE enrollment for fiscal year 2019-2020. A significant portion of the decline can be attributed to grades K-3. Cost savings measures implemented in 2019-20 helped offset revenue losses due to the decreased enrollment. Additionally, the District will use ESSER Funds to offset lost revenue. ESSER funds are in excess of the estimated loss of revenue due to enrollment decreases during school year 2020-21 and expected decreases for school year 2021-22. The District currently projects 2021-22 school year student enrollment to increase from 2020-21 school year levels, but still remain below 2019-20 school year student enrollment. See “THE-DISTRICT—Enrollment.”

The following table shows the ESSER Funds allocated to the District.

<table>
<thead>
<tr>
<th>ESSER Funds</th>
<th>Estimated Amount Allocated</th>
<th>Estimated Amount Claimed to Date by the District</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESSER I</td>
<td>$3,838,559</td>
<td>$3,838,559</td>
</tr>
<tr>
<td>ESSER II</td>
<td>14,837,660</td>
<td>14,837,660</td>
</tr>
<tr>
<td>ESSER III</td>
<td>33,351,270</td>
<td>4,663,122(1)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$52,027,489</strong></td>
<td><strong>$23,339,341</strong></td>
</tr>
</tbody>
</table>

(1) Remainder of unclaimed funds will be obligated during the 2022-23 and 2023-24 fiscal years.

Source: OSPI

The District has not been informed of any expected reductions in State funding (see “District Funding Sources—State Funding” herein). For fiscal year 2022-23, the District continues to monitor expenses for potential savings. Beyond enrollment impacts, the District cannot predict what impacts federal, State, or local actions in response to the COVID-19 pandemic will have on the financial condition or operations of the District.

Beyond enrollment impacts, the District cannot predict if any of the Governor’s proclamations will be revised, or if the Governor, or other federal, State, or local authority will issue additional proclamations that can be expected to adversely impact the financial condition or operations of the District, or the assessed values of property within the District.

The Bonds are payable from voter-approved excess property taxes that are dedicated exclusively to the repayment of the Bonds. The revenue derived from such excess property tax levies may not be used to fund District operations or other District expenditures.

**Risk Management**

The District is a member of the Washington Schools Risk Management Insurance Pool (the “Pool”), a public entity risk pool. Oversight responsibility for the Pool’s operations is vested with the Board of Directors comprised of one representative from each member district. The purpose of the Pool is to provide its members the capability and authority to jointly purchase property/liability insurance, provide a plan of self-insurance coverage and provide related reserves to pay for self-insurance coverage, and provide related services, including a cooperative program of risk management.
The Pool self-insures the first $2,000,000 of loss, and purchases excess insurance for losses up to $60,000,000. Because the Pool is a cooperative program, there is a joint liability among the participating districts for losses incurred.

The Pool charges member districts premiums based on the level of coverage chosen by the district. All costs of the self-insurance program provided by the Pool are funded by annual contributions charged to the member districts participating in the programs each fiscal year. Additional assessments may be imposed in addition to the annual contributions in the event that losses payable exceed funds available in the Pool’s fund. The District made premium payments in the amount of $2,348,291 to the Pool for its 2021-22 coverage.

(See “APPENDIX D - AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED AUGUST 31, 2021”, Note 9, Risk Management for a more detailed description of the District’s risk management plans.)

Pension Plans

Pensions for District employees are provided through the State Department of Retirement Systems (the “DRS”). Substantially all District full-time and qualifying part-time employees participate in one of the following three state-wide retirement systems: (i) the State Teachers’ Retirement System (“TRS”) for certificated employees, (ii) the Public Employees’ Retirement System ("PERS") for non-certificated employees and (iii) the School Employees’ Retirement System (“SERS”) for classified employees.

TRS includes three plans (Plans 1, 2 and 3), PERS includes plan (Plan 1), and SERS includes two plans (Plans 2 and 3). Participants who joined the retirement system by September 30, 1977, are eligible to be either TRS or PERS Plan 1 members. Those who joined after September 30, 1977, have the irrevocable option of choosing membership in TRS Plans 2 or 3, PERS Plans 2 or 3 or SERS Plans 2 or 3. Employees who do not specify a plan choice will transfer automatically to Plan 3.

Retirement benefits are financed from both employee and employer contributions and from investment earnings. Retirement benefits under all Plans 1 and 2 are vested after completion of five years of eligible service. Plan 3 members are vested after ten years of eligible service or after five years of eligible service if one service credit year is earned after the age of 44. All Plans 1 and 2 are defined benefit plans. Each of the SERS Plan 3 and the TRS Plan 3 consist of two separate elements: a defined benefit and a defined contribution portion. Eligible participants enrolled in TRS or SERS Plan 2 may elect to transfer to the respective Plan 3, during the specified transfer window period that occurs in January of each year. Once employees transfer to Plan 3, they may not return to Plan 2 membership.

The District contributed $24,068,845 in fiscal year 2021-21 to these pension plans. The District’s contribution represents its full liability under the system. District employees also are eligible to participate in the federal social security program.

The Legislature establishes all employer and employee contribution rates for all plans during even numbered years according to a statutory rate-setting process. The following table lists current contribution rates for employers and employees:
### Contribution Rates 2021-2023 Biennium

<table>
<thead>
<tr>
<th></th>
<th>Employer Rate(^{(1)})</th>
<th>Employee Rate(^{(2)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERS Plan 1</td>
<td>10.25%</td>
<td>6.00%</td>
</tr>
<tr>
<td>PERS Plan 2/3</td>
<td>10.25</td>
<td>6.36</td>
</tr>
<tr>
<td>TRS Plan 1</td>
<td>14.42</td>
<td>6.00</td>
</tr>
<tr>
<td>TRS Plan 2/3</td>
<td>14.42</td>
<td>8.05</td>
</tr>
<tr>
<td>SERS Plan 2/3</td>
<td>11.65</td>
<td>7.76</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Includes a 0.18 percent DRS administrative expense rate.

\(^{(2)}\) Employee contribution rates for Plans 1 and 2 only. Plan 3 members do not contribute to the defined benefit portion of Plan 3. Employee contribution rates for PERS Plan 1 and TRS Plan 1 are set by statute.

*Source: Department of Retirement Systems.*

While the District’s prior contributions represent its full current liability under the retirement systems, any unfunded pension benefit obligations could be reflected in future years as higher contribution rates. During the years 2001 through 2010, the rates adopted by the Legislature were lower than those that would have been required to produce actuarially required contributions to PERS Plan 1, a closed plan with a large proportion of the retirees. In September 2015, the Office of the State Actuary (“OSA”) adopted the Entry Age Normal (“EAN”) cost method to estimate accrued pension liabilities for the purposes of reporting funded status. The EAN method represents each plan member’s benefits as a constant share of payroll throughout the member’s career. This liability estimate incorporates the statutorily set discount rate and fully reflects the demographic assumptions revised in the June 30, 2013, valuation, which included projected improvements in mortality rates. Based on the information presented in the Washington State 2020 Actuarial Valuation Report, August 2021, using the EAN methodology, and as of June 30, 2020, the funded status of the State-administered plans in which the District participates is as follows: PERS Plan 1 is 69 percent funded, PERS Plan 2/3 is 98 percent funded, TRS Plan 1 is 71 percent funded, TRS Plans 2 and 3 are 93 percent funded, and SERS Plans 2 and 3 are 93 percent funded. The EAN liability estimate as of June 30, 2020, assumed a discount rate of 7.50 percent, consistent with the statutorily set discount rate.

DRS calculated the collective net pension liability for the various retirement plans based on the GASB 68 reporting requirements as well as the District’s share of such liability for the State fiscal year ended June 30, 2021. These net pension liabilities were reported in the DRS ACFR and are based upon OSA’s Washington State 2020 Actuarial Valuation Report, August 2021. Based on that report, the contributions from plan members and employers are assumed to continue to be made at contractually required rates, the assumed discount rate is 7.50%, the assumed economic inflation rate is 2.75%, the assumed salary growth rate is 3.50% (exclusive of promotions and longevity increases), and the assumed rate of growth in membership is 0.95% for all plans except TRS Plans, for which the assumed rate of growth in membership is 1.25%. The DRS ACFR uses a different discount rate of 7.40% for its calculation of the District’s share of pension liabilities. For further information, see the DRS ACFR, which is not incorporated by reference into this Official Statement and which can be obtained from DRS.

Information regarding all of these plans is presented in Washington State’s Department of Retirement Systems’ annual financial report. A copy of the report may be obtained at:

Department of Retirement Systems
P.O. Box 48380
Olympia, WA 98504-8380
Internet Address: www.drs.wa.gov (which is not incorporated herein by reference)
OSA is statutorily required to perform biennial actuarial valuations, although in practice actuarial valuations are performed annually. The final audited actuarial valuation report is typically released in the fall. OSA also is required to recommend contribution rates and to provide actuarial services to the Legislature, the Governor, and to certain boards and state agencies. OSA recommendations are non-binding.

Other Post-Employment Benefits (OPEB)

**PEBB Overview.** The Public Employee Benefits Board (“PEBB”), created within the State Health Care Authority (“HCA”), administers medical, dental and life insurance plans for State public employees and retirees and offers retirees access to other post-employment benefits (“OPEB”) (the “PEBB Plan”). Employers who participate in the PEBB Plan include the State, K-12 school districts, numerous political subdivisions of the State and tribal governments. Employers subsidize a portion of the cost of some PEBB Plan benefits. The relationship between the PEBB 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 which GASB defines as the plan as understood by the employers and employee members.

**SEBB Overview.** EHB 2242 created the School Employees Benefits Board (“SEBB”) within the HCA to design and approve benefit plans for school employees and to establish eligibility criteria for participation in benefit plans (the “SEBB Plan”). As of June 30, 2021, there are 318 K-12 school districts and educational service districts with represented employees participating in the SEBB Plan. The SEBB Plan is a community-rated risk pool separate and distinct from the PEBB Plan. SEBB Plan employers (K-12 school districts, educational service districts, and charter schools) subsidize a portion of the cost of some SEBB Plan benefits. There are approximately 261,000 members enrolled in SEBB Plan medical coverage as of August 2021.

The SEBB meets regularly to study statewide insurance matters and discuss best practices for designing a set of cost-efficient, value-based insurance offerings for SEBB Plan enrollees and their dependents. The SEBB’s statutory duties are to: (i) study matters regarding health care coverage and other types of insurance; (ii) develop plans that include comprehensive, evidence-based health care benefits; (iii) authorize premium contributions to encourage cost-effective health care systems; (iv) determine terms and conditions of eligibility criteria, enrollment policies, and the scope of coverage; (v) establish penalties for when an employer fails to comply with the terms and conditions; and (vi) participate with the HCA in approving plan specifications and carrier selection to leverage efficient purchasing through coordination with the PEBB.

The HCA’s responsibilities with respect to the SEBB Plan include, among others: (i) procuring for and administering insurance coverage under the SEBB Plan; (ii) proposing rules for the SEBB Plan with input from the public and policies approved by the SEBB; (iii) providing information and technical and administrative assistance to the SEBB; and (iv) providing guidance to SEBB organizations for making eligibility determinations. The State, through the Office of Financial Management, bargains with a single coalition of union representatives for the employer’s contribution toward school employees’ health care benefits. The first collective bargaining process occurred July 1 through September 30, 2018 for SEBB Plan benefits commencing January 1, 2020.
**PEBB Membership.** Retirees’ access to PEBB Plan benefits depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the PERS, TRS and SERS retirement systems. (SEBB members will be separate from PEBB members commencing January 1, 2020.) The PEBB plan is available to the retirees of K–12 school districts and ESDs. The District’s retirees (approximately 407) are eligible to participate in the PEBB plan under this arrangement.

**Funding of PEBB Plan.** In the State, retiree benefits and contributions by the State as employer and local governments for their respective employees are set each biennium as part of the budget process. These benefits are funded on a pay-as-you-go basis.

According to State law, the State Treasurer collects a fee from all school district entities which have employees who are not current active members of the HCA but participate in the State retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the HCA. For the fiscal year 2020-21, the District was required to support the HCA program, as part of the employee benefit rate, at the rate of $73.36 per month per full-time equivalent employee, for a total employee benefit payment to HCA-SEBB of $29,248,159. For the fiscal year 2021-22, the District estimates the HCA support portion will be $72.08 per month per full-time equivalent employee, for a total estimated employee benefit payment to HCA-SEBB of $38,080,098. This assessment to the District 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.

The District has no control over the benefits offered to retirees, the rates charge to retirees, nor the fee paid to the HCA. The District does not determine its annual required contribution nor the net OPEB obligation associated with this plan.

**Supplemental Retirement Benefits.** In addition to the pension and retiree healthcare benefits described above, the District offers employees a 403(b) tax-sheltered annuity plan and a 457 deferred compensation plan. The District does not make contributions toward these plans, and the plan assets are not included in the District’s financial statements.

**GASB 75.** The GASB standard concerning Accounting and Financial Reporting by Employers for OPEB is known as “GASB 75.” OPEB includes post-employment healthcare, as well as other forms of post-employment benefits when provided separately from a pension plan. GASB 75 provides for the measurement, recognition and display of OPEB expenses/expenditures, related liabilities (assets), note disclosures, and if applicable, required supplementary information in the financial reports.

**District OPEB Reporting.** The District does not provide any current or retired employees OPEB that are required to be disclosed under the GASB 75. Beginning in fiscal year 2019-20, the District prepares its financial reports utilizing OCBOA (see “DISTRICT FINANCIAL INFORMATION - Accounting Policies” above) and thereafter will follow all applicable guidance handed down from OSPI and the School District Accounting Manual relating to this standard.

**APPROVAL OF BOND COUNSEL**

Legal matters incident to the authorization, issuance and sale of the Bonds by the District are subject to the approving legal opinion of Bond Counsel, a form of which is attached hereto as Appendix E. Bond Counsel has not been retained to review and has not reviewed this Official Statement for completeness or accuracy and will not offer an opinion concerning this Official Statement.
The enforceability of the Bond Resolution is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors’ rights generally, the police powers of the State and the District, the exercise of judicial authority by state or federal courts and the exercise by the United States of the powers delegated to it by the federal constitution. All legal opinions with respect to the enforceability of the Bond Resolution and the Bonds will be expressly subject to a qualification that enforceability thereof may be limited by bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium or other similar laws affecting the rights of creditors generally, and by general principles of equity. The form of the opinion of Bond Counsel with respect to the Bonds is attached as Appendix E. Prospective investors concerned with the impact of any bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium or other similar laws should consult with their own independent counsel before purchasing any Bonds.

**TAX MATTERS**

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on certain individuals.

Under the Inflation Reduction Act signed into law by President Biden on August 16, 2022, certain large corporations are subject to a 15 percent alternative minimum tax measured based on book income reported to stockholders. Accordingly, for taxable years beginning after December 31, 2022, interest on the Bonds is taken into account in determining the “adjusted financial statement income” of certain corporations for purposes of computing the alternative minimum tax imposed on “applicable corporations.”

Federal income tax law contains a number of requirements that apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the Bonds and the facilities financed with proceeds of the Bonds and certain other matters. The District has covenanted to comply with all applicable requirements.

Bond Counsel’s opinion is subject to the condition that the District comply with the above-referenced covenants and, in addition, will rely on representations by the District and its advisors with respect to matters solely within the knowledge of the District and its advisors, respectively, which Bond Counsel has not independently verified. If the District fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds, regardless of the date on which the event causing taxability occurs.

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include tax issues associated with [original issue discount,] original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the
Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations such as the Bonds, are in many cases required to be reported to the Internal Revenue Service (the “IRS”). Additionally, backup withholding may apply to any such payments made to any owner who is not an “exempt recipient” and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law, will not cause the interest on the Bonds to be subject, directly or indirectly, to federal income taxation. From time to time, legislation is proposed that, if enacted, could alter the federal income tax consequences described herein or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of the interest on the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

Bond Counsel’s opinion is not a guarantee of result and is not binding on the IRS; rather, the opinion represents Bond Counsel’s legal judgment based on its review of existing law and in reliance on the representations made to Bond Counsel and the District’s compliance with its covenants. The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Bonds. Owners of the Bonds are advised that, if the IRS does audit the Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the District as the taxpayer, and the owners of the Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

**Bonds are Not Bank Qualified Tax-Exempt Obligations**

The District has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3)(B) of the Code.

**LITIGATION**

There is no controversy or litigation of any nature now pending or, to the knowledge of the District, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the District taken with respect to the issuance or sale thereof, or the validity of the levy of taxes for the payment thereof.

The District is a party to lawsuits in its normal course of business but the District does not believe any of such litigation will have a significant adverse impact upon the financial condition of the District, or would affect the issuance and delivery of the Bonds, or the power and authority of the District to issue the Bonds.
UNDERWRITING

D.A. Davidson & Co. (the “Underwriter”) has agreed, subject to the terms of a Bond Purchase Agreement, to purchase the Bonds from the District at a price of $52,980,250.90 (the principal amount of the Bonds, less Underwriter’s discount of $193,580.00, plus original issue premium of $4,778,830.90). The Bonds are being offered for sale to the public at the prices shown on the inside cover of this Official Statement. Concessions from the initial offering price may be allowed to selected dealers and special purchasers. The initial offering prices are subject to change after the date hereof.

RATINGS

As noted on the cover page of this Official Statement, Moody’s Investors Service (“Moody’s”) has assigned a rating of “Aa2” to the Bonds (the “Underlying Rating”), and its credit enhanced rating of “Aaa” to the Bonds, based upon the District’s participation in the Washington State School District Credit Enhancement Program. (See Appendix C for a description of this program.)

No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. The ratings reflect only the view of Moody’s and an interpretation of such ratings may be obtained only from Moody’s. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by Moody’s, if, in the judgment of such agency, circumstances so warrant. Any such revision or withdrawal of such ratings may have an adverse affect on the market price of the Bonds. Any further explanation of the ratings may be obtained from Moody’s.

CERTAIN INVESTMENT CONSIDERATIONS

Limitations on Remedies; Financial Insolvency and Bankruptcy

Limitations on Remedies. Any remedies available to the owners of the Bonds are in many respects dependent upon judicial actions, which are in turn often subject to discretion and delay and could be both expensive and time consuming to obtain. If the District fails to comply with its covenants under the Bond Resolution or to pay principal of or interest on the Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the owners of the Bonds. In addition to the limitations on remedies contained in State law, the rights and obligations under the Bonds and the Bond Resolution may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors’ rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. The legal opinion of Bond Counsel regarding the validity of the Bonds will be qualified by reference to bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium and other similar laws affecting the rights of creditors generally, and by general principles of equity.

Financial Insolvency. A school district may be dissolved due to financial insolvency. State law (chapter 28A.315 RCW) outlines the process for dissolution. A financially insolvent school district is defined as one that has been on binding conditions for two consecutive years or is reasonably foreseeable and likely to have a deficit general fund balance within three years, and is unable to prepare a satisfactory financial plan. A satisfactory financial plan is a plan approved by OSPI and the Educational Service District within which the financially insolvent school district is located (“ESD”) demonstrating that the district will have an adequate fund balance by the end of the plan period that relies on currently available revenue streams or revenue streams that the ESD determines are reasonably reliable.
OSPI is directed to convene a financial oversight committee (“Oversight Committee”) if a district is found to be financially insolvent or at the request of a financially insolvent district. The purpose of the Oversight Committee is to review the financial condition of a financially insolvent school district, hold a public hearing, and make a recommendation to OSPI as to whether the district should be dissolved or placed under enhanced financial monitoring.

OSPI may file a petition with the appropriate regional committee to dissolve a financially insolvent school district if recommended by the Oversight Committee. The petition must specify the proposed annexation of the financially insolvent school district by one or more contiguous school districts and the disposition of assets and liabilities of the financially insolvent school district. The ESD negotiates with the identified contiguous school districts and attempts to seek agreement regarding annexation of the financially insolvent school district. The agreement must be approved by the Oversight Committee. If the school districts cannot agree, the matter is forwarded to the regional committee for a decision.

The order filed by the OSPI that implements either the agreement among school districts or the decision of the regional committee must also specify that any excess tax levy approved by an annexing school district is imposed on the newly annexed territory. Before the effective date of dissolution, a school district that annexes part or all of a financially insolvent school district may submit to the voters either a levy to replace existing levies and provide for an increase due to the dissolution, or an additional levy to provide for an increase due to the dissolution. If these elections do not occur or fail, the transferred territory is relieved of any previous levy associated with the dissolved district, but subject to any previous levy associated with the annexing district. In the case of voted bonded indebtedness by a dissolved school district, the receiving or annexing school district must certify and collect a tax levy sufficient to pay the principal of and interest on such outstanding voted bonded indebtedness. The receiving or annexing school may also determine to refund all or a part of the outstanding voted bonded indebtedness. A financially insolvent school district may file for bankruptcy only if recommended by the Oversight Committee.

**Bankruptcy.** A municipality, such as the District, must be specifically authorized under state law to seek relief under Chapter 9 of the U.S. Bankruptcy Code (the “Bankruptcy Code”). Under State law, political subdivisions or public agencies, such as the District, may be liable to file for bankruptcy under Chapter 9 of the Bankruptcy Code. In 1935, the State Legislature authorized taxing districts in the State to file a petition under Section 80 of Chapter IX of the then applicable Bankruptcy Act of 1898. The 1935 authorizing statute has not been amended notwithstanding the fact that the Bankruptcy Act of 1898 has been superseded. The 1935 authorizing statute likely allows municipalities in the State to seek relief under Chapter 9 of the now applicable Bankruptcy Code. A creditor cannot bring an involuntary bankruptcy proceeding against a municipality.

In the event of a Chapter 9 bankruptcy filing by the District, owners of the Bonds may not be able to exercise their rights under the Bond Resolution during the course of the proceeding. Legal proceedings to resolve issues could be time consuming, and substantial delays or reductions in payments to Bondholders may result.

**Initiatives and Referenda**

Under the Constitution, the voters of the State have the ability to initiate legislation and to modify existing statutes through the powers of initiative and referendum, respectively. The initiative power in the State may not be used to amend the Constitution. Initiatives and referenda are submitted to the voters upon receipt of a petition signed by at least 8% (initiatives) and 4% (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election. Any law approved in this manner by a majority of the voters may not be amended or repealed by the Legislature.
within a period of two years following enactment, except by a vote of two-thirds of all the members elected
to each house of the Legislature. After two years, the law is subject to amendment or repeal by the
Legislature in the same manner as other laws.

Initiative petitions affecting tax collections and levy rates for State and local governments (not including
the excess property taxes pledged to the repayment of the Bonds) and other matters may be filed in the
future. The District cannot predict whether any such initiatives will qualify to be submitted to the voters
or, if submitted, will be approved. Likewise, the District cannot predict what actions the Legislature might
take, if any, regarding future initiatives approved by voters.

Cybersecurity

The District employs a complex technology environment to conduct its operations and support the
community it serves. Although unlikely due to the District’s ongoing security measures, a cybersecurity
breach could damage District systems and cause material disruption to operations and services. The cost
to remedy such damage or protect against future attacks could be substantial. Security breaches could
expose the District to litigation and other legal risks, which could cause the District to incur costs related
to legal or regulatory claims. The District has implemented measures intended to protect its systems from
security breaches and carries various privacy, security and technology coverages; however in the event of
a security breach there can be no assurance that insurance proceeds, if available, will be sufficient to cover
the District’s losses or that the District will be able to promptly remedy impairments to its operations.
Since 2012, the District has maintained cyber liability insurance. The District’s current cybersecurity
insurance is with Washington State Risk Management Pool, in the amount of $1,000,000, with a sublimit
of liability for Ransomware/Malware of $100,000.

Seismic, Climate Change and Natural Disaster Considerations

The District’s facilities are in an area of seismic activity, with frequent small earthquakes and occasional
moderate and larger earthquakes. The District can give no assurance regarding the effect of an earthquake,
a tsunami from seismic activity in the State or in other areas, a volcano, mudslide, adverse weather patterns
or sea level rise as a result of climate change, or other disasters, or that proceeds of insurance carried by
the District, as applicable, would be sufficient, if available, to rebuild and reopen District facilities or that
District facilities, or surrounding facilities and infrastructure could or would be rebuilt and reopened in a
timely manner following a major earthquake or other disaster.

COVID-19

On February 29, 2020, the Governor proclaimed a state of emergency for all counties throughout the State
as a result of COVID-19. In connection with such state of emergency, the Governor issued a series of
proclamations designed to limit social interactions, including an April 6, 2020 order to close all public
and private K-12 school campuses in the State, and provide distance learning in the 2019-20 and 2020-21
school years. The District resumed in-person instruction in the 2021-22 school year. The District cannot
predict if any of the Governor’s proclamations will be reinstated, or if the Governor, or other federal,
State, or local authority will issue additional proclamations that can be expected to adversely impact the
financial condition or operations of the District, or the assessed values of property within the District. See
“THE DISTRICT – Response to COVID-19.”

The Bonds are payable from voter-approved excess property taxes that are dedicated exclusively to the
repayment of the Bonds. The revenue derived from such excess property tax levies may not be used to fund
other District expenditures. For a discussion regarding potential delays in the collection of excess property
MUNICIPAL ADVISOR

In connection with the authorization and issuance of the Bonds, the District has retained Northwest Municipal Advisors, Bellevue, Washington, as its municipal advisor (the “Municipal Advisor”). The Municipal Advisor has not audited, authenticated or otherwise verified the information set forth in the Official Statement or other information provided relative to the Bonds. The Municipal Advisor makes no guaranty, warranty or other representation on any matter related to the information contained in the Official Statement. The Municipal Advisor is an independent municipal advisory firm and is not engaged in the business of underwriting, marketing, trading or distributing municipal securities.

POTENTIAL CONFLICTS OF INTEREST

All or a portion of the fees of the Underwriter, the Municipal Advisor, and Bond and Disclosure Counsel are contingent upon the issuance and sale of the Bonds. In addition, Bond Counsel from time to time serves as counsel to the Underwriter with respect to bonds issued by issuers other than the District unrelated to the issuance of the Bonds. None of the members of the Board or other officers of the District have any conflict of interest in the issuance of the Bonds that is prohibited by applicable law.

Moreover, the District is not aware of the existence of any actual or potential conflict of interests, breach of duty or less than arm’s-length transaction regarding the selection of the Underwriter, Bond Counsel and other participants in the offering of the Bonds. Further, the District is not aware of any undisclosed payments to obtain underwriting assignments and undisclosed agreements or arrangements, including fee splitting, between the Underwriter and other participants in the offering of the Bonds.

COMMITMENT TO PROVIDE CONTINUING DISCLOSURE

In order to permit the Underwriter of the Bonds to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission (“Rule 15c2-12”), the District will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds to provide certain information and notice of the occurrence of certain events as hereinafter described (the “Undertaking”). The information to be provided, the events as to which notice is to be given and a summary of other provisions of the Undertaking, including termination, amendment and remedies, are set forth in Appendix B to this Official Statement.

Breach of the Undertaking will not constitute a default under the Bonds or the Bond Resolution. A broker or dealer is to consider a known breach of the Undertaking, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a failure on the part of the District to observe the Undertaking may adversely affect the transferability and liquidity of the Bonds and their market price.
Compliance with Prior Continuing Disclosure Undertakings

The District has outstanding continuing disclosure undertakings (the “Prior Undertakings”) in effect under Rule 15c2-12 with respect to its Unlimited Tax General Obligation Refunding Bonds, 2012 (the “2012 Bonds”); Unlimited Tax General Obligation and Refunding Bonds, 2013 (the “2013 Bonds”); Unlimited Tax General Obligation and Refunding Bonds, 2014 (the “2014 Bonds”); Unlimited Tax General Obligation Bonds, 2017 (the “2017 Bonds”); Unlimited Tax General Obligation Bonds, 2018 (the “2018 Bonds”); Unlimited Tax General Obligation Bonds, 2019 (the “2019 Bonds”), and Unlimited Tax General Obligation and Refunding Bonds, 2020 (the “2020 Bonds”). As of the date of this Official Statement, the District is not aware of other instances in the previous five years in which it failed to comply, in all material respects, with the Prior Undertakings.

ADDITIONAL INFORMATION AND MISCELLANEOUS

The descriptions herein of the Bond Resolution and other documents are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to such documents and contracts, copies of which are available, upon request and upon payment to the District of a charge for copying, mailing and handling, from the District, 915 4th Street N.E., Auburn, Washington 98512, telephone (253) 931-4900.

OFFICIAL STATEMENT CERTIFICATE

At the Date of Delivery of the Bonds, one or more of the officials of the District will furnish a certificate stating that to the best of his, her or their knowledge this Official Statement, as of its date and as of the Date of Delivery of the Bonds, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading.

APPROVAL OF OFFICIAL STATEMENT

The execution and delivery of this Official Statement have been duly authorized by the District.

AUBURN SCHOOL DISTRICT NO. 408,
KING AND PIERCE COUNTIES, WASHINGTON

By: /s/ Dr. Alan Spicciati
Secretary of the Board of Directors
APPENDIX A

ECONOMIC AND DEMOGRAPHIC INFORMATION
ECONOMIC AND DEMOGRAPHIC INFORMATION

The following discussion includes descriptive information obtained from a variety of sources. The information is presented to provide the reader with an overview of the District’s economy, but is not intended to be exhaustive or comprehensive.

The District is located in western Washington, in southern King County and northern Pierce County. The District encompasses the majority of the cities of Auburn (“Auburn”), Algona and Pacific (together, the “Cities”) and small portions of the cities of Black Diamond and Kent. Auburn is located approximately 28 miles southeast of the City of Seattle and approximately 15 miles northeast of the City of Tacoma. The District encompasses approximately 62 square miles and an estimated 96,906 residents, as of September 2020 (most recent data available).

For tax collection year 2022, 91.94% of the District’s assessed valuation is in King County and 8.06% is in Pierce County. As the majority of the District is in King County, the information presented herein is primarily for King County.

City of Auburn

Auburn overlaps the borders of south King and north Pierce counties, in the heart of the Green River Valley. The South Puget Sound area is home to over a million residents. Located centrally between the cities of Seattle and Tacoma, Auburn provides easy access to all that each city and the greater urban area have to offer. Auburn is located approximately one hour from Mount Rainier, Crystal Mountain and Snoqualmie Ski Area. The Boeing Company is the community’s largest employer, with a 2.1 million square-foot airplane parts manufacturing facility. Other major local employers include the Outlet Collection, Muckleshoot Tribal Enterprises, Multicare Auburn Regional Medical Center, Green River College and Emerald Downs racetrack. Other features of the area include the White River Amphitheater, and a major downtown redevelopment project.

King County

King County has a 2022 population estimate of 2,317,700. King County’s economy is impacted primarily by manufacturing, trade services and government sectors. King County encompasses 2,128 square miles, ranking 11th in geographical size of Washington’s 39 counties, but first in population. Seattle is the largest city in the Pacific Northwest and serves as the County seat. The economy of the area is closely tied to the overall economy of the Seattle Primary Metropolitan Statistical Area (the “Seattle PMSA”). In addition to the City of Seattle, principal cities of the Seattle PMSA include the City, Bellevue, Bothell, Burien, Federal Way, Issaquah, Kent, Mercer Island, Redmond, Renton, Shoreline, and Woodinville, all of which are in King County, and Everett, Edmonds, Mountlake Terrace and Lynnwood in Snohomish County. These communities serve as residential, commercial, and industrial satellites of Seattle. The Seattle PMSA is the fourth-largest metropolitan center on the Pacific Coast.
Population Trends

The following table presents historical population of Auburn, the cities of Algona and Pacific, King County, Pierce County, and the State for years 2018 through 2022.

<table>
<thead>
<tr>
<th>Year</th>
<th>City of Auburn</th>
<th>City of Algona</th>
<th>City of Pacific</th>
<th>King County</th>
<th>Pierce County</th>
<th>State of Washington</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022(1)</td>
<td>88,750</td>
<td>3,300</td>
<td>7,270</td>
<td>2,317,700</td>
<td>937,400</td>
<td>7,864,400</td>
</tr>
<tr>
<td>2021</td>
<td>88,080</td>
<td>3,290</td>
<td>7,255</td>
<td>2,287,050</td>
<td>928,200</td>
<td>7,766,975</td>
</tr>
<tr>
<td>2020</td>
<td>87,256</td>
<td>3,290</td>
<td>7,235</td>
<td>2,269,675</td>
<td>920,393</td>
<td>7,706,310</td>
</tr>
<tr>
<td>2019</td>
<td>81,720</td>
<td>3,190</td>
<td>6,910</td>
<td>2,226,300</td>
<td>888,300</td>
<td>7,546,410</td>
</tr>
<tr>
<td>2018</td>
<td>80,615</td>
<td>3,180</td>
<td>6,915</td>
<td>2,190,000</td>
<td>872,220</td>
<td>7,427,570</td>
</tr>
</tbody>
</table>

(1) As of April 1, 2022. Most recent data available from this source.

Median Household Income

The following table shows the median household income in King County, Pierce County, and the State for years 2017 through 2021. Values are in current dollars, and 2021 figures are projected.

<table>
<thead>
<tr>
<th>Year</th>
<th>King County</th>
<th>Pierce County</th>
<th>Washington State</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021(1)</td>
<td>$102,903</td>
<td>$81,720</td>
<td>$81,998</td>
</tr>
<tr>
<td>2020</td>
<td>102,620</td>
<td>80,236</td>
<td>80,319</td>
</tr>
<tr>
<td>2019</td>
<td>102,338</td>
<td>78,779</td>
<td>78,674</td>
</tr>
<tr>
<td>2018</td>
<td>93,707</td>
<td>71,208</td>
<td>72,297</td>
</tr>
<tr>
<td>2017</td>
<td>88,466</td>
<td>65,517</td>
<td>69,288</td>
</tr>
</tbody>
</table>

(1) Preliminary estimate.

Taxable Retail Sales

Taxable retail sales from 2017 through the first quarter of 2021 are presented in the following table for Auburn, King County, and Pierce County.

<table>
<thead>
<tr>
<th>Year</th>
<th>City of Auburn</th>
<th>King County</th>
<th>Pierce County</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$2,462,450,158</td>
<td>$78,440,949,141</td>
<td>$22,863,160,384</td>
</tr>
<tr>
<td>2019</td>
<td>2,103,642,899</td>
<td>72,785,180,223</td>
<td>18,746,939,008</td>
</tr>
<tr>
<td>2018</td>
<td>2,005,486,444</td>
<td>69,018,481,965</td>
<td>17,592,818,021</td>
</tr>
<tr>
<td>2017</td>
<td>1,990,032,476</td>
<td>62,910,608,935</td>
<td>16,081,078,014</td>
</tr>
</tbody>
</table>

Source: Washington State Department of Revenue.
Nonagricultural Wage and Salary Employment in King County

The following table presents nonagricultural wage and salary employment (not seasonally adjusted) in King County for years 2017 through May 2022. Figures presented in thousands.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Non-Farm Employment</td>
<td>1,397.9</td>
<td>1,432.8</td>
<td>1,467.9</td>
<td>1,383.0</td>
<td>1,407.6</td>
<td>1,453.3</td>
</tr>
<tr>
<td>Good Producing</td>
<td>177.7</td>
<td>181.6</td>
<td>186.1</td>
<td>172.5</td>
<td>168.7</td>
<td>170.5</td>
</tr>
<tr>
<td>MINING, LOGGING AND CONSTRUCTION</td>
<td>74.8</td>
<td>78.6</td>
<td>80.0</td>
<td>77.2</td>
<td>79.7</td>
<td>78.7</td>
</tr>
<tr>
<td>MANUFACTURING</td>
<td>102.9</td>
<td>102.9</td>
<td>106.0</td>
<td>95.3</td>
<td>89.0</td>
<td>91.7</td>
</tr>
<tr>
<td>Service Providing</td>
<td>1,220.1</td>
<td>1,251.3</td>
<td>1,281.8</td>
<td>1,210.6</td>
<td>1,238.9</td>
<td>1,282.9</td>
</tr>
<tr>
<td>TRANSPORTATION, TRADE, &amp; UTILITIES</td>
<td>268.3</td>
<td>274.6</td>
<td>280.9</td>
<td>276.6</td>
<td>282.7</td>
<td>285.1</td>
</tr>
<tr>
<td>INFORMATION</td>
<td>102.9</td>
<td>111.0</td>
<td>121.6</td>
<td>127.9</td>
<td>134.2</td>
<td>139.6</td>
</tr>
<tr>
<td>FINANCIAL ACTIVITIES</td>
<td>71.5</td>
<td>73.7</td>
<td>75.3</td>
<td>72.5</td>
<td>73.5</td>
<td>76.5</td>
</tr>
<tr>
<td>PROFESSIONAL &amp; BUSINESS SRVS.</td>
<td>227.8</td>
<td>233.1</td>
<td>238.9</td>
<td>234.6</td>
<td>245.7</td>
<td>261.4</td>
</tr>
<tr>
<td>EDUCATION &amp; HEALTH SRVS.</td>
<td>179.1</td>
<td>185.8</td>
<td>189.6</td>
<td>179.8</td>
<td>182.8</td>
<td>187.3</td>
</tr>
<tr>
<td>LEISURE &amp; HOSPITALITY</td>
<td>140.8</td>
<td>145.1</td>
<td>146.8</td>
<td>100.7</td>
<td>104.8</td>
<td>120.4</td>
</tr>
<tr>
<td>OTHER SERVICES</td>
<td>48.4</td>
<td>49.4</td>
<td>53.1</td>
<td>46.7</td>
<td>45.4</td>
<td>46.5</td>
</tr>
<tr>
<td>GOVERNMENT</td>
<td>181.3</td>
<td>178.5</td>
<td>175.6</td>
<td>171.9</td>
<td>169.7</td>
<td>166.1</td>
</tr>
</tbody>
</table>

(1) Average through May 2022.


Residential Building Permit Data

Shown in the following table are residential building permit data for Auburn from 2017 through 2021.

<table>
<thead>
<tr>
<th>City of Auburn</th>
<th>Single Family</th>
<th>Duplexes/Multi-Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>Units</td>
<td>Value</td>
</tr>
<tr>
<td>2021</td>
<td>79</td>
<td>$31,904,128</td>
</tr>
<tr>
<td>2020</td>
<td>83</td>
<td>30,197,653</td>
</tr>
<tr>
<td>2019</td>
<td>23</td>
<td>8,385,683</td>
</tr>
<tr>
<td>2018</td>
<td>50</td>
<td>18,521,240</td>
</tr>
<tr>
<td>2017</td>
<td>139</td>
<td>45,121,624</td>
</tr>
</tbody>
</table>


(The remainder of this page intentionally left blank.)
Major Employers

The major employers in Auburn are presented in the following table.

<table>
<thead>
<tr>
<th>Company</th>
<th>Product or Service</th>
<th>No. of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Boeing Company</td>
<td>Aerospace</td>
<td>3,790</td>
</tr>
<tr>
<td>Muckleshoot Tribal Enterprises</td>
<td>Gaming</td>
<td>3,493</td>
</tr>
<tr>
<td>The Outlet Collection</td>
<td>Retail</td>
<td>3,000</td>
</tr>
<tr>
<td>Auburn School District</td>
<td>Education</td>
<td>2,950</td>
</tr>
<tr>
<td>Green River College</td>
<td>Education</td>
<td>1,980</td>
</tr>
<tr>
<td>Multicare Auburn Medical Center</td>
<td>Hospital</td>
<td>1,778</td>
</tr>
<tr>
<td>Safeway Distribution Center</td>
<td>Distribution Center</td>
<td>908</td>
</tr>
<tr>
<td>Zones, Inc.</td>
<td>Technology Reseller</td>
<td>413</td>
</tr>
<tr>
<td>Skills, Inc.</td>
<td>Manufacturing</td>
<td>290</td>
</tr>
<tr>
<td>LMI Aerospace</td>
<td>Manufacturing</td>
<td>210</td>
</tr>
</tbody>
</table>

*Source: City of Auburn’s 2020 Comprehensive Annual Financial Report.*

Personal Income Trends

The following table shows total and per capita personal income growth in King County from 2016 through 2020 (most recent data available from this source).

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Personal Income (000s)</th>
<th>Per Capita Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$219,805,809</td>
<td>$96,647</td>
</tr>
<tr>
<td>2019</td>
<td>207,026,877</td>
<td>92,026</td>
</tr>
<tr>
<td>2018</td>
<td>196,794,006</td>
<td>88,308</td>
</tr>
<tr>
<td>2017</td>
<td>183,204,072</td>
<td>83,086</td>
</tr>
<tr>
<td>2016</td>
<td>170,776,043</td>
<td>78,776</td>
</tr>
</tbody>
</table>

*Source: U.S. Department of Commerce, Regional Economic Information Center, Bureau of Economic Analysis.*

(The remainder of this page intentionally left blank.)
Labor Force and Unemployment

The following table shows labor force and employment data for the King County Workforce Development Area from 2017 through March 2021, as well as unemployment rates for the State and the United States for the same period.

<table>
<thead>
<tr>
<th>Year</th>
<th>Labor Force</th>
<th>Employment</th>
<th>King County</th>
<th>State of Washington</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>1,278,003</td>
<td>1,223,432</td>
<td>4.3%</td>
<td>5.2%</td>
<td>5.3%</td>
</tr>
<tr>
<td>2020</td>
<td>1,286,608</td>
<td>1,190,168</td>
<td>7.5</td>
<td>8.4</td>
<td>8.1</td>
</tr>
<tr>
<td>2019</td>
<td>1,290,480</td>
<td>1,254,638</td>
<td>2.8</td>
<td>4.3</td>
<td>3.7</td>
</tr>
<tr>
<td>2018</td>
<td>1,258,687</td>
<td>1,215,220</td>
<td>3.5</td>
<td>4.5</td>
<td>3.9</td>
</tr>
<tr>
<td>2017</td>
<td>1,230,208</td>
<td>1,184,708</td>
<td>3.7</td>
<td>4.8</td>
<td>4.4</td>
</tr>
</tbody>
</table>

(1) Averages through March 2021.


(The remainder of this page intentionally left blank.)
UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

The Bond Resolution includes the District’s written undertaking (the “Undertaking”) for the benefit of the owners of the Bonds as required by Section (b)(5) of the Rule.

Financial Statements/Operating Data

The District agrees to provide or cause to be provided to the Municipal Securities Rulemaking Board (“MSRB”), the following annual financial information and operating data for the prior fiscal year (commencing in 2023 for the fiscal year ended August 31, 2022):

1. Annual financial statements, which statements maybe or may not be audited, showing ending fund balances for the District’s general fund prepared in accordance with the Budgeting Accounting and Reporting System prescribed by the Superintendent of Public Instruction and the Washington State Auditor under RCW 28A.505.020, RCW 28A.505.090, RCW 28A.505.140 and RCW 43.09.200 (or any successor statutes) and generally of the type included in the official statement for the Bonds under the headings “Statement of Revenues, Expenditures and Changes in General Fund Balance” and “Statement of Revenues, Expenditures and Changes in Debt Service Fund Balance”;

2. The assessed valuation of taxable property in the District;

3. Ad valorem taxes due;

4. Property tax levy rates per $1,000 of assessed valuation; and

5. Outstanding general obligation debt of the District.

The information and data described above shall be provided on or before nine months after the end of the District’s fiscal year. The District may adjust such date if the District changes its fiscal year by providing written notice of the change of fiscal year and the new reporting date to the MSRB. In lieu of providing such annual financial information and operating data, the District may cross-reference to other documents available to the public on the MSRB’s internet website and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

If not provided as part of the annual financial information discussed above, the District shall provide the District’s audited annual financial statement prepared in accordance with regulations prescribed by the Superintendent of Public Instruction and the State Auditor pursuant to RCW 28A.505.020, RCW 28A.505.090, RCW 28A.505.140 and RCW 43.09.200 (or any successor statutes), when and if available, to the MSRB.

Listed Events

The District agrees to provide notice of the following events in a timely manner not to exceed ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final
determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to the rights of Bond holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the District;
13. The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

The term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Solely for purposes of disclosure, and not intending to modify this undertaking, the District advises that no property or debt service reserve secures repayment of the Bonds.

Notification Upon Failure to Provide Financial Data

The District agrees to provide or cause to be provided, in a timely manner to the MSRB, notice of its failure to provide the annual financial information described above on or prior to the date set forth above.

EMMA; Format for Filings with the MSRB

Until otherwise designated by the MSRB or the Commission, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB’s Electronic Municipal Market Access system (“EMMA”), currently located at www.emma.msrb.org. All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.
Termination/Modification

The District’s obligations to provide annual financial information and notices of listed events shall terminate upon the legal defeasance, or payment in full of all of the Bonds. This section, or any provision hereof, shall be null and void if the District obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this section, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (2) notifies the MSRB of such opinion and the cancellation of this section. Notwithstanding any other provision of the Bond Resolution, the District may amend this Undertaking and any provision of this Undertaking may be waived with an approving opinion of nationally recognized bond counsel.

In the event of any amendment of or waiver of a provision of this Undertaking, the District shall describe such amendment in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (I) notice of such change shall be given in the same manner as for a material event under Subsection (c), and (II) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if practical, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Bond Owner’s Remedies Under This Section

A Bond owner’s right to enforce the provisions of this section shall be limited to a right to obtain specific enforcement of the District’s obligations hereunder, and any failure by the District to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds under the Bond Resolution. For purposes of this section, “beneficial owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding the Bonds through nominees or depositories.
APPENDIX C

WASHINGTON STATE SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM
WASHINGTON STATE SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM

The following information has been furnished by the State of Washington for use in this Official Statement. The issuer of the bonds offered pursuant to this Official Statement (the “Offered Bonds”) makes no representation as to the accuracy or the completeness of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

Definitions


“Program” means the Washington State School District Credit Enhancement Program established by the Act.

“Program Bond” means any validly issued voted general obligation bond issued by a school district, holding a certificate issued pursuant to the Act for such a bond.

“State” means the State of Washington.

Program Provisions

Article VIII, section 1(e) of the Constitution of the State and the Act allow the State to guarantee any voted general obligation bonds issued by a school district. Payment of the principal of and interest on Program Bonds when due is guaranteed by the full faith, credit and taxing power of the State under the provisions of the Act. The Act provides as follows:

The full faith, credit, and taxing power of the State is pledged to guarantee full and timely payment of the principal of and interest on Program Bonds as such payments become due. However, in the event of any acceleration of the due date of the principal by reason of mandatory redemption or acceleration resulting from default, the payments guaranteed shall be made in the amounts and at the times as payments of principal would have been due had there not been any acceleration. The State guarantee does not extend to the payment of any redemption premium.

The Act further provides that the State pledges to and agrees with the owners of any Program Bonds that the State will not alter, impair, or limit the rights vested by the Program with respect to the Program Bonds until the Program Bonds, together with applicable interest, are fully paid and discharged. However, an alteration, impairment, or limitation of such rights is not precluded if full provision is made by law for the payment of the Program Bonds.

Program Procedures

In accordance with applicable law, each school district with outstanding, unpaid Program Bonds is required to levy property taxes approved by the voters for repayment of the Program Bonds and certify the taxes to the County Assessor. In accordance with applicable law, the County Treasurer for each school district with outstanding, unpaid Program Bonds is required to collect property taxes approved by the voters for repayment of the Program Bonds.

Under the Act, the County Treasurer is required to transfer money sufficient for each scheduled debt service payment to the paying agent on or before any principal or interest payment date for the Program Bonds.
A County Treasurer who is unable to transfer to the paying agent funds required to make any scheduled debt service payments on the Program Bonds on or prior to the payment date is required to immediately provide notice to the State Treasurer and to the paying agent. If sufficient funds are not transferred to the paying agent at the time required to make a scheduled debt service payment on the Program Bonds, the paying agent is required to immediately notify the State Treasurer.

Pursuant to the Act, the State legislature is required to appropriate, in each and every biennial appropriations act, such amount as may be required to make timely payment on the Program Bonds. If sufficient money to make any scheduled debt service payment on the Program Bonds has not been transferred to the paying agent in a timely manner, the State Treasurer is required to transfer sufficient money to the paying agent for such payment and the paying agent is required to make such scheduled debt service payment.

Each school district is responsible for paying in full the principal of and interest on its Program Bonds. The State Treasurer is required to recover from the school district any funds paid by the State on behalf of that school district under the Program. A payment by the State Treasurer discharges the obligation of the school district to its Program Bond owners for the payment, but does not retire any Program Bond that has matured. The terms of that Program Bond remain in effect until the State is repaid. Any such payment by the State transfers the rights represented by the general obligation of the school district from the Program Bond owners to the State.

If the State has made all or part of a debt service payment on behalf of a school district that has issued Program Bonds, the State Treasurer may (a) direct the school district and the County Treasurer to restructure and revise, to the extent permitted by law, the collection of excess levy taxes for the payment of Program Bonds on which the State Treasurer has made payments under the Act to the extent necessary to obtain repayment to the State Treasurer; and (b) require, to the extent permitted by law, that the proceeds of such taxes be applied to the school district’s obligations to the State if all outstanding obligations of the school district payable from such taxes are fully paid or their payment is fully provided for.

A summary of key statistics and other information regarding the Program is included in Appendix A of each Official Statement published by the State periodically throughout the year. The most recently published Official Statement may be obtained by accessing the links to the State’s Electronic Municipal Market Access (“EMMA”) issuer page available on the State Treasurer’s “Debt Management – State Debt Information” webpage under “Continuing Disclosure”: https://tre.wa.gov/home/debt-management/debt-information/. Links to currently-available Preliminary Official Statements for upcoming bond and certificate sales are available at: https://tre.wa.gov/home/debt-management/investor-information/official-statements-bonds/. Information on those webpages other than the links to the Preliminary Official Statements and final Official Statements are not incorporated by reference. The information in those linked documents speaks only of those documents’ respective dates and no representation is made that the information has not changed between those posting dates and the date of this Appendix.

Program Contact Person

Requests for information regarding the Program may be directed to:

School Bond Guarantee Program
Office of the State Treasurer
Legislative Office Building 2nd Floor
P.O. Box 40200
Olympia, WA 98504 0200
Phone: (360) 902-9000  Fax: (360) 902-9045
State of Washington - Financial and Operating Information

The State’s most recent audited financial statements and the financial and operating information relating to the State included in the most recent official statement for the State’s general obligation debt are on file with the Municipal Securities Rulemaking Board (the “MSRB”), in an electronic format as prescribed by the MSRB, and are incorporated by this reference in this official statement. Currently, the State’s latest audited financials and historical financial and operating information may be found on the EMMA website under base-6 CUSIP number 93974D. The State’s financial statements and official statement are dated and speak only as of their respective dates. Except as provided in a written Continuing Disclosure Agreement the State does not undertake to update this information. Ongoing updates of information will be available on EMMA by searching the base-6 CUSIP number provided above (or such other base-6 CUSIP numbers as may be assigned to general obligation debt of the State in the future).

State of Washington - Continuing Disclosure

The State has executed a master Continuing Disclosure Certificate (the “School Bond Guarantee Program Undertaking” or “SBGP Undertaking”) as an obligated person with respect to bonds guaranteed through the Program, including the Offered Bonds. A copy of the State’s SBGP Undertaking is attached on the following page.

State’s Compliance with Prior State Undertakings. Except as described below, the State has not identified any failure within the past five years to comply in any material respect with its prior undertakings. In the filing of financial statements and operating data pertaining to the fiscal year ended June 30, 2020, the State’s timely annual filing was not linked to a newly assigned CUSIP number created in connection with a defeasance in October 2020 of a portion of the State’s Motor Vehicle Fuel Tax General Obligations Bonds (SR 520 Corridor Project – Toll Revenue), Series 2012C). The new CUSIP number was assigned to the undefeased portion of the June 2021 maturity of those Series 2012C Bonds, which portion was itself defeased in May 2021.

The State also notes that with respect to its SBGP Undertaking, it has historically relied upon filings linked to the CUSIP numbers of its general obligation bonds to satisfy its prior State Undertakings, but has since determined to amend its procedures to begin linking its filings to the CUSIPs for Program Bonds.

The State also notes that, with respect to compliance with filing requirements for events described in clauses (15) and (16) under the Rule, which became effective for continuing disclosure agreements executed on or after February 27, 2019, the State has implemented procedures to identify these events and make timely filings, which procedures rely on interpretations of the new regulations that it believes to be reasonable. However, due to the evolving nature of interpretation of these new events, the State’s representation regarding compliance with these new events is limited to and is based solely on its reasonable interpretation of the new regulation.

(The remainder of this page intentionally left blank.)
WASHINGTON STATE SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “School Bond Guarantee Program Undertaking” or “SBGP Undertaking”) is made by the State of Washington, acting by and through its State Treasurer (the “State”), as an obligated person with respect to the Program Bonds, for the benefit of the holders of the Program Bonds in accordance with paragraph (b)(5) of Securities and Exchange Commission (the “SEC”) of Rule 15c2-12 promulgated by the under the Securities Exchange Act of 1934, as amended (the “Rule”).

Annual Disclosure Report. The State hereby covenants and agrees that not later than seven months after the end of each State fiscal year (the “Submission Date”) until the Offered Bonds are no longer outstanding, the State shall provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the “MSRB”), in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB, an annual report (the “Annual Disclosure Report”), which shall consist of:

1. Audited financial statements of the State for each State fiscal year prepared (except as noted therein) in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board, as such principles may be changed from time to time, except that if the audited financial statements are not available by the Submission Date, the Annual Disclosure Report shall contain unaudited financial statements in a format similar to the audited financial statements most recently prepared for the State, and the State’s audited financial statements shall be filed in the same manner as the Annual Disclosure Report when and if they become available; and

2. Historical financial and operating data for the State of the type set forth in Appendix A to the most recently posted Official Statement for bonds issued by the State, which is regularly updated and may involve adding additional financial and operating data, displaying data in a different format, or eliminating data that are no longer material.

Any or all of the items listed above may be included by specific reference to other documents available to the public on the Internet website of the MSRB or filed with the SEC. The State will clearly identify each document so included by reference. The MSRB makes continuing disclosure information submitted to it publicly available on the Internet on its Electronic Municipal Market Access (“EMMA”) system website.

The Annual Disclosure Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided herein; provided, that any audited financial statements may be submitted separately from the balance of the Annual Disclosure Report and later than the Submission Date if such statements are not available by the Submission Date.

The State’s fiscal year currently ends on June 30. If the State’s fiscal year changes, the State may adjust the Submission Date by giving notice of the change in the same manner as notice is to be given of the occurrence of a Listed Event described below.

The State agrees to provide or cause to be provided to the MSRB, in a timely manner, notice of its failure to provide the Annual Disclosure Report on or prior to the Submission Date.
**State Listed Events.** The State further agrees to provide or cause to be provided to the MSRB, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of either of the following two listed events:

15. Incurrence of a financial obligation of the State, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the State, any of which affect Bond holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the State, any of which reflect financial difficulties.

The term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

**Additional Information.** Nothing in this SBGP Undertaking shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this SBGP Undertaking or any other means of communication, in addition to that which is required by this SBGP Undertaking. If the State chooses to include any information in addition to that specifically required by this SBGP Undertaking, the State shall have no obligation to update such information.

**Limitation on Scope of SBGP Undertaking.** Notwithstanding anything expressed or implied to the contrary herein, the State makes no undertaking to provide disclosure of financial information or operating data or notice of any events on behalf of or with respect to school districts participating in the Program. Any such information is to be provided according to the terms of separate continuing disclosure undertakings executed and delivered by such school districts. The State is not responsible for the adequacy, accuracy, or timeliness of such information, and any failure by a school district to comply with its undertaking shall not constitute a failure by the State to comply with its SBGP Undertaking.

**Amendment.** The State may amend this SBGP Undertaking without the consent of any holder of any Program Bond (including the Offered Bonds) or any other person or entity under the circumstances and in the manner permitted by the Rule. The State shall give notice to the MSRB of the substance of any such amendment, including a brief statement of the reasons therefor. If the amendment changes the type of Annual Disclosure Report to be provided, the Annual Disclosure Report containing the amended financial information shall include a narrative explanation of the effect of that change on the type of information to be provided (or in the case of a change of accounting principles, the presentation of such information). In addition, in the event of a change in the accounting principles to be followed in preparing financial statements, the Annual Disclosure Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**Termination.** The State’s obligations under this SBGP Undertaking shall terminate upon the legal defeasance, prior prepayment, or payment in full of all of the Offered Bonds. This SBGP Undertaking, or any provision hereof, shall be null and void if the State (1) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this SBGP Undertaking, or such any such provision, have been repealed retroactively or otherwise do not apply to the Program Bonds, and (2) notifies the MSRB of such opinion and the cancellation of this SBGP Undertaking.
Beneficiaries. The right to enforce the provisions of this SBGP Undertaking shall be limited to a right to obtain specific performance of the State’s obligations hereunder, and any failure by the State to comply with the provisions of this SBGP Undertaking shall not be a default with respect to the Offered Bonds or any other Program Bonds. This SBGP Undertaking inures to the benefit of the State and the issuer, any underwriter, and any holder of the Program Bonds, and does not inure to the benefit of or create any rights in any other person.

REVISED 6-6-22.
APPENDIX D

AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED
AUGUST 31, 2021
Financial Statements and Federal Single Audit Report

Auburn School District
No. 408

For the period September 1, 2020 through August 31, 2021

Published May 31, 2022
Report No. 1030680

Find out what’s new at SAO by scanning this code with your smartphone’s camera
May 31, 2022

Board of Directors
Auburn School District No. 408
Auburn, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on Auburn School District No. 408’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 condition.

Sincerely,

[Signature]

Pat McCarthy, State Auditor
Olympia, WA

**Americans with Disabilities**

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.
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Schedule of Findings and Questioned Costs

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


Independent Auditor's Report on the Financial Statements

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SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Auburn School District No. 408 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 its major federal program.
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 selected as in our audit of compliance in accordance with the Uniform Guidance.

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>Program or Cluster Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>84.425</td>
<td>COVID-19 – Education Stabilization Fund</td>
</tr>
</tbody>
</table>

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $1,002,462.

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

Auburn School District No. 408
September 1, 2020 through August 31, 2021

Board of Directors
Auburn School District No. 408
Auburn, 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 Auburn School District No. 408, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District’s financial statements, and have issued our report thereon dated May 26, 2022.

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

As discussed in Note 4 to the financial statements, the District, the full extent of the COVID-19 pandemic’s direct or indirect financial impact on the District is unknown.
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) to determine the 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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the District’s compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 26, 2022
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

Auburn School District No. 408
September 1, 2020 through August 31, 2021

Board of Directors
Auburn School District No. 408
Auburn, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Auburn School District No. 408, with the types of compliance requirements described 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, 2021. The District’s major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.
We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District’s compliance.

**Opinion on Each Major Federal Program**

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, 2021.

**REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District’s 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 consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.
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 26, 2022
INDEPENDENT AUDITOR’S REPORT

Report on the Financial Statements

Auburn School District No. 408
September 1, 2020 through August 31, 2021

Board of Directors
Auburn School District No. 408
Auburn, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Auburn School District No. 408, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District’s financial statements, as listed on page 16.

Management’s Responsibility 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 for Public School Districts in the State of Washington (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.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District’s preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)**

As described in Note 1, the District has prepared these financial statements to meet the financial reporting requirements of state law using accounting practices prescribed by the Accounting Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The difference in these accounting practices is also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Auburn School District No. 408, as of August 31, 2021, and the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

**Basis for 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. GAAP requires presentation of government-wide financial statements to display the financial position and changes in financial position of its governmental activities.

As described in Note 1, the Accounting Manual does not require the District to prepare the government-wide financial statements, and consequently such amounts have not been determined or presented. We are therefore required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.
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 Auburn School District No. 408, as of August 31, 2021, or the changes in financial position or cash flows thereof for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Matters of Emphasis

As discussed in Note 4 to the financial statements, the District, the full extent of the COVID-19 pandemic’s direct or indirect financial impact on the District is unknown. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The 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 taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, we have also issued our report dated May 26, 2022 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an
opinion on the 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 26, 2022
FINANCIAL SECTION

Auburn School District No. 408
September 1, 2020 through August 31, 2021

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2021
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2021
Statement of Net Position – Fiduciary Funds – 2021
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2021
Notes to Financial Statements – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Long-Term Liabilities – 2021
Schedule of Expenditures of Federal Awards – 2021
Notes to the Schedule of Expenditures of Federal Awards – 2021
Auburn School District No. 408
Balance Sheet - Governmental Funds
August 31, 2021

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

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>ASB Fund</th>
<th>Debt Service Fund</th>
<th>Capital Projects Fund</th>
<th>Transportation Vehicle Fund</th>
<th>Permanent Fund</th>
<th>Total</th>
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<tbody>
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<td><strong>Assets</strong></td>
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<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>79,984,320.62</td>
<td>2,385,332.73</td>
<td>28,284,986.49</td>
<td>236,498,578.86</td>
<td>2,553,538.22</td>
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<td><strong>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</strong></td>
<td>79,984,320.62</td>
<td>2,385,332.73</td>
<td>28,284,986.49</td>
<td>236,498,578.86</td>
<td>2,553,538.22</td>
<td>0.00</td>
<td>349,706,756.92</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>ASB Fund</th>
<th>Debt Service Fund</th>
<th>Capital Projects Fund</th>
<th>Transportation Vehicle Fund</th>
<th>Permanent Fund</th>
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</table>

The accompanying notes are an integral part of this financial statement.
Auburn School District No. 408  
Balance Sheet - Governmental Funds  
August 31, 2021

<table>
<thead>
<tr>
<th>Fund</th>
<th>General Fund</th>
<th>ASB Fund</th>
<th>Debt Service Fund</th>
<th>Capital Projects Fund</th>
<th>Transportation Vehicle Fund</th>
<th>Permanent Fund</th>
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<td>3,706,492.65</td>
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<td>Due To Other Funds</td>
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<td>134,719.66</td>
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<td>Interfund Loans Payable</td>
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<td>Payable</td>
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<td>Arbitrage Rebate Payable</td>
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<td>TOTAL LIABILITIES</td>
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<tr>
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<td>2,822,125.10</td>
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<td>37,806,364.04</td>
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<tr>
<td>Receivable</td>
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</table>

The accompanying notes are an integral part of this financial statement.
### Auburn School District No. 408

#### Balance Sheet - Governmental Funds

**August 31, 2021**

<table>
<thead>
<tr>
<th>Fund</th>
<th>General Fund</th>
<th>ASB Fund</th>
<th>Debt Service Fund</th>
<th>Capital Projects Fund</th>
<th>Transportation Vehicle Fund</th>
<th>Permanent Fund</th>
<th>Total</th>
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<tr>
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<td>288,936,783.80</td>
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<td>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE</td>
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<td>28,284,986.49</td>
<td>236,498,578.86</td>
<td>2,553,538.22</td>
<td>0.00</td>
<td>349,706,756.92</td>
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</tbody>
</table>

The accompanying notes are an integral part of this financial statement.
### Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

For the Year Ended August 31, 2021

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>ASB Fund</th>
<th>Debt Service Fund</th>
<th>Capital Projects Fund</th>
<th>Transportation Vehicle Fund</th>
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<td>33,577,167.43</td>
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</tbody>
</table>

| **EXPENDITURES:**    |              |          |                   |                       |                             |                |                |
| Regular Instruction  | 141,213,943.32|        |                   |                       |                             |                | 141,213,943.32 |
| Special Education    | 35,480,754.11 |        |                   |                       |                             |                | 35,480,754.11 |
| Vocational Education | 9,427,499.35  |        |                   |                       |                             |                | 9,427,499.35  |
| Skill Center         | 0.00          |        |                   |                       |                             |                | 0.00           |
| Compensatory Programs| 26,126,923.74 |        |                   |                       |                             |                | 26,126,923.74 |
| Other Instructional Programs | 4,970,074.65 |        |                   |                       |                             |                | 4,970,074.65  |
| Federal Stimulus COVID-19 | 9,951,433.23 |        |                   |                       |                             |                | 9,951,433.23  |
| Community Services   | 2,337,358.33  |        |                   |                       |                             |                | 2,337,358.33  |
| Support Services     | 45,424,077.68 |        |                   |                       |                             |                | 45,424,077.68 |
| Student Activities/Other | 383,480.38 |        |                   |                       |                             | 0.00           | 383,480.38    |

| **CAPITAL OUTLAY:**  |            |          |                   |                       |                             |                |                |
| Sites                | 181,459.92  |        |                   |                       |                             |                | 181,459.92     |
| Building             | 101,809,636.42|     |                   |                       |                             |                | 101,809,636.42 |
| Equipment            | 4,213,510.13|        |                   |                       |                             |                | 4,213,510.13   |
| Instructional Technology | 0.00     |        |                   |                       |                             |                | 0.00           |
| Energy               | 0.00        |        |                   |                       |                             |                | 0.00           |
| Transportation Equipment | 568,526.16|        |                   |                       |                             |                | 568,526.16     |
| Sales and Lease      | 0.00        |        |                   |                       |                             |                | 0.00           |
| Other                | 1,002,882.98 |        |                   |                       |                             |                | 1,002,882.98   |

| **DEBT SERVICE:**    |            |          |                   |                       |                             |                |                |
| Principal            | 0.00        | 16,260,000.00 | 0.00               | 0.00                  |                             | 0.00           | 16,260,000.00  |

The accompanying notes are an integral part of this financial statement.
## Auburn School District No. 408

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

**For the Year Ended August 31, 2021**

<table>
<thead>
<tr>
<th>General Fund</th>
<th>ASB Fund</th>
<th>Debt Service Fund</th>
<th>Capital Projects Fund</th>
<th>Transportation Vehicle Fund</th>
<th>Permanent Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and Other Charges</td>
<td>0.00</td>
<td>18,649,814.45</td>
<td>0.00</td>
<td>0.00</td>
<td>18,649,814.45</td>
<td></td>
</tr>
<tr>
<td>Bond/Levy Issuance</td>
<td></td>
<td></td>
<td>536,935.99</td>
<td>0.00</td>
<td>536,935.99</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>275,934,947.39</td>
<td>383,480.38</td>
<td>34,909,814.45</td>
<td>106,741,542.46</td>
<td>568,526.16</td>
<td>0.00</td>
</tr>
<tr>
<td>REVENUES OVER (UNDER) EXPENDITURES</td>
<td>10,099,416.18</td>
<td>-70,097.99</td>
<td>-806,465.65</td>
<td>-74,391,116</td>
<td>-914.81</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>OTHER FINANCING SOURCES (USES):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bond Sales &amp; Refunding Bond Sales</td>
<td>0.00</td>
<td>8,281,850.01</td>
<td>124,986,935.99</td>
<td>0.00</td>
<td>133,268,786.00</td>
<td></td>
</tr>
<tr>
<td>Long-Term Financing</td>
<td>0.00</td>
<td></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Transfers In</td>
<td>58,883.22</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>58,883.22</td>
<td></td>
</tr>
<tr>
<td>Transfers Out (GL 536)</td>
<td>0.00</td>
<td>0.00</td>
<td>-58,883.22</td>
<td>0.00</td>
<td>0.00</td>
<td>-58,883.22</td>
</tr>
<tr>
<td>Other Financing Uses (GL 535)</td>
<td>0.00</td>
<td>-8,240,101.39</td>
<td>0.00</td>
<td>0.00</td>
<td>-8,240,101.39</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>65,034.43</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>65,034.43</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL OTHER FINANCING SOURCES (USES)</strong></td>
<td>123,917.65</td>
<td>41,748.62</td>
<td>124,928,052.77</td>
<td>0.00</td>
<td>125,093,719.04</td>
<td></td>
</tr>
<tr>
<td><strong>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</strong></td>
<td>10,223,333.83</td>
<td>-70,097.99</td>
<td>-764,717.03</td>
<td>50,536,936.09</td>
<td>-914.81</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>BEGINNING TOTAL FUND BALANCE</strong></td>
<td>40,658,688.26</td>
<td>1,787,514.48</td>
<td>12,292,045.28</td>
<td>171,242,579.54</td>
<td>2,554,195.80</td>
<td>0.00</td>
</tr>
<tr>
<td>Prior Year(s) Corrections or Restatements</td>
<td>0.00</td>
<td>477,220.35</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>477,220.35</td>
</tr>
<tr>
<td><strong>ENDING TOTAL FUND BALANCE</strong></td>
<td>50,882,022.09</td>
<td>2,194,636.84</td>
<td>11,527,328.25</td>
<td>221,779,515.63</td>
<td>2,553,280.99</td>
<td>0.00</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this financial statement.
### Statement of Fiduciary Net Position

**August 31, 2021**

<table>
<thead>
<tr>
<th>Assets</th>
<th>Custodial Funds</th>
<th>Private Purpose Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imprint Cash</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Cash On Hand</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Cash On Deposit with Cty Treas</td>
<td>0.00</td>
<td>118,634.96</td>
</tr>
<tr>
<td>Minus Warrants Outstanding</td>
<td>0.00</td>
<td>-64,250.00</td>
</tr>
<tr>
<td>Due From Other Funds</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Accrued Interest Receivable</td>
<td>0.00</td>
<td>279.63</td>
</tr>
<tr>
<td>Investments</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Investments/Cash With Trustee</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Other Assets</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Capital Assets, Land</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Capital Assets, Buildings</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Capital Assets, Equipment</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Accum Depreciation, Buildings</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Accum Depreciation, Equipment</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>0.00</td>
<td>54,664.59</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Custodial Funds</th>
<th>Private Purpose Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>0.00</td>
<td>4,799.01</td>
</tr>
<tr>
<td>Due To Other Funds</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>0.00</td>
<td>4,799.01</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Position</th>
<th>Custodial Funds</th>
<th>Private Purpose Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Held In trust for:</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Held In Trust For Intact Trust Principal</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Held In Trust For Private Purposes</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Held In Trust For Pension Or Other Post-Employment Benefits</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Held In Trust For Other Purposes</td>
<td>0.00</td>
<td>49,865.58</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td>0.00</td>
<td>49,865.58</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this financial statement.
Auburn School District No. 408

Statement of Changes in Fiduciary Net Position
For the Year Ended August 31, 2021

<table>
<thead>
<tr>
<th>Custodial Funds</th>
<th>Private Purpose Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ADDITIONS:</strong></td>
<td></td>
</tr>
<tr>
<td>Contributions:</td>
<td></td>
</tr>
<tr>
<td>Private Donations</td>
<td>0.00</td>
</tr>
<tr>
<td>Employer</td>
<td>0.00</td>
</tr>
<tr>
<td>Members</td>
<td>0.00</td>
</tr>
<tr>
<td>Other</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>TOTAL CONTRIBUTIONS</strong></td>
<td><strong>0.00</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment Income:</th>
<th>Custodial Funds</th>
<th>Private Purpose Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Appreciation (Depreciation) in Fair Value</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Interest and Dividends</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Less Investment Expenses</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Net Investment Income</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Additions:</th>
<th>Custodial Funds</th>
<th>Private Purpose Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent or Lease Revenue</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>TOTAL ADDITIONS</strong></td>
<td><strong>0.00</strong></td>
<td><strong>102,505.94</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DEDUCTIONS:</th>
<th>Custodial Funds</th>
<th>Private Purpose Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits</td>
<td>0.00</td>
<td>100,720.00</td>
</tr>
<tr>
<td>Refund of Contributions</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Scholarships</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Other</td>
<td>0.00</td>
<td>15,483.50</td>
</tr>
<tr>
<td><strong>TOTAL DEDUCTIONS</strong></td>
<td><strong>0.00</strong></td>
<td><strong>116,203.50</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Increase (Decrease)</th>
<th>Custodial Funds</th>
<th>Private Purpose Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Position--Prior Year August Beginning</td>
<td>0.00</td>
<td>-13,697.56</td>
</tr>
<tr>
<td>Prior Year F-196 Manual Revision</td>
<td>0.00</td>
<td>540,783.49</td>
</tr>
<tr>
<td>Net Position - Total</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Prior Year(s) Corrections or Restatements</td>
<td>0.00</td>
<td>-477,220.35</td>
</tr>
<tr>
<td><strong>NET POSITION--ENDING</strong></td>
<td><strong>0.00</strong></td>
<td><strong>49,865.58</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this financial statement.
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Auburn 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**

1. **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.

**Permanent Funds**

These funds are used to report resources that are legally restricted such that only earnings, and not principal, may be expended. Amounts in the Permanent Fund may only be spent in support of the District’s programs and may not be used to the benefit of any individual.

**Fiduciary Funds**

Fiduciary funds include pension and other employee benefit trust funds, private-purpose trust funds, and custodial funds, and are used to account for assets that are held by the District in a fiduciary capacity.

**Private-Purpose Trust Fund**

This fund is used to account for resources that are legally held in trust by the District. The trust agreement details whether principal and interest may both be spent, or whether only interest may be spent. Money from a Private-Purpose Trust Fund may not be used to support the District’s programs, and may be used to benefit individuals, private organizations, or other governments.
**Custodial Funds**

These funds are used to account for assets that the District holds on behalf of others in a purely custodial capacity.

**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 Assistant Superintendent of Business and Operations and the board of directors are the only persons who have the authority to create Assignments of fund balance.
Unassigned Fund Balance. In the General Fund, amounts that are reported as Unassigned are those net spendable resources of the District that are not otherwise Restricted, Committed, or Assigned, and may be used for any purpose within the General Fund.

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

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

Cash and Cash Equivalents

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

receivables and Payables

All of the District’s receivables and payables are expected to be collected within one 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.

Accounting and Reporting Changes

Fiduciary Activities

During the year ended August 31, 2021, the District implemented the provisions of GASB Statement No. 84, Fiduciary Activities, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements. The title Agency Funds is replaced with Custodial Funds and ending net position is presented for custodial funds which was not previously required. Beginning net position has been restated to reflect this change.

NOTE 2: DEPOSITS AND INVESTMENTS

The King County Treasurer is the ex officio treasurer for the District and holds all accounts of the District. The District directs the County Treasurer to invest those financial resources of the District that the District has determined are not needed to meet the current financial obligations of the District.
The district’s deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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

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

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

The District’s investments as of August 31, 2021, are as follows:

<table>
<thead>
<tr>
<th>Type of Investment</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>County Treasurer’s Investment Pool</td>
<td>$299,641,732</td>
</tr>
</tbody>
</table>

In accordance with State law, the district’s governing body has entered into a formal interlocal agreement with the district’s ex officio treasurer, King County, to have all its funds not required for immediate expenditure to be invested in the King County Investment Pool (Pool).

As of August 31, 2021, the district had the following investments:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
<th>Effective Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>King County Investment Pool</td>
<td>$301,011,425</td>
<td>1.27 years</td>
</tr>
</tbody>
</table>

Impaired Investments. As of August 31, 2021, 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 Impaired Pool also held the residual investments in one commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash-out option. The District’s share of the impaired investment pool principal is $40,585.36 and the district’s fair value of these investments is $25,448.76.
**Interest Rate Risk.** As of August 31, 2021, the Pool’s average duration was 1.27 years. As a means of limiting its 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, 2021, 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 paper (rated at least the equivalent of “A-1”), certificates of deposits issued by qualified public depositaries, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer’s office.

**NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

**COVID-19 Pandemic**

In February 2020, Governor Inslee declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, canceling public events, limiting gathering sizes, and requiring people to stay home unless they were leaving for an essential function. On April 6, 2020, the Governor closed all public and private K–12 school buildings throughout the remainder of the 2019–20 school year and continuing through the 2020-21 school year. The school district, however, continued to operate, educating students using distance learning models.

Many of the precautionary measures put in place during the 2019–20 school year remain in effect; and are affecting the district for the 2021–22 school year in new ways.

The district is using a distance-learning model to begin the 2021-22 school year. Approximately 600 students attend class virtually, and are supported by teachers five days a week.

The district has experienced decreasing enrollment beginning in the 2020–2021. Enrollment is down approximately by approximately 100 students from budget. The effects are a reduction of our state apportionment by approximately 2.3 million dollars. The district’s ending fund balance for 20-21 was $50,882,022.09, which is approximately 18.4% of total expenditures. The district will be able to absorb the reduction of revenue with fund balance.

The length of time these measures will be in place, and the full extent of the financial impact on the school district, is unknown at this time.
NOTE 5: 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 comprehensive annual financial report (CAFR) 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

The collective net pension liabilities for the pension plans districts participated in are reported in the following tables

<table>
<thead>
<tr>
<th>Pension Plan</th>
<th>Total Pension Liability</th>
<th>Plan Fiduciary net position</th>
<th>Participating Employers’ Net Pension Liability</th>
<th>Plan Fiduciary net position as a percentage of the total pension liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERS 1</td>
<td>10,847,066,000</td>
<td>9,625,832,000</td>
<td>1,221,234,000</td>
<td>88.74%</td>
</tr>
<tr>
<td>SERS 2/3</td>
<td>7,586,243,000</td>
<td>8,659,940,000</td>
<td>(1,073,697,000)</td>
<td>114.15%</td>
</tr>
<tr>
<td>TRS 1</td>
<td>7,850,211,000</td>
<td>7,176,913,000</td>
<td>673,298,000</td>
<td>91.42%</td>
</tr>
<tr>
<td>TRS 2/3</td>
<td>20,032,702,000</td>
<td>22,781,509,000</td>
<td>(2,748,807,000)</td>
<td>113.72%</td>
</tr>
</tbody>
</table>

Detailed information about the pension plans’ fiduciary net position is available in the separately issued DRS CAFR. 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/administrations/annual-report.

Membership Participation

Substantially all school district full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by DRS: Teachers’ Retirement System (TRS), Public Employees’ Retirement System (PERS) and School Employees’ Retirement System (SERS).
Membership participation by retirement plan as of June 30, 2021, was as follows:

<table>
<thead>
<tr>
<th>Plan</th>
<th>Retirees and Beneficiaries Receiving Benefits</th>
<th>Inactive Plan Members Entitled to but not yet Receiving Benefits</th>
<th>Active Plan Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERS 1</td>
<td>42,886</td>
<td>241</td>
<td>875</td>
</tr>
<tr>
<td>SERS 2</td>
<td>12,235</td>
<td>6,634</td>
<td>28,835</td>
</tr>
<tr>
<td>SERS 3</td>
<td>12,348</td>
<td>9,363</td>
<td>33,615</td>
</tr>
<tr>
<td>TRS 1</td>
<td>30,762</td>
<td>84</td>
<td>162</td>
</tr>
<tr>
<td>TRS 2</td>
<td>6,594</td>
<td>3,016</td>
<td>24,269</td>
</tr>
<tr>
<td>TRS 3</td>
<td>16,963</td>
<td>8,400</td>
<td>55,328</td>
</tr>
</tbody>
</table>

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

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

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

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

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

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

Members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.
SERS Plan Information
SERS was established by the legislature in 1998, and the plan became effective in 2000. SERS retirement benefit provisions are established in RCW Chapters 41.34 and 41.35. SERS is a cost-sharing, multiemployer retirement system comprised of two separate plans for membership purposes. SERS Plan 2 is a defined benefit plan and SERS Plan 3 is a defined benefit plan with a defined contribution component. SERS members include classified employees of school districts and educational service districts.

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

SERS provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service for Plan 2 and one percent of AFC for Plan 3. The AFC is the monthly average of the member’s 60 highest-paid consecutive service months before retirement, termination or death. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. SERS members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by a factor that varies according to age, for each year before age 65. SERS members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 2, 2013: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules. SERS members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. SERS retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

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. 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 the PERS plan were effective as of July 1, 2020. SERS and TRS contribution rates are effective as of September 1, 2020. All plans will not have a contribution rate change until September 1, 2021. The pension plan contribution rates (expressed as a percentage of covered payroll) for fiscal year 2021 are listed below:

| Pension Contribution Rates from September 01, 2020 to June 30, 2021 |
|-----------------------------|-----------------------------|
|                             | Employer | Employee |
| PERS Plan 1                 | 12.97%   | 6.00%    |

<table>
<thead>
<tr>
<th>Pension Contribution Rates from July 01, 2021 to August 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer</td>
</tr>
<tr>
<td>PERS Plan 1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pension Contribution Rates from September 01, 2020 to August 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer</td>
</tr>
<tr>
<td>TRS Plan 1</td>
</tr>
<tr>
<td>TRS Plan 2/3</td>
</tr>
<tr>
<td>SERS Plan 2/3</td>
</tr>
</tbody>
</table>

*Note: The Employer rates include .0018 DRS administrative expense.*

* – TRS and SERS Plan 3 Employee Contribution Variable from 5% to 15% based on rate selected by the employee member.

** – TRS and SERS Plan 2/3 Employer Contributions for defined benefit portion only.

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

At June 30, 2021, the school district reported a total liability (assets) of $(47,537,968) for its proportionate shares of the individual plans’ collective net pension liability. Proportion of net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2021, the district’s proportionate share of each plan’s net pension liability is reported below:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>District’s Annual Contributions</td>
<td>1,944,371</td>
</tr>
<tr>
<td>PERS 1</td>
<td>3,351,558</td>
</tr>
<tr>
<td>SERS 2/3</td>
<td>8,899,791</td>
</tr>
<tr>
<td>TRS 1</td>
<td>9,823,124</td>
</tr>
<tr>
<td>TRS 2/3</td>
<td>3,269,750</td>
</tr>
<tr>
<td>Proportionate Share of the Net Pension Liability (Assets)</td>
<td>10,902,492</td>
</tr>
<tr>
<td>(17,091,165)</td>
<td>(44,619,046)</td>
</tr>
</tbody>
</table>

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At June 30, 2021, the school district’s percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below.

<table>
<thead>
<tr>
<th>Change in Proportionate Shares</th>
<th>PERS 1</th>
<th>SERS 2/3</th>
<th>TRS 1</th>
<th>TRS 2/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current year proportionate share</td>
<td>0.267742%</td>
<td>1.591805%</td>
<td>1.619267%</td>
<td>1.623215%</td>
</tr>
<tr>
<td>Prior year proportionate share</td>
<td>0.272466%</td>
<td>1.540563%</td>
<td>1.586105%</td>
<td>1.599512%</td>
</tr>
<tr>
<td>Net difference percentage</td>
<td>-0.004725%</td>
<td>0.051242%</td>
<td>0.033162%</td>
<td>0.023703%</td>
</tr>
</tbody>
</table>

**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, 2020, with the results rolled forward to June 30, 2021, using the following actuarial assumptions, applied to all prior periods included in the measurement:

| Inflation | 2.75% total economic inflation, 3.50% salary inflation |
| Salary increases | In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity. |
| Investment rate of return | 7.40% |

**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, 2019, valuation were based on the results of the 2013–2018 Demographic Experience Study Report and the 2019 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report.

**Long-term Expected Rate of Return**

OSA selected a 7.40% 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, 2021, are summarized in the following table:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target Allocation</th>
<th>Long-term Expected Real Rate of Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Income</td>
<td>20.00%</td>
<td>2.20%</td>
</tr>
<tr>
<td>Tangible Assets</td>
<td>7.00%</td>
<td>5.10%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>18.00%</td>
<td>5.80%</td>
</tr>
<tr>
<td>Global Equity</td>
<td>32.00%</td>
<td>6.30%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>23.00%</td>
<td>9.30%</td>
</tr>
</tbody>
</table>

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.40 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan’s fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Based on the assumptions described in the DRS CAFR Certification Letter, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return, a 7.40 percent on pension plan investments was applied to determine the total pension liability.

**Sensitivity of the Net Pension Liability (Assets)**

The following table presents the Auburn School District’s proportionate share of the collective net pension liability (NPL) calculated using the discount rate of 7.40 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.40 percent) or one percentage-point higher (8.40 percent) than the current rate. Amounts are calculated using the school district’s specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability.

| Sensitivity of the Net Pension Liability to Changes in the Discount Rate |
|---------------------------------------------------------------|-----------------|-----------------|-----------------|
|                                                                | 1% Decrease (6.40%) | Current Discount Rate (7.40%) | 1% Increase (8.40%) |
| PERS 1 NPL                                                      | $2,080,441,000   | $1,221,234,000   | $471,917,000    |
### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

<table>
<thead>
<tr>
<th></th>
<th>1% Decrease (6.40%)</th>
<th>Current Discount Rate (7.40%)</th>
<th>1% Increase (8.40%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SERS 2/3 NPL</strong></td>
<td>($11,793,000)</td>
<td>($1,073,697,000)</td>
<td>($1,952,101,000)</td>
</tr>
<tr>
<td>Allocation</td>
<td>1.591805%</td>
<td>1.591805%</td>
<td>1.591805%</td>
</tr>
<tr>
<td>Percentage</td>
<td>($187,722)</td>
<td>($17,091,165)</td>
<td>($31,073,645)</td>
</tr>
<tr>
<td><strong>TRS 1 NPL</strong></td>
<td>$1,290,542,000</td>
<td>$673,298,000</td>
<td>$134,647,000</td>
</tr>
<tr>
<td>Allocation</td>
<td>1.619267%</td>
<td>1.619267%</td>
<td>1.619267%</td>
</tr>
<tr>
<td>Percentage</td>
<td>$20,897,320</td>
<td>$10,902,492</td>
<td>$2,180,294</td>
</tr>
<tr>
<td><strong>TRS 2/3 NPL</strong></td>
<td>479,331,000</td>
<td>(2,748,807,000)</td>
<td>(5,382,150,000)</td>
</tr>
<tr>
<td>Allocation</td>
<td>1.623215%</td>
<td>1.623215%</td>
<td>1.623215%</td>
</tr>
<tr>
<td>Percentage</td>
<td>$7,780,572</td>
<td>($44,619,046)</td>
<td>($87,363,863)</td>
</tr>
</tbody>
</table>

### NOTE 6: 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 retired employee participation and coverage, including establishment of eligibility criteria. Benefits purchased by PEBB include medical, dental, life insurance and long-term disability insurance.

Employers participating in the PEBB plan include the state of Washington (which includes general government agencies and higher education institutions), political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of K–12 school districts and ESDs. The District’s retirees (approximately 407) 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 Plan 2 or 3 of TRS or SERS.

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

Medical Benefits

Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 medical coverage for 2021.

<table>
<thead>
<tr>
<th>Type of Coverage</th>
<th>Employee</th>
<th>Employee &amp; Spouse</th>
<th>Full Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser Permanente NW Classic</td>
<td>$745.66</td>
<td>$1,485.75</td>
<td>$2,040.82</td>
</tr>
<tr>
<td>Kaiser Permanente NW CDHP</td>
<td>$618.76</td>
<td>$1,226.30</td>
<td>$1,638.21</td>
</tr>
<tr>
<td>Kaiser Permanente WA Classic</td>
<td>$775.39</td>
<td>$1,545.22</td>
<td>$2,122.58</td>
</tr>
<tr>
<td>Kaiser Permanente WA CDHP</td>
<td>$619.29</td>
<td>$1,227.86</td>
<td>$1,640.54</td>
</tr>
<tr>
<td>Kaiser Permanente WA Sound Choice</td>
<td>$641.43</td>
<td>$1,277.28</td>
<td>$1,754.17</td>
</tr>
<tr>
<td>Kaiser Permanente WA Value</td>
<td>$698.96</td>
<td>$1,392.34</td>
<td>$1,912.38</td>
</tr>
<tr>
<td>UMP Classic</td>
<td>$691.72</td>
<td>$1,377.86</td>
<td>$1,892.47</td>
</tr>
<tr>
<td>UMP CDHP</td>
<td>$623.50</td>
<td>$1,241.43</td>
<td>$1,704.88</td>
</tr>
<tr>
<td>UMP Plus-Puget Sound High Value Network</td>
<td>$618.52</td>
<td>$1,226.31</td>
<td>$1,638.41</td>
</tr>
<tr>
<td>UMP Plus-UW Medicine Accountable Care Network</td>
<td>$658.79</td>
<td>$1,312.02</td>
<td>$1,801.93</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Type of Coverage</th>
<th>Employee</th>
<th>Employee &amp; Spouse</th>
<th>Full Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser Permanente NW Senior Advantage</td>
<td>$174.41</td>
<td>$343.27</td>
<td>$898.34</td>
</tr>
<tr>
<td>Kaiser Permanente WA Medicare Plan</td>
<td>$177.10</td>
<td>$348.64</td>
<td>N/A</td>
</tr>
<tr>
<td>Kaiser Permanente WA Classic</td>
<td>N/A</td>
<td>N/A</td>
<td>$926.01</td>
</tr>
<tr>
<td>Kaiser Permanente WA Sound Choice</td>
<td>N/A</td>
<td>N/A</td>
<td>$825.54</td>
</tr>
<tr>
<td>Kaiser Permanente WA Value</td>
<td>N/A</td>
<td>N/A</td>
<td>$868.68</td>
</tr>
<tr>
<td>UMP Classic</td>
<td>$336.30</td>
<td>$667.04</td>
<td>$1,181.65</td>
</tr>
</tbody>
</table>

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

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

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

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

For the fiscal year 2020-21, the Auburn School District paid $29,248,159 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 7: OTHER SIGNIFICANT COMMITMENTS**

The District has active construction projects as of August 31, 2021:

<table>
<thead>
<tr>
<th>Project</th>
<th>Project Authorization Amount</th>
<th>Expended as of 8/31/2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinook Elementary</td>
<td>67,011,919</td>
<td>11,119,984</td>
</tr>
<tr>
<td>Lea Hill Elementary</td>
<td>59,891,138</td>
<td>8,641,806</td>
</tr>
<tr>
<td>Terminal Park Elementary</td>
<td>67,753,695</td>
<td>1,586,482</td>
</tr>
<tr>
<td>Willow Crest</td>
<td>60,982,021</td>
<td>58,890</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$308,436,198</strong></td>
<td><strong>$21,407,162</strong></td>
</tr>
</tbody>
</table>
Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. The following encumbrance amounts were re-encumbered by fund on September 1, 2021:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>$535,873</td>
</tr>
<tr>
<td>ASB Fund</td>
<td>-$300</td>
</tr>
<tr>
<td>Capital Projects Fund</td>
<td>$10,242,408</td>
</tr>
<tr>
<td>Transportation Vehicle Fund</td>
<td>$0</td>
</tr>
</tbody>
</table>

NOTE 8: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District’s capital assets are insured in the amount of $492,529,894 for fiscal year 2021. 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 following is a summary of changes in long-term debt of the District for the fiscal year(s) ended August 31, 2021:

<table>
<thead>
<tr>
<th>Governmental activities</th>
<th>Balance at Sept. 1, 2020</th>
<th>Increases</th>
<th>Decreases</th>
<th>Balance at Aug. 31, 2021</th>
<th>Due within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Obligation Bonds</td>
<td>396,810,000</td>
<td>116,650,000</td>
<td>24,475,000</td>
<td>488,985,000</td>
<td>13,365,000</td>
</tr>
</tbody>
</table>

Long-term debt at August 31, 2021, are comprised of the following individual issues:

<table>
<thead>
<tr>
<th>Issue Name</th>
<th>Amount Authorized</th>
<th>Annual Installments FY 2022</th>
<th>Final Maturity</th>
<th>Interest Rate(s)</th>
<th>Amount Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Obligation Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012 Refunding</td>
<td>9,290,000</td>
<td>125,000</td>
<td>12/1/2022</td>
<td>2.00 – 3.00</td>
<td>8,335,000</td>
</tr>
<tr>
<td>2013 UTGO &amp; Refunding</td>
<td>78,855,000</td>
<td>2,165,000</td>
<td>12/1/2032</td>
<td>1.50 – 4.00</td>
<td>57,670,000</td>
</tr>
<tr>
<td>2014 UTGO &amp; Refunding</td>
<td>43,555,000</td>
<td>1,430,000</td>
<td>12/1/2033</td>
<td>1.00 – 5.00</td>
<td>28,705,000</td>
</tr>
<tr>
<td>2017 UTGO</td>
<td>90,535,000</td>
<td>800,000</td>
<td>12/1/2036</td>
<td>2.25 – 5.00</td>
<td>69,105,000</td>
</tr>
<tr>
<td>2018 UTGO</td>
<td>138,755,000</td>
<td>0</td>
<td>12/1/2037</td>
<td>3.00 – 5.00</td>
<td>134,705,000</td>
</tr>
<tr>
<td>2019 UGTO</td>
<td>73,815,000</td>
<td>0</td>
<td>12/1/2039</td>
<td>3.00 – 5.00</td>
<td>73,815,000</td>
</tr>
<tr>
<td>2020 UTGO &amp; Refunding</td>
<td>116,650,000</td>
<td>8,845,000</td>
<td>12/1/2040</td>
<td>3.00 – 5.00</td>
<td>116,650,000</td>
</tr>
</tbody>
</table>
Debt service requirements on long-term debt as of August 31, 2021, are as follows:

<table>
<thead>
<tr>
<th>Bonds</th>
<th>Years Ending August 31</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>13,365,000</td>
<td>10,103,806</td>
<td></td>
<td>23,468,827</td>
</tr>
<tr>
<td>2022</td>
<td>15,220,000</td>
<td>19,586,450</td>
<td></td>
<td>34,806,450</td>
</tr>
<tr>
<td>2023</td>
<td>17,530,000</td>
<td>19,012,750</td>
<td></td>
<td>36,542,750</td>
</tr>
<tr>
<td>2024</td>
<td>19,405,000</td>
<td>18,239,050</td>
<td></td>
<td>37,644,050</td>
</tr>
<tr>
<td>2025</td>
<td>21,400,000</td>
<td>17,369,600</td>
<td></td>
<td>38,769,600</td>
</tr>
<tr>
<td>2026 – 2030</td>
<td>99,290,000</td>
<td>73,628,200</td>
<td></td>
<td>172,918,340</td>
</tr>
<tr>
<td>2031 – 2035</td>
<td>149,495,000</td>
<td>47,543,150</td>
<td></td>
<td>197,038,315</td>
</tr>
<tr>
<td>2036-2040</td>
<td>153,280,000</td>
<td>14,095,950</td>
<td></td>
<td>167,376,140</td>
</tr>
<tr>
<td>Total</td>
<td>488,985,000</td>
<td>219,578,956</td>
<td></td>
<td>708,564,566</td>
</tr>
</tbody>
</table>

At August 31, 2021, the District had $11,525,044 available in the Debt Service Fund to service the general obligation bonds.

**Refunded Debt**

On December 3, 2020, the District issued $7.9 million in general obligation bonds with an average interest rate of 1.43 percent to currently refund $8.215 million of outstanding 2010 series bonds with an average interest rate of 5.00 percent. The net proceeds of $8,240,101.39 after payment of $41,231.61 in underwriting fees, other issuance costs, and contingency were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2010 series bonds. As a result, the 2010 series bonds are considered defeased.

The District advance refunded the 2010 series bonds to reduce its total debt service payments over the next 1 year by $332,944.44 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $330,446.72.

<table>
<thead>
<tr>
<th>Cash Flows Difference</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Old Debt Service Cash Flows</td>
<td>8,625,750.00</td>
</tr>
<tr>
<td>New Debt Service Cash Flows</td>
<td>8,292,805.56</td>
</tr>
<tr>
<td>Total</td>
<td>$332,944.44</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Economic Gain</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Present Value of Old Debt Service</td>
<td>$8,505,553.44</td>
</tr>
<tr>
<td>Present Value of New Debt Service</td>
<td>$8,175,106.72</td>
</tr>
<tr>
<td>Total</td>
<td>$330,446.72</td>
</tr>
</tbody>
</table>
Prior-Year Defeasance of Debt

In prior years, the District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District’s financial statements. At August 31, 2021, $0 of bonds outstanding were considered defeased.

NOTE 10: INTERFUND BALANCES AND TRANSFERS

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

The following table depicts interfund transfer activity:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Due from Other Funds</th>
<th>Due to Other Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>$1,420,281</td>
<td>$29,148,092</td>
</tr>
<tr>
<td>Special Revenue (ASB)</td>
<td>$949,478</td>
<td>$37,032</td>
</tr>
<tr>
<td>Capital Projects</td>
<td>$25,835,315</td>
<td>$1,383,077</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$2,739,461</td>
<td>$172</td>
</tr>
<tr>
<td>Private Purpose</td>
<td>$101,058</td>
<td>$477,220</td>
</tr>
<tr>
<td>Transportation Vehicle</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$31,045,593</td>
<td>$31,045,593</td>
</tr>
</tbody>
</table>

The following table depicts interfund transfer activity:

<table>
<thead>
<tr>
<th>Transferred From (Fund) 535 or 536</th>
<th>Transferred To (Fund) 965 9900 or 9901</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Projects</td>
<td>General Fund</td>
<td>$58,883</td>
<td>Transfer Tech Levy Funds</td>
</tr>
</tbody>
</table>

On September 14, 2020 the Board of Directors adopted Resolution No. 1320: Transfer of Capital Projects Technology Levy Funds to General Fund. The District had a prior committed payment obligation for the ongoing technology costs of district wireless infrastructure. Necessary funds were available in the Capital Projects Technology Levy Funds from local sources. Washington State allows certain moneys in the Capital Projects Fund to be transferred to the district’s General Fund, including for Ongoing Technology - “Costs associated with the application and modernization of technology systems for operations and instruction including, but not limited to, the ongoing fees for online applications, subscriptions, or software licenses, including
upgrades and incidental services, and ongoing training related to the installation and integration of these products and services.” RCW 28A.320.330(2)(f)(ii) and (g).

**NOTE 11: ENTITY RISK MANAGEMENT ACTIVITIES**

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

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

Members make an annual contribution to fund WSRMP. WSRMP purchases reinsurance and excess insurance from unrelated carriers subject to a per-occurrence self-insured retention of $1 million risk shared by WSRMP. Reinsurance or Excess carriers cover losses over $1 million to the maximum limits of each policy. Members are responsible for varied deductibles for auto and property claims. Since WSRMP is a cooperative program, there is a joint liability among the participating members.

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

WSRMP is fully funded by its member participants and is governed by a board of directors that consists of one designated representative from each participating member. An executive board is elected at the annual meeting and is responsible for overseeing the business affairs of WSRMP.
The District pays an annual premium to the pool for its general insurance coverage. For the fiscal year ended August 31, 2021, the District contributed $1,894,239 to the pool.

Washington School risk Management Pool has published its own financial report for the year ended August 31, 2021. This report can be obtained from:

Washington Schools Risk Management Pool
320 Andover Park East
P. O. Box 88700
Tukwila WA 98138-2700

**NOTE 12: PROPERTY TAXES**

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

**Tax Abatements**

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

<table>
<thead>
<tr>
<th>Tax Abatement Program</th>
<th>Total Amount of Taxes Abated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Use</td>
<td>$243,780</td>
</tr>
<tr>
<td>Home Improvement</td>
<td>$1,846</td>
</tr>
</tbody>
</table>

**Current Use:** State law provides for agricultural land, timber land and other open space to be assessed at its current use, rather than its highest and best use. For farm and agricultural land, and designated forest land, call the assessor at 206-263-2374. For Open space and Timber Lands, contact the Department of Natural Resources and Parks – Water and Land Resource Division at 206-296-8351 or 206-296-1470. For more information regarding Current Use Program visit https://www.kingcounty.gov/environment/stewardship/sustainable-building/resource-protection-incentives.aspx.

**Home Improvement:** All owners of detached single family dwellings (including mobile homes on fee-owned land) may be eligible for relief from tax increases caused by major additions or remodels. Claims for exemption must be filed with the assessor BEFORE construction is complete. For more information, call 206-263-2338.
NOTE 13: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The District is a member of the King County Director’s Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts’ purchasing power. The District’s current equity of $226,960 is the accumulation of the annual assignment of KCDA’s operating surplus based upon the percentage derived from KCDA’s total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

NOTE 14: FUND BALANCE CLASSIFICATION DETAILS

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

<table>
<thead>
<tr>
<th>Fund Purpose</th>
<th>General Fund</th>
<th>ASB Fund</th>
<th>Capital Projects Fund</th>
<th>Debt Service Fund</th>
<th>Transportation Vehicle Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory and Prepaid Items</td>
<td></td>
<td>$549,155</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Restricted Fund Balance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For Fund Purpose</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$2,553,281</td>
</tr>
<tr>
<td>For Carryover of Restricted Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$2,511,632</td>
</tr>
<tr>
<td>For Carryover of Food Service Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For Debt Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$11,527,328</td>
</tr>
<tr>
<td>Restricted from Bond Proceeds</td>
<td></td>
<td></td>
<td></td>
<td>$162,243,703</td>
<td></td>
</tr>
<tr>
<td>Committed from Levy Proceeds</td>
<td></td>
<td></td>
<td></td>
<td>$3,986,597</td>
<td></td>
</tr>
<tr>
<td>Restricted from State Proceeds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$55,060,979</td>
</tr>
<tr>
<td>Restricted from Impact Fee Proceeds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Committed Fund Balance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Commitments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assigned Fund Balance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contingencies</td>
<td></td>
<td></td>
<td></td>
<td>$300,000</td>
<td></td>
</tr>
<tr>
<td>Other Purposes</td>
<td></td>
<td></td>
<td></td>
<td>$3,596,663</td>
<td></td>
</tr>
<tr>
<td>Fund Purposes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$488,237</td>
</tr>
<tr>
<td><strong>Unassigned Fund Balance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$41,174,340</td>
</tr>
</tbody>
</table>
NOTE 15: TERMINATION BENEFITS

Compensated Absences

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

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

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

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

#### For the Year Ended August 31, 2021

<table>
<thead>
<tr>
<th>Description</th>
<th>Beginning Outstanding Debt September 1, 2020</th>
<th>Amount Issued / Increased</th>
<th>Amount Redeemed / Decreased</th>
<th>Ending Outstanding Debt August 31, 2021</th>
<th>Amount Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Voted Debt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voted Bonds</td>
<td>396,810,000.00</td>
<td>116,650,000.00</td>
<td>24,475,000.00</td>
<td>488,985,000.00</td>
<td>13,365,000.00</td>
</tr>
<tr>
<td>LOCAL Program Proceeds Issued in Lieu of Bonds</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Non-Voted Debt and Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Voted Bonds</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>LOCAL Program Proceeds</td>
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<td>10,771,206.80</td>
<td>6,619,564.51</td>
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<td><strong>Other Liabilities</strong></td>
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<td>Non-Voted Notes Not Recorded as Debt</td>
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<td>Net Pension Liabilities</td>
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<td>13,913,680.70</td>
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</table>

Other postemployment benefits other than pensions (OPEB) liabilities are not presented in the Schedule of Long Term Liabilities.
### Auburn School District No. 408  
Schedule of Expenditures of Federal Awards  
For the Year Ended August 31, 2021

<table>
<thead>
<tr>
<th>Federal Agency (Pass-Through Agency)</th>
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<th>CFDA Number</th>
<th>Other Award Number</th>
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<th>Passed through to Subrecipients</th>
<th>Note</th>
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</thead>
<tbody>
<tr>
<td><strong>Child Nutrition Cluster</strong></td>
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<td></td>
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<tr>
<td>FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)</td>
<td>COVID 19 - National School Lunch Program</td>
<td>10.555</td>
<td>217WAWA1H17 03</td>
<td>704,958</td>
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<td>FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)</td>
<td>COVID 19 - Summer Food Service Program for Children</td>
<td>10.559</td>
<td>217WAWA3N10 99 and 217WAWA3N11 99</td>
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<td>FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)</td>
<td>COVID 19 - Fresh Fruit and Vegetable Program</td>
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<td><strong>Forest Service Schools and Roads Cluster</strong></td>
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<tr>
<td>FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)</td>
<td>Schools and Roads - Grants to States</td>
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<td><strong>Total Forest Service Schools and Roads Cluster:</strong></td>
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<td><strong>US DEPARTMENT OF DEFENSE</strong></td>
<td>JROTC Program</td>
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<td>DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via PSESD)</td>
<td>COVID 19 - Coronavirus Relief Fund</td>
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<tr>
<td>DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via PSESD)</td>
<td>COVID 19 - Coronavirus Relief Fund</td>
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<td><strong>Total CFDA 21.019:</strong></td>
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</tbody>
</table>

The accompanying notes are an integral part of this schedule.
### Auburn School District No. 408
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021

<table>
<thead>
<tr>
<th>Federal Agency (Pass-Through Agency)</th>
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<th>CFDA Number</th>
<th>Other Award Number</th>
<th>From Pass-Through Awards</th>
<th>From Direct Awards</th>
<th>Total</th>
<th>Passed through to Subrecipients</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)</td>
<td>Title I Grants to Local Educational Agencies</td>
<td>84.010</td>
<td>270236 (5189/2020)</td>
<td>97,876</td>
<td>-</td>
<td>97,876</td>
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<tr>
<td>OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)</td>
<td>Title I Grants to Local Educational Agencies</td>
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<td>270248 (5189/2030)</td>
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<td>OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)</td>
<td>Title I Grants to Local Educational Agencies</td>
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<td>270548 (5189/5040)</td>
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<td>Title I Grants to Local Educational Agencies</td>
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<td>270863 (5189/1380)</td>
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<td>OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)</td>
<td>Title I Grants to Local Educational Agencies</td>
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<td>270864 (5189/2070)</td>
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<td>OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)</td>
<td>Title I Grants to Local Educational Agencies</td>
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<td>OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)</td>
<td>Title I Grants to Local Educational Agencies</td>
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<td>OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)</td>
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<td>203705 (5100-5185)</td>
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</tbody>
</table>

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### Auburn School District No. 408
#### Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021

<table>
<thead>
<tr>
<th>Federal Agency (Pass-Through Agency)</th>
<th>Federal Program</th>
<th>CFDA Number</th>
<th>Other Award Number</th>
<th>From Pass-Through Awards</th>
<th>From Direct Awards</th>
<th>Total</th>
<th>Passed through to Subrecipients</th>
<th>Note</th>
</tr>
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<tbody>
<tr>
<td><strong>Special Education Cluster (IDEA)</strong></td>
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<tr>
<td>OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)</td>
<td>Special Education Grants to States</td>
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<td>307171 (2400)</td>
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<td>OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)</td>
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<td>OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)</td>
<td>Special Education Preschool Grants</td>
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<td>366570 (2480)</td>
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<tr>
<td>OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)</td>
<td>Special Education Preschool Grants</td>
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<td>381107 (2403)</td>
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<td>Total Special Education Cluster (IDEA):</td>
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<td>OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF</td>
<td>Impact Aid</td>
<td>84.041</td>
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<td>183,994</td>
<td>183,994</td>
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</tbody>
</table>

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Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021

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<th>From Direct Awards</th>
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<th>Passed through to Subrecipients</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF</td>
<td>Indian Education Grants to Local Educational Agencies</td>
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<tr>
<td>OFFICE OF POSTSECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via University of Washington)</td>
<td>Gaining Early Awareness and Readiness for Undergraduate Programs</td>
<td>84.334</td>
<td>7979</td>
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<tr>
<td>OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)</td>
<td>English Language Acquisition State Grants</td>
<td>84.365</td>
<td>403008 (6400 &amp; 6405)</td>
<td>387,191</td>
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<td>387,191</td>
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</tr>
<tr>
<td>OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)</td>
<td>English Language Acquisition State Grants</td>
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<td>410577 (6436)</td>
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<tr>
<td>OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)</td>
<td>Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)</td>
<td>84.367</td>
<td>525124 (5237)</td>
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<tr>
<td>OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)</td>
<td>School Improvement Grants</td>
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<td>225400 (5190)</td>
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<tr>
<td>EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)</td>
<td>Student Support and Academic Enrichment Program</td>
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<td>430773 (5205)</td>
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</table>

**Total CFDA 84.365:** 425,146 - 425,146

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<th>Federal Agency (Pass-Through Agency)</th>
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</tr>
</thead>
<tbody>
<tr>
<td>EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via Pierce County)</td>
<td>COVID 19 - Education Stabilization Fund</td>
<td>84.425</td>
<td>84.425D - 7661 (1770)</td>
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<td>EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)</td>
<td>COVID 19 - Education Stabilization Fund</td>
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<td>84.425D - S425D200015 (130183)</td>
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<td>COVID 19 - Education Stabilization Fund</td>
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<td>84.425D - S425D200015 (120173)</td>
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<tr>
<td>CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Public Health Seattle &amp; King County)</td>
<td>Sodium Reduction in Communities</td>
<td>93.082</td>
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<td>2,180</td>
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<tr>
<td>ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA OSPI)</td>
<td>Every Student Succeeds Act/Preschool Development Grants</td>
<td>93.434</td>
<td>710735 (6906)</td>
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<td>3,312</td>
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<tr>
<td>ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via SOWA)</td>
<td>Refugee and Entrant Assistance State/Replacement Designee Administered Programs</td>
<td>93.566</td>
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<td>41,250</td>
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**Medicaid Cluster**

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For the Year Ended August 31, 2021

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<tr>
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<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA HCA)</td>
<td>Medical Assistance Program</td>
<td>93.778</td>
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</tr>
<tr>
<td>SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via King County)</td>
<td>Block Grants for Prevention and Treatment of Substance Abuse</td>
<td>93.959</td>
<td>6905</td>
<td>187,928</td>
<td>-</td>
<td>187,928</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total Medicaid Cluster:</strong></td>
<td></td>
<td></td>
<td></td>
<td>137,019</td>
<td>-</td>
<td>137,019</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total Federal Awards Expended:</strong></td>
<td></td>
<td></td>
<td></td>
<td>33,042,755</td>
<td>372,630</td>
<td>33,415,385</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this schedule.
Auburn School
District #408

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021

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

Note 2 – Federal De Minimis Indirect Rate
The District has not elected to use the 10-percent de minimis indirect cost rate allowed under
the Uniform Guidance.

Note 3 – Federal Indirect Rate
The District used the following federal indirect rates:
   a) CFDA 84.425D, 93.434 unrestricted rate of 12.89%
   b) CFDA 84.377 restricted rate of 3.23%
   c) All other CFDA restricted rate of 3.14%

Note 4 – Program Costs/Matching Contributions
The amounts shown as current year expenditures represent only the federal grant portion of
the program costs. Entire program costs, including the District’s portion, are more than
shown. Such expenditures are recognized following, as applicable, either the cost principles
in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments,
or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform
Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,
wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 5 – Noncash Awards
The amount of commodities reported on the Schedule is the value of commodities received
by the District during current year and priced as prescribed by OSPI.

Note 6 – School Wide Programs
The District operates a “schoolwide program” in eleven elementary schools, four middle
schools, and three high schools (18 buildings total). Using the 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 amount was expended by the district in its school wide
program: Title I (84.010A) $5,556,039.
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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- Explore public financial data with the Financial Intelligence Tool

Other ways to stay in touch

- Main telephone: (564) 999-0950
- Toll-free Citizen Hotline: (866) 902-3900
- Email: webmaster@sao.wa.gov
September 8, 2022

Auburn School District No. 408  
King and Pierce Counties, Washington

D.A. Davidson & Co.  
Seattle, Washington

Re: Auburn School District No. 408, King and Pierce Counties, Washington  
Unlimited Tax General Obligation Refunding Bonds, 2022 - $48,395,000

Ladies and Gentlemen:

We have acted as bond counsel to the Auburn School District No. 408, King and Pierce Counties, Washington (the “District”), and have examined a certified transcript of the proceedings taken in the matter of the issuance by the District of its Unlimited Tax General Obligation Refunding Bonds, 2022 (the “Bonds”), dated the date hereof, in the aggregate principal amount of $48,395,000, issued pursuant to Resolution No. 1355 of the District’s Board of Directors adopted on August 8, 2022 (the “Bond Resolution”), for the purpose of providing funds to refund certain outstanding unlimited tax general obligation bonds of the District pursuant to an election authorizing the same and to pay the costs of issuance of the Bonds. Capitalized terms used in this opinion and not otherwise defined herein shall have the meanings given such terms in the Bond Resolution.

The Bonds are not subject to optional redemption prior to their stated maturities.

Regarding questions of fact material to our opinion, we have relied on representations of the District in the Bond Resolution and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been legally issued and constitute valid and binding general obligations of the District, except to the extent that the enforcement of the rights and remedies of the holders and owners of the Bonds may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.
2. By the Bond Resolution, the District has covenanted that, for as long as any of the Bonds are outstanding, the District shall levy taxes annually without limitation as to rate or amount on all taxable property within the District in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the Bonds. The full faith, credit and resources of the District are irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of such principal and interest.

3. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in the preceding sentence is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with all applicable requirements. Failure to comply with certain of such covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

4. Interest on the Bonds is taken into account in determining “adjusted financial statement income” of certain corporations for purposes of computing the alternative minimum tax imposed on “applicable corporations” for tax years beginning after December 31, 2022.

The Bonds are not “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

K&L GATES LLP
APPENDIX F

BOOK-ENTRY ONLY SYSTEM
1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry only transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial
 Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry only system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of
such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant’s interest in the Securities, on DTC’s records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC’s records and followed by a book-entry only credit of tendered Securities to [Tender/Remarketing] Agent’s DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC’s book-entry only system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.