

Financial Section

- **Independent Auditor’s Opinion**
- **Management’s Discussion and Analysis**
- **Government-Wide Financial Statements**
- **Governmental Fund Financial Statements**
- **Fiduciary Fund Financial Statements**
- **Notes to the Financial Statements**
- **Required Supplementary Information**
- **Supplemental Data**





Washington State Auditor Troy Kelley

INDEPENDENT AUDITOR'S REPORT

March 22, 2013

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

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Auburn School District No. 408, King County, Washington, as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Auburn School District No. 408, King County, Washington, as of August 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 21, budgetary comparison information on pages 58 through 59 and information on postemployment benefits other than pensions on page 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

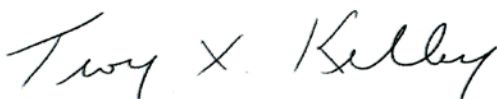
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The accompanying information listed as supplemental data on pages 62 through 91 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 basic financial statements taken as a whole.

The information identified in the table of contents as the introductory and statistical sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated March 22, 2013, 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. That report will be issued under separate cover in the District's Single Audit Report. 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* and should be considered in assessing the results of our audit.

Sincerely,



TROY KELLEY
STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Auburn School District No. 408, we offer readers of the district's comprehensive annual financial report (CAFR) this narrative overview and analysis of the financial activities of the district for the fiscal year ended August 31, 2012.

FINANCIAL HIGHLIGHTS

- The district's net assets of governmental activities as of August 31, 2012 were \$201,589,434.
- During the year, the district had revenues that were \$6.8 million greater than the \$153.1 million in expenses incurred for all governmental activities, resulting in a corresponding increase in the district's net assets.
- The general fund expenditures exceeded revenues by \$1.3 million.
- In May of the fiscal year, the district saved taxpayers over \$1.4 million by refunding prior year bonds.
- District taxpayers approved a \$110 million Auburn High School Modernization and Reconstruction Bond on November 6, 2012. The money will be used to reconstruct aging Auburn High School including facility upgrades to address educational program needs. The project will also incorporate safety and energy improvements that will save the district \$250,000 in annual maintenance and operations costs. In addition, funds will be used to modernize the Auburn High School's Performing Arts Center and Automotive Technology buildings. The project is eligible for \$25 million in State matching funds.
- On January 8, 2013, the district sold \$78,855,000 in unlimited tax general obligation and refunding bonds. The new money portion of the bonds, in the amount of \$59,265,000, represents the first series of bonds issued under the \$110 million bond authorization described above. The balance of the sale of \$19,590,000 advance refunded the \$20 million of the 2005 bonds. The total net savings of \$3,013,853 had a net present value of \$2,601,687 as of January 22, 2013 the bond sale settlement date.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: an introductory section, a financial section, and a statistical section. The financial section includes the independent auditor's report, management's discussion and analysis, the basic financial statements and related notes to the financial statements.

The basic financial statements consist of a series of statements that present different financial views of the district:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the district's overall financial status and activities. For district activities, these statements tell how these services were financed in the short term as well as what remains for future spending.
- All of the remaining statements are *fund financial statements* that report district

operations in more detail by providing information about the district's most significant funds. Information is also provided about activities for which the district acts solely as a trustee for the benefit of those outside of the government.

DISTRICT-WIDE FINANCIAL STATEMENTS

The district-wide financial statements are designed to provide a broad overview of district finances, similar to a private-sector business. The *statement of net assets* presents information on all of the assets and liabilities of the district. The difference between the two is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the district's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying financial event takes place, regardless of when the cash is actually received or disbursed. Thus, revenues and expenses are reported in this statement for some items that will result in cash receipts or disbursements in future fiscal periods. Earned but unused vacation leave and uncollected taxes are examples of these types of items.

FUND FINANCIAL STATEMENTS

A fund is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. The district uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All district funds can be divided into two categories: governmental funds and fiduciary funds.

GOVERNMENTAL FUNDS

Governmental funds account for essentially the same functions reported as governmental activities in the *district-wide financial statements*. However, unlike these statements, *governmental fund financial statements* focus on how money flows into and out of the funds and the balances left at year-end that are available to spend. These funds use an accounting method called *modified accrual accounting* which measures cash and all other financial assets that can easily be converted to cash. Such information may be useful in evaluating the district's ability to finance the district's educational programs and support operations in the near future.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the *district-wide financial statements*. By doing so, readers may better understand the long-term impact of the district's near-term financing decisions. Both the governmental fund *balance sheet* and the governmental fund *statement of revenues, expenditures, and changes in fund balances* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the *governmental fund statement of revenues, expenditures and changes in fund balance* for the General Fund, Associated Student Body (ASB) Fund, Capital Projects Fund, Transportation Vehicle Fund and the Debt Service Fund, all of which are considered major funds.

FIDUCIARY FUNDS

The district is the trustee or fiduciary, for individuals, private organizations and other governments for scholarships and to employees for an employee benefit trust for vision services.

All of the district's fiduciary activities are reported in a separate *statement of fiduciary net assets* and *changes in fiduciary net assets* under the fiduciary financial statement section. These activities are excluded from the district's other financial statements because the district cannot use these assets to finance its operations. The district is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

STATEMENT OF NET ASSETS

Net assets may serve as a useful indicator of the district's financial position. Auburn School District's assets exceed liabilities by \$201,589,434 at the end of the fiscal year, August 31, 2012.

Approximately 66.5% of net assets are the investment in capital assets such as land, buildings and equipment less any related outstanding debt used to acquire those assets. The district continues to modernize various schools to meet student needs. These assets are not available for future spending. The remainder consists of amounts restricted for capital projects, debt service and other purposes, with \$26 million unrestricted.

The increase in total net assets for the year was \$6,757,244. Key elements of this increase are as follows:

| Auburn School District's Net Assets | | | |
|---|-------------------------|----------------|----------------|
| August 31, 2012 and 2011 | | | |
| | Governmental Activities | | |
| | 2012 | 2011 | Change |
| Current and other assets | \$ 73,566,857 | \$ 75,354,162 | \$ (1,787,305) |
| Capital assets | 235,859,457 | 230,573,165 | 5,286,292 |
| Total assets | 309,426,314 | 305,927,327 | 3,498,987 |
| | | | - |
| Other liabilities | 6,117,423 | 6,698,550 | (581,127) |
| Long-term debt outstanding | 101,719,457 | 104,396,587 | (2,677,130) |
| Total liabilities | 107,836,880 | 111,095,137 | (3,258,257) |
| | | | - |
| Net assets | | | - |
| Invested in capital assets, net of related debt | 146,736,281 | 137,067,119 | 9,669,162 |
| Restricted | 28,855,651 | 25,920,648 | 2,935,003 |
| Unrestricted | 25,997,502 | 31,844,423 | (5,846,921) |
| Total Net Assets | \$ 201,589,434 | \$ 194,832,190 | \$ 6,757,244 |

STATEMENT OF ACTIVITIES

Governmental activities improved the district’s overall financial position, increasing the district’s net assets by \$6,757,244. Key elements of the increase are as follows:

| AUBURN SCHOOL DISTRICT'S Changes in Net Assets | | | |
|---|-----------------------|-----------------------|---------------------|
| Governmental Activities | | | |
| For the Fiscal Years Ended August 31, 2012 and 2011 | | | |
| <u>Revenues</u> | 2012 | 2011 | Changes |
| Program Revenues | | | |
| Charges for services | \$ 5,403,153 | \$ 5,239,221 | \$ 163,932 |
| Operating grants and contributions | 28,342,502 | 32,499,827 | (4,157,325) |
| Capital grants and contributions | 3,204,811 | 1,158,945 | 2,045,866 |
| General revenues | | | |
| Property taxes for levies for educational programs | 29,863,934 | 30,583,209 | (719,275) |
| Property taxes for levies for debt service | 7,750,422 | 8,211,474 | (461,052) |
| Property taxes for levies for capital improvements and technology | 10,158,388 | 14,550,420 | (4,392,032) |
| Unallocated state apportionment and other | 74,884,134 | 72,679,379 | 2,204,755 |
| Interest and investment earnings | 288,206 | 361,412 | (73,206) |
| Total Revenues | <u>159,895,550</u> | <u>165,283,887</u> | <u>(5,388,337)</u> |
| <u>Expenses</u> | | | |
| Regular instruction | 85,774,558 | 81,384,392 | 4,390,166 |
| Special instruction | 17,423,833 | 15,719,955 | 1,703,878 |
| Vocational instruction | 5,855,583 | 6,065,799 | (210,216) |
| Compensatory education | 8,267,625 | 13,912,526 | (5,644,901) |
| Other instructional programs | 1,075,753 | 782,067 | 293,686 |
| Community services | 916,705 | 811,372 | 105,333 |
| Support services | 16,454,457 | 15,884,498 | 569,959 |
| Child nutrition services | 5,114,428 | 4,927,536 | 186,892 |
| Pupil transportation services | 6,527,948 | 6,545,122 | (17,174) |
| Extracurricular activities (ASB) | 2,198,599 | 2,265,631 | (67,032) |
| Interest on long-term debt | 3,528,817 | 3,499,072 | 29,745 |
| Total Expenses | <u>153,138,306</u> | <u>151,797,970</u> | <u>1,340,336</u> |
| Increase (decrease) in Net Assets | 6,757,244 | 13,485,917 | (6,728,673) |
| Beginning Net Assets | 194,832,190 | 181,346,273 | 13,485,917 |
| Ending Net Assets | <u>\$ 201,589,434</u> | <u>\$ 194,832,190</u> | <u>\$ 6,757,244</u> |

The largest revenue decrease of almost \$4.4 million was for property tax levies for capital improvements and technology. The combined levy for calendar year 2012 was \$11,700,000 compared to the 2011 levy of \$13,900,000 and the levy of \$12,000,000 for calendar year 2010. The differences between the calendar levy year and the district accounting fiscal year as well as the differences between accrual and cash basis accounting yields the drop in property tax revenue. Cash collections for fiscal year 2011-12 were \$12,593,236 compared to cash collections of \$12,823,621 for fiscal year 2010-11 for a cash basis difference of only \$230,385. Operating grants and contributions decreased by almost \$4.2 million due to the expiration of American Recovery and Reinvestment Act (ARRA) federal grants. This drop in revenue was offset by an increase of over \$2 million dollars of state general apportionment dollars, a state energy grant for \$1.3 million and over \$1 million in City of Auburn impact fees for new residential construction permits.

The decrease in expenditures of \$5.6 million in compensatory education was offset by increases of \$4.39 million in regular instruction and \$1.7 million in special instruction as federal compensatory staff were moved to regular and special education programs.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The focus of the district's *governmental funds* is to provide information on short-term cash inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's net resources available for spending at the end of the fiscal year.

As the district completed the fiscal year, its governmental funds (as presented in the balance sheets in the Governmental Fund Financial Statement section) reported a combined fund balance of \$68,644,901, an increase of \$113,867 over the prior year combined fund balance of \$68,531,034. This change is the result of the following factors:

GENERAL FUND

The General Fund is the major operating fund of the district, providing the majority of the resources for educational programs and support operations.

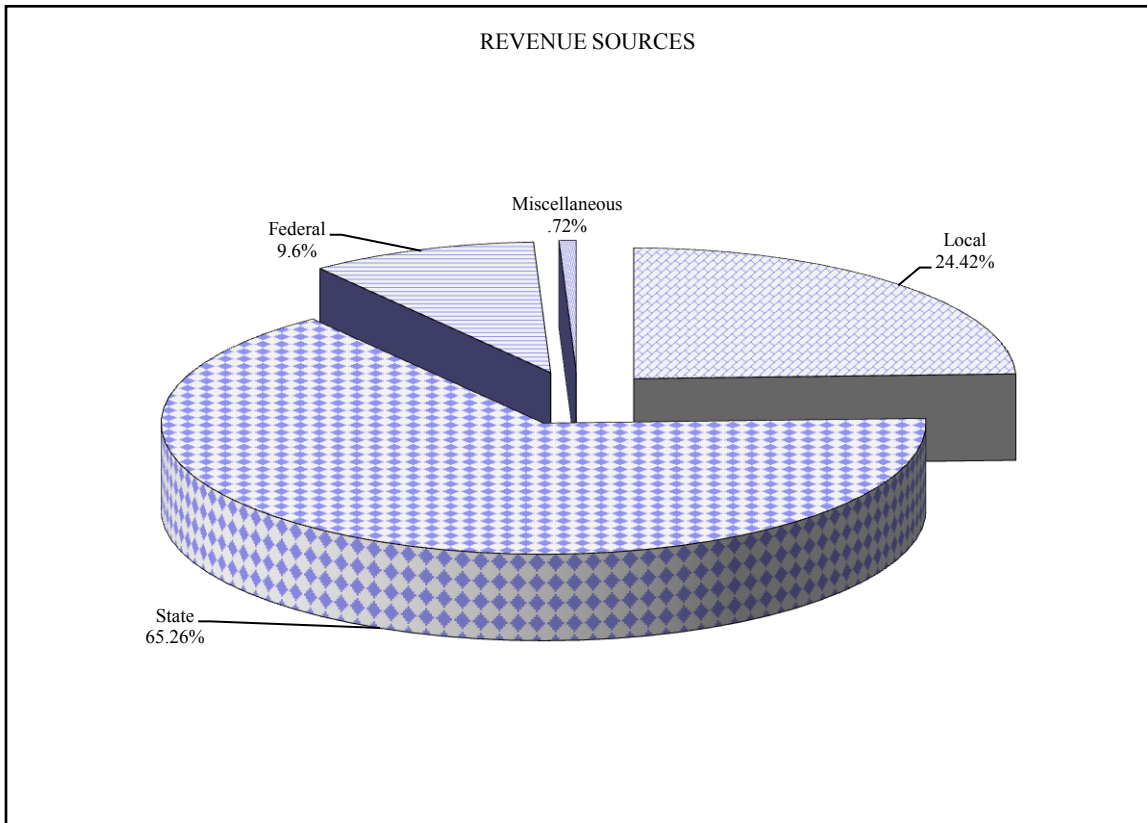
GENERAL FUND REVENUES

Revenues for the General Fund totaled \$135,805,686 in the fiscal year ending August 31, 2012. This was \$593,455 or .44% more than the prior year. The State of Washington provides over 65% or the largest portion of the District's revenue. Local revenues from local property taxes, and local fees and charges account for over 24% of total revenues. Federal grants provide just under 10% of revenue.

GENERAL FUND REVENUES

| Revenue Source | 2011-12 | 2010-11 | Increase (Decrease) Amount | Increase (Decrease) Percent |
|-------------------------|------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Local Taxes & Non-taxes | \$ 33,160,352 | \$ 31,568,350 | \$ 1,592,002 | 5.04% |
| State Revenues | 88,627,797 | 85,579,465 | 3,048,332 | 3.56% |
| Federal Revenues | 13,042,232 | 17,135,473 | (4,093,241) | -23.89% |
| Other Revenues | <u>975,305</u> | <u>928,943</u> | <u>46,362</u> | 4.99% |
| Totals | <u>\$ 135,805,686</u> | <u>\$ 135,212,231</u> | <u>\$ 593,455</u> | 0.44% |

The increase of \$1,592,002 in local taxes and other local sources was primarily due to the increase in the special property tax levies approved by the voters. Calendar year 2012 levy was \$30,317,828 compared to the 2011 levy of \$29,400,000 and the 2010 levy of \$25,991,256. State revenue grew by \$3,048,332 compared to the prior year primarily as the result of the state legislature replacing \$2.8 million of state funds for federal American Recovery and Reinvestment Act (ARRA) grant funds that expired the prior year. Federal revenues decreased by \$4,093,241 primarily due to the expiration of the American Recovery and Reinvestment Act (ARRA) federal stimulus grants. Other revenues increase slightly by \$46,362 due to increased reimbursement from other districts for out of district transportation of homeless students.



GENERAL FUND EXPENDITURES

Expenditures in the General Fund totaled \$137,089,721 for the fiscal year. This represents an increase of \$2,333,330 or 1.73% over the prior year.

| <u>GENERAL FUND EXPENDITURES</u> | 2011-12 | 2010-11 | Increase (Decrease) Amount | Increase (Decrease) Percent |
|---|-----------------------|-----------------------|----------------------------------|-----------------------------------|
| Current | | | | |
| Regular Instruction | \$ 78,528,993 | \$ 73,870,533 | \$ 4,658,460 | 6.31% |
| Special Education | 16,643,184 | 14,735,842 | 1,907,342 | 12.94% |
| Vocational Instruction | 5,475,188 | 5,654,358 | (179,170) | (3.17%) |
| Compensatory Education | 7,715,152 | 12,900,946 | (5,185,794) | (40.20%) |
| Other Instructional Programs | 1,006,558 | 670,850 | 335,708 | 50.04% |
| Community Services | 902,401 | 794,902 | 107,499 | 13.52% |
| Support Services | 15,959,864 | 15,402,775 | 557,089 | 3.62% |
| Child Nutrition Services | 5,053,335 | 4,814,488 | 238,847 | 4.96% |
| Pupil Transportation Service | 5,702,805 | 5,782,168 | (79,363) | (1.37%) |
| Capital Outlay | | | | |
| Equipment | 102,241 | 129,529 | (27,288) | (21.07%) |
| Totals | <u>\$ 137,089,721</u> | <u>\$ 134,756,391</u> | <u>\$ 2,333,330</u> | 1.73% |

The increase of \$4.7 million in state funded regular instructional expenditures and \$1.9 million in state funded special education expended instruction were offset by a decrease of \$5.2 million in federally funded compensatory instruction. Federal Stimulus ARRA grant funds expired at the same time as state funds increased causing a shift of resources from federal programs to state funded programs.

Vocational instruction otherwise known as Career and Technical Education expenditures decreased slightly by 3.17% or \$179,170 over the prior year. This decrease was due to a drop in enrollment for vocational programs of approximately 92 FTE

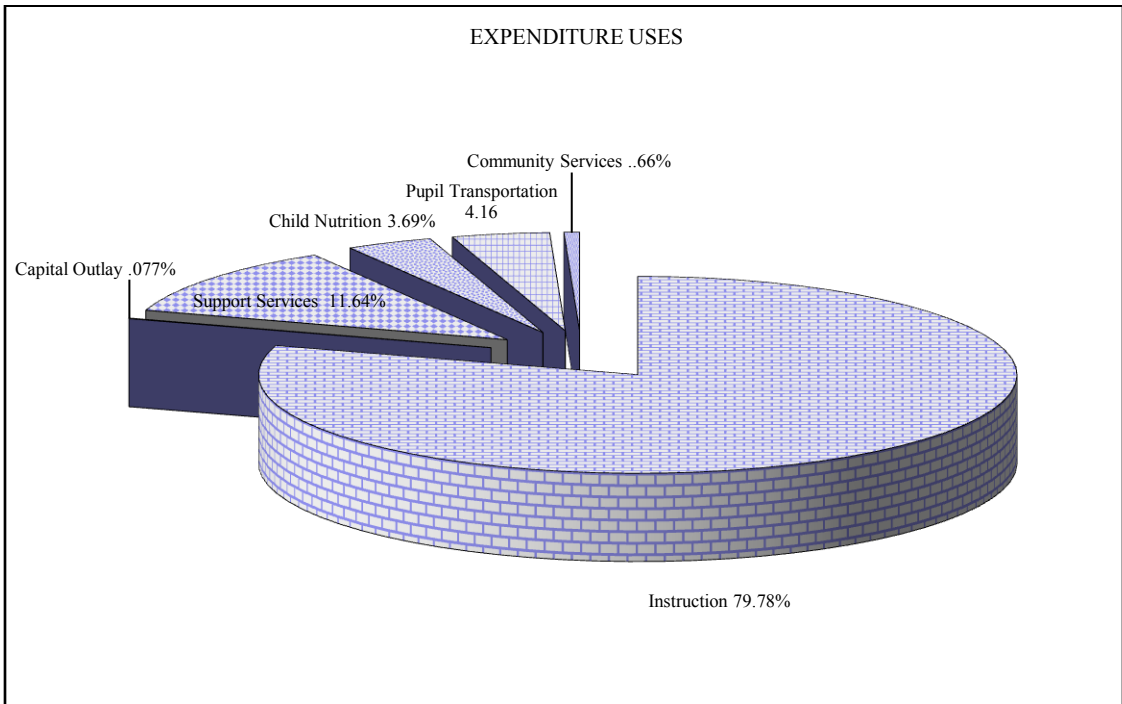
Other instructional program expenditures increased by \$335,708 due to the increase in a variety of special grants. These include an increase of over \$150,000 for the fiscal year from the Muckleshoot Indian Tribe for Indian education programs at Auburn High School, Olympic Middle School and Chinook Elementary School. The district was also awarded a \$75,000 Federal Emergency Management Agency (FEMA) grant to repair major wind storm damage to district facilities. In addition local PTA's and other community supporters increased their donations by over \$50,000 compared to the prior year.

Support service expenditures increased by \$557,089 compared to the prior year primarily due to the receipt in the prior year of over \$453,000 in water, sewer and garbage refunds at Auburn High School and two elementary schools. The refunds were due to the efforts of the district utility management program staff vigilant review and monitoring of all district utility costs.

The 4.96 % increase in child nutrition service expenditures was primarily the result of increases in food and food preparation costs of over \$176,000. In addition, employee benefit costs for retirement and health care increased by over \$50,000 compared to the prior year.

Pupil Transportation costs decreased slightly by 1.37% or \$79,363 during the year. Increasing

gasoline prices pushed total costs for bus fuel up almost \$83,000 compared to the prior year. However this was more than offset by the reduction of \$175,000 in salaries for bus drivers no longer needed due to more efficient bus routing. New software installed during the year generated this cost savings.



MAJOR FUND BUDGETARY HIGHLIGHTS

Appropriations are a prerequisite to expenditures in the governmental funds. Appropriations lapse at the end of the fiscal year. The fiscal year 2011-12 budget adopted by the Board of Directors for the district totaled \$180,340,024 including General Fund appropriations of \$142,565,696, Special Revenue Fund (ASB) appropriations of \$4,026,384, Debt Service Fund appropriations of \$8,232,944, Capital Projects Fund appropriations of \$24,050,0000 and Transportation Vehicle Fund appropriations totaling \$1,465,000.

Reasons for the significant variances in the general fund between the budget and actual results include:

- Total actual general fund revenues were only \$84,651 less than budgeted. While anticipated local grants were \$845,019 less than expected and the district did not receive \$224,777 in anticipated E-Rate funds, federal grants were \$1,091,382 more than projected. These additional federal grant revenues included Special Education Safety Net revenues of \$271,144, an increase of \$264,597 for Medicaid Administrative Match, \$127,211 for Medicaid Reimbursements for Special Education services, \$204,554 of increased reimbursement from the USDA breakfast and lunch program, an increase of \$56,641 for USDA commodities for the breakfast and lunch program and \$120,822 of increased Title II funds.
- Expenditures of \$137,089,721 were \$5,475,975 less than the budgeted \$142,565,696 as a result of several cost saving initiatives. Of these initiatives, careful supply management in every school and department yielded the most significant savings of \$1.8 million compared to budget. Energy audits and conservation programs instituted by the

district maintenance department produced utility expenditures approximately \$1 million below budget. Employee benefits were also below budget by about \$815,000 primarily due to less than projected benefit rate increases. In addition, local grant program expenditures were almost \$1 million less than projected due to less than projected local grant revenues.

Reasons for the significant variances in the capital projects fund between the budget and actual results include:

- Local Non-taxes that were \$912,391 more than projected. This was primarily because school impact fees exceeded projections by \$639,000 and Puget Sound Energy provided an unexpected \$191,321 in rebates for energy improvements at several district schools.
- Expenditures that were \$10.3 million less than projected because many projects were still in the planning stage.

Revenues were less than projected in the Associated Study Body Fund by approximately \$1.8 million and expenditures were less than projected by a similar amount. Students and their adult advisors did an outstanding job of living within their reduced revenue. Student fundraising has been adversely impacted by the decline in the economy.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The District's investment in capital assets for its governmental type activities as of August 31, 2012 amounted to \$235,859,457 (net of accumulated depreciation of \$106,516,031). This investment in capital assets includes land, buildings, land and building improvements, furniture and equipment.

During the fiscal year, \$1,612,630 was added to land, \$228,488 was added to buildings for improvements that met the capitalization policy of \$100,000, \$171,673 was added to equipment that met the capitalization policy of \$5,000 per unit, and \$9,576,537 was added to construction in progress primarily for future school sites and modernization projects. Surplused equipment that originally cost \$1,251,833 was removed from the books. Items with a market value were sent to the State of Washington Surplus Property Department to be sold at auction. All other items were sent to the King County Refuse Station.

See Note 4, Changes in Capital Assets, for more information.

| CAPITAL ASSETS | | | |
|--------------------------|-----------------------|---------------------------------|-----------------------|
| | Capital Assets | Accumulated Depreciation | Net |
| Land | \$ 22,990,609 | \$ - | \$ 22,990,609 |
| Building & Improvements | 261,607,138 | (93,935,550) | 167,671,588 |
| Equipment | 17,548,050 | (12,580,481) | 4,967,569 |
| Construction In Progress | 40,229,691 | - | 40,229,691 |
| Total | \$ 342,375,488 | \$ (106,516,031) | \$ 235,859,457 |

DEBT ADMINISTRATION

At the end of the current fiscal year, the district had \$87,125,000 in unlimited general obligation bonds outstanding. This debt is secured by a pledge of the full faith and credit of the district. \$2,285,000 of that debt is due within the next twelve months.

The Washington State Constitution and the Revised Code of Washington 39.36.015 and 39.36.020 limit the amount of general obligation (GO) debt that may be issued. With a vote of the people, debt cannot be incurred in excess of 5% of the value of the taxable property of the district, provided the indebtedness in excess of 2.5% is for capital outlay. For the fiscal year ended August 31, 2012, the maximum GO debt authorized by statutory limit was \$407.3 million. The district had \$87.125 million of debt outstanding at August 31, 2012, that was subject to that limitation. With \$2.044 million of assets in the Debt Service Fund available for payment of principal, there is a legal debt margin of \$322.2 million.

On April 23, 2012 Moody's Investor Service migrated the district's Municipal Scale Rating to a Global Scale Rating. As a result of this migration, the district's rating was changed from A1 to Aa2. This rating was reaffirmed on December 21, 2012. Additional information on the district's bonded debt obligations is presented in Note 8.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2012-13 appropriations for governmental funds of the district were approved at \$186,831,525. For calendar year 2012, the total property tax rate for special levies was \$6.14 per \$1,000 of assessed property value. The projected rate for 2013 is \$6.62 per \$1,000 of assessed value. Total assessed value declined by 4.9% from \$8.57 billion to \$8.15 billion during 2012. For 2013, the projected assessed valuation is \$7.78 billion, a decrease of 4.5% from the prior year.

The district serves the cities of Auburn, Pacific, Algona, and parts of Kent and Black Diamond as well as portions of unincorporated King and Pierce Counties. The outlook for the local economy for 2013 is one poised for continued growth as new businesses locate here, diversifying the tax base. Auburn is a participant in the resilient Puget Sound economy as indicated by the drop in the unemployment rate from 8.1% in 2011 to 7.1% in 2012. Auburn's economy has been relatively stable as many of its basic industries have been somewhat insulated from economic downturns. This has been reflected in relatively stable property tax collection rates with no noticeable declines.

The Boeing Company is the largest single employer and tax payer in the City of Auburn with a steady 6% of assessed valuation. Other major employers include the Auburn School District, the Muckleshoot Tribal Casino, Auburn Regional Medical Center, Green River Community College, Emerald Downs Racetrack, the Social Security Administration, the Federal Aviation Administration and the Auburn Supermall. In 1990, Boeing accounted for 71% of all jobs in the City of Auburn. Today, Boeing jobs account for only 17.5% of the employment base in Auburn as the local economy continues to diversify. The projected future shape of the Boeing Company includes the Auburn Fabrication plant as it works to fill a seven-year global backlog of airplane orders.

Over the last decade, Auburn's location has enabled it to diversify from primarily aircraft manufacturing to becoming a regional hub for wholesale distribution centers, entertainment complexes, medical centers, a large shopping mall, a commuter rail center and federal government administration centers. Auburn will continue to reap economic benefits from its location far into the future. According to the City of Auburn, some of the most recent and

significant projects are:

- Orion Industries, Boeing Supplier of the Year, recently announced plans to move 265 employees to a new 100,000 square-foot facility in Auburn. Orion expects to open the facility in November 2013. Management cited as reasons to locate, Auburn's close proximity to a growing cluster of aerospace suppliers as well as increased accessibility to public transportation for staff.
- Auburn Junction, a four-block downtown redevelopment project near the Transit Station, is valued at \$240 million. It will eventually offer 750,000 square feet of retail, office and living space. Since the State Legislature has identified the project as a demonstration project, the City has received \$6.3 million in resources to finance infrastructure improvements in the downtown area. These improvements include the South Division Street Promenade Project and the City Hall Plaza Project.
- The Robertson Property Group (RPG) plans to turn a former drive-in movie complex into a 70-acre multi-phased, mixed-use residential and retail development. The Auburn Gateway project will have 720,000 square feet of retail, 500 residential units and up to 1.6 million square feet of office space.
- The Pacific Raceways motorsports complex will be expanding to include a new oval racetrack and a racing industrial park with one million square feet of industrial space with room for retail. The plan, which is estimated to cost \$135 million, will meet the higher standards of car clubs and other racing groups thereby attracting more high profile racing events.
- Amazon has opened a new 500,000 square foot shipping and receiving facility in the nearby Sumner Industrial Park. It is bringing hundreds of family wage full-time jobs to the area.

REQUESTS FOR INFORMATION

This financial report is designed to provide the district's citizens, taxpayers, customers, investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, visit www.auburn.wednet.edu or contact

Toni Lally, CPA
Executive Director of Business Services
Auburn School District No. 408
915 4th Street NE
Auburn, WA 98002

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities.

These statements report all financial and capital resources of the primary government as a whole, except for the fiduciary funds of the primary government.

The Statement of Net Assets displays “assets less liabilities equal net assets” format.

The Statement of Activities presents governmental activities by function, at the level of detail required in the governmental fund statement of revenues, expenditures and changes in fund balances.

The government-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting.



AUBURN SCHOOL DISTRICT NO. 408
STATEMENT OF NET ASSETS
August 31, 2012

Schedule 1

| | Note # | | Primary Government Governmental Activities |
|---|-------------|---------------|--|
| ASSETS | | | |
| Cash and Cash Equivalents | 1.E.1 and 2 | \$ | 41,344,945 |
| Property Tax Receivable | 1.E.2 | | 29,907,877 |
| Receivables, Net | 1.E.3 | | 141,412 |
| Due from Other Governments | 1.E.5 | | 1,292,104 |
| Inventories | 1.E.6 | | 628,289 |
| | | | |
| Capital Assets, not being depreciated | | | |
| Land | 4 | \$ 22,990,609 | |
| Construction-in-progress | 5 | 40,229,691 | |
| Total capital assets, not being depreciated | | 63,220,300 | |
| Capital Assets, being depreciated | | | |
| Buildings & Improvements | 4 | 261,607,138 | |
| Equipment | 4 | 17,548,050 | |
| Total capital assets, being depreciated | | 279,155,188 | |
| Less accumulated depreciation | 4 | (106,516,031) | |
| Total capital assets, net of accumulated depreciation | | 172,639,157 | |
| Capital assets, net of accumulated depreciation | | | 235,859,457 |
| Deferred Charges -Unamortized Bond Issuance Costs | | | 252,230 |
| TOTAL ASSETS | | | 309,426,314 |
| | | | |
| LIABILITIES | | | |
| Accounts Payable | | | 2,777,325 |
| Accrued Wages & Benefits Payable | | | 1,629,229 |
| Due to Other Governments | | | 224,694 |
| Accrued Interest | | | 822,388 |
| Unearned Revenue | 1.E.9 | | 663,787 |
| Long-Term Liabilities | | | |
| Due within one year | 8 | | 2,692,301 |
| Due in more than one year | | | 99,027,156 |
| TOTAL LIABILITIES | | | 107,836,880 |
| | | | |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | | | 146,736,281 |
| Restricted for: | | | |
| Capital Projects | | | 22,805,203 |
| Debt Service | | | 2,044,146 |
| Student ASB Activities | | | 1,433,077 |
| Acquisition of School Buses | | | 1,654,860 |
| Nutrition Services | | | 918,365 |
| State Grants | | | |
| Unrestricted | | | 25,997,502 |
| TOTAL NET ASSETS | | \$ | 201,589,434 |

The notes to the basic financial statements are an integral part of this statement.

AUBURN SCHOOL DISTRICT NO. 408
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2012

| Functions/Programs | Expenses | PROGRAM REVENUES | | | NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS |
|--------------------------------------|-----------------------|------------------------|--|--|--|
| | | Charges for Service | Operating Grants and Contributions | Capital Grants and Contributions | PRIMARY GOVERNMENT Governmental Activities |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| Regular Instruction | \$ 85,774,558 | \$ 638,480 | \$ 45,555 | \$ 2,533,719 | \$ (82,556,804) |
| Special Instruction | 17,423,833 | | 11,402,448 | | (6,021,385) |
| Vocational Instruction | 5,855,583 | 442,099 | 100,452 | | (5,313,032) |
| Compensatory Education | 8,267,625 | | 7,928,459 | | (339,166) |
| Other Instructional Programs | 1,075,753 | 4,930 | 1,190,224 | | 119,401 |
| Community Services | 916,705 | 616,534 | | | (300,171) |
| Support Services | 16,454,457 | 203,566 | | | (16,250,891) |
| Child Nutrition Services | 5,114,428 | 1,251,867 | 4,851,875 | | 989,314 |
| Pupil Transportation Services | 6,527,948 | | 2,823,489 | 671,092 | (3,033,367) |
| Extracurricular Activities (ASB) | 2,198,599 | 2,245,677 | | | 47,078 |
| Interest Expense on Long-Term Debt | 3,528,817 | | | | (3,528,817) |
| Total Governmental Activities | \$ 153,138,306 | \$ 5,403,153 | \$ 28,342,502 | \$ 3,204,811 | \$ (116,187,840) |

General Revenues:

Taxes:

| | |
|--|------------|
| Property taxes, levies for educational programs | 29,863,934 |
| Property taxes, levies for debt service | 7,750,422 |
| Property taxes, levies for capital improvements and technology | 10,158,388 |
| Unallocated State Apportionment & Others | 74,884,134 |
| Interest and Investment earnings | 288,206 |

Total General Revenues and Special Items**122,945,084****Changes in Net Assets****6,757,244****Net Assets - Beginning****194,832,190****Net Assets - Ending****\$ 201,589,434**

The notes to the basic financial statements are an integral part of this statement.

Governmental Fund Financial Statements

The governmental fund financial statements consist of major governmental funds:

1. General Fund
2. Special Revenue Fund (Associated Student Body)
3. Debt Service Fund
4. Capital Projects Fund
5. Transportation Vehicle Fund

The governmental funds focus primarily on the sources, uses and balances of current financial resources and the modified accrual basis of accounting.



AUBURN SCHOOL DISTRICT NO. 408

FUND BALANCE SHEET
GOVERNMENTAL FUNDS

August 31, 2012

| | GENERAL FUND | SPECIAL REVENUE FUND (ASB) | DEBT SERVICE FUND | CAPITAL PROJECTS FUND | TRANSPORTATION VEHICLE FUND | TOTAL GOVERNMENTAL FUNDS |
|--|----------------------|-------------------------------|----------------------|--------------------------|--------------------------------|--------------------------------|
| ASSETS: | | | | | | |
| Cash and Cash Equivalents | \$ 11,076,355 | \$ 1,713,081 | \$ 2,078,544 | \$ 24,820,785 | \$ 1,656,180 | \$ 41,344,945 |
| Property Tax Receivable | 15,257,600 | - | 4,074,275 | 5,902,126 | 1,692 | 25,235,693 |
| Accounts Receivable, Net | 111,746 | 11,623 | - | - | - | 123,369 |
| Interest Receivable | 4,805 | 555 | 857 | 11,125 | 701 | 18,043 |
| Due From Other Funds | 2,458 | - | - | - | - | 2,458 |
| Due From Other Government Units | 1,116,541 | - | - | 174,347 | 1,216 | 1,292,104 |
| Inventories at Cost | 628,289 | - | - | - | - | 628,289 |
| TOTAL ASSETS | 28,197,794 | 1,725,259 | 6,153,676 | 30,908,383 | 1,659,789 | 68,644,901 |
| LIABILITIES: | | | | | | |
| Accounts Payable | 636,352 | 24,426 | 35,255 | 2,081,292 | - | 2,777,325 |
| Accrued Liabilities | 1,629,229 | - | - | - | - | 1,629,229 |
| Due to Other Governments | 102,819 | 5,124 | - | 113,514 | 3,237 | 224,694 |
| Due To Other Funds | - | 2,319 | - | 139 | - | 2,458 |
| Deferred Revenue | 15,654,966 | 260,313 | 4,074,275 | 5,908,235 | 1,692 | 25,899,481 |
| TOTAL LIABILITIES | 18,023,366 | 292,182 | 4,109,530 | 8,103,180 | 4,929 | 30,533,187 |
| FUND BALANCES: | | | | | | |
| Nonspendable | 628,289 | 10,873 | - | - | - | 639,162 |
| Restricted | 918,365 | 1,422,204 | 2,044,146 | 22,805,203 | 1,654,860 | 28,844,778 |
| Assigned | 2,100,000 | - | - | - | - | 2,100,000 |
| Unassigned | 6,527,774 | - | - | - | - | 6,527,774 |
| TOTAL FUND BALANCES | 10,174,428 | 1,433,077 | 2,044,146 | 22,805,203 | 1,654,860 | 38,111,714 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 28,197,794 | \$ 1,725,259 | \$ 6,153,676 | \$ 30,908,383 | \$ 1,659,789 | \$ 68,644,901 |

The notes to the basic financial statements are an integral part of this statement.

AUBURN SCHOOL DISTRICT NO. 408
RECONCILIATION
BALANCE SHEET/STATEMENT OF NET ASSETS
August 31, 2012

| Total Governmental Funds | Long-Term Assets, Liabilities * | Reclassification s and Eliminations* | Statement of Net Assets Totals |
|--------------------------------|---------------------------------------|--|--------------------------------------|
|--------------------------------|---------------------------------------|--|--------------------------------------|

ASSETS

| | | | | |
|------------------------------|---------------|-------------|---------|---------------|
| Cash and Cash Equivalents | \$ 41,344,945 | \$ - | \$ - | \$ 41,344,945 |
| Property Tax Receivable | 25,235,693 | 4,672,184 | - | 29,907,877 |
| Receivables, Net | 123,369 | - | - | 123,369 |
| Interest Receivable | 18,043 | - | - | 18,043 |
| Due from Other Funds | 2,458 | - | (2,458) | - |
| Due from Other Governments | 1,292,104 | - | - | 1,292,104 |
| Inventories | 628,289 | - | - | 628,289 |
| Capital Assets, Net | - | 235,859,457 | - | 235,859,457 |
| Unamortized Bond Issue Costs | - | 252,230 | - | 252,230 |

TOTAL ASSETS

| | | | |
|-------------------|--------------------|----------------|--------------------|
| 68,644,901 | 240,783,871 | (2,458) | 309,426,314 |
|-------------------|--------------------|----------------|--------------------|

LIABILITIES

| | | | | |
|--------------------------|------------|--------------|---------|-------------|
| Accounts Payable | 2,777,325 | - | - | 2,777,325 |
| Accrued Liabilities | 1,629,229 | - | - | 1,629,229 |
| Due to Other Governments | 224,694 | - | - | 224,694 |
| Due to Other Funds | 2,458 | - | (2,458) | - |
| Accrued Interest | - | 822,388 | - | 822,388 |
| Deferred Revenue | 25,899,481 | (25,235,694) | - | 663,787 |
| Long-Term Liabilities | - | 101,719,457 | - | 101,719,457 |

TOTAL LIABILITIES

| | | | |
|-------------------|-------------------|----------------|--------------------|
| 30,533,187 | 77,306,151 | (2,458) | 107,836,880 |
|-------------------|-------------------|----------------|--------------------|

FUND BALANCES/NET ASSETS

| | | | | |
|--------------------------------|------------|-------------|---|--------------------|
| Total Fund Balances/Net Assets | 38,111,714 | 163,477,720 | - | 201,589,434 |
|--------------------------------|------------|-------------|---|--------------------|

TOTAL LIABILITIES AND**FUND BALANCES/NET ASSETS**

| | | | |
|----------------------|-----------------------|-------------------|-----------------------|
| \$ 68,644,901 | \$ 240,783,871 | \$ (2,458) | \$ 309,426,314 |
|----------------------|-----------------------|-------------------|-----------------------|

The notes to the basic financial statements are an integral part of this statement.

* See Note 11A

AUBURN SCHOOL DISTRICT NO. 408
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012

| | GENERAL FUND | SPECIAL REVENUE FUND (ASB) | DEBT SERVICE FUND | CAPITAL PROJECTS FUND | TRANSPORTATION VEHICLE FUND | TOTAL GOVERNMENTAL FUNDS |
|---|----------------------|----------------------------|---------------------|-----------------------|-----------------------------|--------------------------|
| REVENUES | | | | | | |
| Local Taxes | \$ 29,576,925 | \$ - | \$ 7,951,648 | \$ 12,593,236 | \$ 249 | \$ 50,122,058 |
| Local Non-Tax | 3,583,427 | 2,255,877 | 22,054 | 1,595,382 | 11,772 | 7,468,512 |
| State, General Purpose | 73,403,321 | - | - | - | - | 73,403,321 |
| State, Special Purpose | 15,224,476 | - | - | 1,300,000 | 671,093 | 17,195,569 |
| Federal, General Purpose | 133,197 | - | - | - | - | 133,197 |
| Federal, Special Purpose | 12,909,035 | - | - | - | - | 12,909,035 |
| Revenues From Other Sources | 975,305 | - | - | - | - | 975,305 |
| TOTAL REVENUES | 135,805,686 | 2,255,877 | 7,973,702 | 15,488,618 | 683,114 | 162,206,997 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Regular Instruction | 78,528,993 | - | - | - | - | 78,528,993 |
| Special Instruction | 16,643,184 | - | - | - | - | 16,643,184 |
| Vocational Instruction | 5,475,188 | - | - | - | - | 5,475,188 |
| Compensatory Education | 7,715,152 | - | - | - | - | 7,715,152 |
| Other Educational Programs | 1,006,558 | - | - | - | - | 1,006,558 |
| Community Services | 902,401 | - | - | - | - | 902,401 |
| Support Services | 15,959,864 | - | - | - | - | 15,959,864 |
| Child Nutrition Services | 5,053,335 | - | - | - | - | 5,053,335 |
| Pupil Transportation Services | 5,702,805 | - | - | - | - | 5,702,805 |
| Extracurricular Activities (ASB) | - | 2,198,204 | - | - | - | 2,198,204 |
| Debt Service: | | | | | | |
| Principal | - | - | 4,125,000 | - | - | 4,125,000 |
| Interest and Other Charges | - | - | 3,949,622 | - | - | 3,949,622 |
| Capital Outlay: | | | | | | |
| Sites | - | - | - | 1,046,024 | - | 1,046,024 |
| Buildings | - | - | - | 8,162,730 | - | 8,162,730 |
| Equipment | 102,241 | - | - | 1,501,320 | - | 1,603,561 |
| Energy | - | - | - | 3,078,720 | - | 3,078,720 |
| TOTAL EXPENDITURES | 137,089,721 | 2,198,204 | 8,074,622 | 13,788,794 | - | 161,151,341 |
| Excess of Revenues Over (Under) Expenditures | (1,284,035) | 57,673 | (100,920) | 1,699,824 | 683,114 | 1,055,656 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds of Long-Term Debt | - | - | 9,290,000 | - | - | 9,290,000 |
| Issuance Premium | - | - | 707,004 | - | - | 707,004 |
| Payment to Refunded Bond Escrow Agent | - | - | (9,935,303) | - | - | (9,935,303) |
| Sale of Equipment | 16,501 | - | - | - | 21,366 | 37,867 |
| TOTAL OTHER FINANCING SOURCES (USES) | 16,501 | - | 61,701 | - | 21,366 | 99,568 |
| NET CHANGE IN FUND BALANCE | (1,267,534) | 57,673 | (39,219) | 1,699,824 | 704,480 | 1,155,224 |
| Fund Balances - September 1 | 11,441,962 | 1,375,404 | 2,083,365 | 21,105,379 | 950,380 | 36,956,490 |
| Fund Balances - August 31 | \$ 10,174,428 | \$ 1,433,077 | \$ 2,044,146 | \$ 22,805,203 | \$ 1,654,860 | \$ 38,111,714 |

The notes to the basic financial statements are an integral part of this statement.

AUBURN SCHOOL DISTRICT NO. 408
RECONCILIATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
STATEMENT OF ACTIVITIES
August 31, 2012

| | Total Governmental Funds | Long-Term Revenue, Expenses * | Capital Related items * | Long-Term Debt Transactions * | Statement of Activities Totals |
|---|---|--|--|--|---|
| REVENUES AND OTHER SOURCES | | | | | |
| Property Taxes | \$ 50,122,058 | \$ (2,349,314) | \$ - | \$ - | \$ 47,772,744 |
| Local Non-Taxes | 7,468,512 | - | 37,867 | - | 7,506,379 |
| State, General Purpose | 73,403,321 | - | - | - | 73,403,321 |
| State, Special Purpose | 17,195,569 | - | - | - | 17,195,569 |
| Federal, General Purpose | 133,197 | - | - | - | 133,197 |
| Federal, Special Purpose | 12,909,035 | - | - | - | 12,909,035 |
| Revenues From Other Sources | 975,305 | - | - | - | 975,305 |
| TOTAL | 162,206,997 | (2,349,314) | 37,867 | - | 159,895,550 |
| EXPENDITURES/EXPENSES | | | | | |
| Current: | | | | | |
| Regular Instruction | 78,528,993 | 834,805 | 6,410,760 | - | 85,774,558 |
| Special Instruction | 16,643,184 | 226,194 | 554,455 | - | 17,423,833 |
| Vocational Instruction | 5,475,188 | 88,715 | 291,680 | - | 5,855,583 |
| Compensatory Education | 7,715,152 | 83,299 | 469,174 | - | 8,267,625 |
| Other Instructional Programs | 1,006,558 | 6,183 | 63,012 | - | 1,075,753 |
| Community Services | 902,401 | 14,304 | - | - | 916,705 |
| Support Services | 15,959,864 | 249,539 | 245,054 | - | 16,454,457 |
| Child Nutrition Services | 5,053,335 | 45,824 | 15,269 | - | 5,114,428 |
| Pupil Transportation Services | 5,702,805 | 153,877 | 671,266 | - | 6,527,948 |
| Extracurricular Activities (ASB) | 2,198,204 | - | 395 | - | 2,198,599 |
| Debt Service: | | | | | |
| Principal | 4,125,000 | - | - | (4,125,000) | - |
| Interest and Other Charges | 3,949,622 | - | - | (420,805) | 3,528,817 |
| Capital Outlay: | | | | | |
| Sites | 1,046,024 | - | (1,046,024) | - | - |
| Buildings | 8,162,730 | - | (8,162,730) | - | - |
| Equipment | 1,603,561 | - | (1,603,561) | - | - |
| Energy | 3,078,720 | - | (3,078,720) | - | - |
| TOTAL EXPENDITURES/EXPENSES | 161,151,341 | 1,702,740 | (5,169,970) | (4,545,805) | 153,138,306 |
| EXCESS OF REVENUES OVER UNDER EXPENDITURES | 1,055,656 | (4,052,054) | 5,207,837 | 4,545,805 | 6,757,244 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Bond Sale and Refunding Bond Sales | 9,290,000 | - | - | (9,997,004) | (707,004) |
| Payment to Refunded Bond Escrow Agen: | (9,935,303) | - | - | 9,935,303 | - |
| Sale of Equipment | 37,867 | - | (37,867) | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (607,436) | - | (37,867) | (61,701) | (707,004) |
| NET CHANGE FOR THE YEAR | \$ 448,220 | \$ (4,052,054) | \$ 5,169,970 | \$ 4,484,104 | \$ 6,050,240 |

The notes to the basic financial statements are an integral part of this statement.

* See Note 11B

Fiduciary Funds Financial Statements

The fiduciary funds financial statements consist of the Private-Purpose Trust Fund and the Employee Benefit Trust Fund. The fiduciary funds financial statements focus on net assets and changes in net assets.

The Private-Purpose Trust Fund reports all trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

The Employee Benefit Trust Fund reports the trust arrangement under which funds are held for the benefit of employees for vision services.



AUBURN SCHOOL DISTRICT NO. 408
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
August 31, 2012

| | Private Purpose Trust Fund | Employee Benefit Trust Fund |
|--|---------------------------------------|--|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 574,876 | \$ 90,359 |
| Accounts Receivable | 2,000 | - |
| Interest Receivable | 274 | 31 |
| TOTAL ASSETS | \$ 577,150 | 90,390 |
| LIABILITIES | | |
| Accounts Payable | 3,624 | 5,981 |
| Due to Other Governmental Units | - | |
| TOTAL LIABILITIES | 3,624 | 5,981 |
| NET ASSETS | | |
| Held in Trusts for Scholarships and Student Aid | 573,526 | - |
| Held in Trust for Member Benefits | - | 84,409 |
| TOTAL NET ASSETS | \$ 573,526 | \$ 84,409 |

The notes to the basic financial statements are an integral part of this statement.

AUBURN SCHOOL DISTRICT NO. 408
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
For the Fiscal Year Ended August 31, 2012

| | Private Purpose Trust Fund | Employee Benefit Trust Fund |
|------------------------------------|-----------------------------------|------------------------------------|
| ADDITIONS | | |
| Donations | \$ 135,292 | \$ - |
| Member Contributions | - | 155,054 |
| Investment Earnings | 4,001 | 567 |
| Total Additions | 139,293 | 155,621 |
| DEDUCTIONS | | |
| Scholarships | 143,952 | - |
| Benefit Claims and Expenses | - | 202,440 |
| Total Deductions | 143,952 | 202,440 |
| Change in Net Assets | (4,659) | (46,819) |
| Net Assets, Beginning of the year | 578,185 | 131,228 |
| Net Assets, End of the year | \$ 573,526 | \$ 84,409 |

The notes to the basic financial statements are an integral part of this statement.

Notes to the Financial Statements



Auburn School District No. 408
915 4th Street NE, Auburn WA 98002

AUBURN SCHOOL DISTRICT NO. 408
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Auburn School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals. The more significant accounting policies of the District are described below:

A. REPORTING ENTITY

The Auburn School District is a municipal corporation organized pursuant to Title 28A *Revised Code of Washington* (RCW) for the purpose of providing public school services to students in grades P-12. Auburn School District operates under an 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, the power to set fees, levy property taxes and issue debt consistent with provisions of state statutes, also rests with the board of directors.

Based on the criteria specified in *GASB Statement No. 14, The Financial Reporting Entity*, the district has no component units. The district's Comprehensive Annual Financial Report includes all funds that are controlled by or dependent on the district's board of directors. Control by or dependence on the district was determined on the basis of budget adoption, taxing authority, outstanding debt secured by the general credit of the district, obligation of the district to finance any deficits that may occur, or receipt of significant subsidies from the district.

B. BASIS OF PRESENTATION

The accounts of the district are organized on the basis of funds in governmental fund financial statements, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The district's basic financial statements in this report consist of:

1). Government – Wide Financial Statements

Overall governmental activities are reported here without displaying individual funds or fund types and display information about the district as a whole. The Government-Wide financial statements do not include Fiduciary Funds. The government-wide financial statements consist of the following:

a. Statement of Net Assets

The *Statement of Net Assets* reports all financial and capital resources. Capital assets (land, land improvements, buildings, building improvements, vehicles, and equipment) are reported at historical cost, net of accumulated depreciation.

b. Statement of Activities

The operations of the district are presented net of the applicable program revenues. General revenues are divided into property taxes, interest and investment earnings, and special and extraordinary items. The expenses and revenues are reported as follows:

I). Expenses - Expenses are reported by function/program that includes direct and indirect expenses. Depreciation expenses are allocated to direct expenses if they can be specifically identified with a function or program. Interest expenses may be considered direct expenses when borrowing is essential to the creation or continuing existence of a program. Otherwise, interest on long-term liabilities is considered an indirect expense.

II). Revenues – Revenues are divided into program revenues and general revenues. Program revenues are derived directly from the program itself or from parties outside the district’s taxpayers, as a whole. These revenues reduce the net cost of the function to be financed from the district’s general revenue. Program-specific grants and contributions include revenues arising from mandatory and voluntary non-exchange transactions with federal or state governments, organizations, or individuals. These revenues are restricted for use in a particular program.

General revenues are revenues that are not required to be reported as program revenues, such as property tax levies for a specific purpose and all non-tax revenue such as interest and investment earnings.

2). Fund Financial Statements

a. Governmental Funds

Governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. It includes general fund, special revenue fund (associated student body fund), capital projects fund, transportation vehicle fund, and debt service fund. The district considers all governmental funds to be “major funds”.

I). General Fund - This fund is the general operating fund of the district. It accounts for all financial resources of the district, except those required to be accounted for in another fund. In keeping with the principle of as few funds as necessary, child nutrition, maintenance, information services, printing and pupil transportation activities are included in the fund.

II). Special Revenue Fund (Associated Student Body Fund) - This fund is used to account for the extracurricular fees and resources collected in fund-raising events for students. Disbursements require the joint approval of the appropriate student body organization and the district's board of directors. This fund is accounted for as a special revenue fund since the financial resources legally belong to the district.

III). Debt Service Fund - This fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and related expenditures. All of the district's issues are serial bonds rather than term bonds and do not require sinking funds for each issue. Therefore, the district maintains one debt service fund for all bond issues. Also, there are no legal requirements that mandate a separate fund for each bond issue.

IV). Capital Projects Fund – This fund is used to account for the financial resources to be used for the construction or acquisition of major capital assets. This fund must be used when projects are financed wholly or in part by bond issues, intergovernmental resources, major private donations, special levies or insurance recoveries. This fund is also used to account for energy capital improvements.

V). Transportation Vehicle Fund – This fund is used to account for the purchase, major repair, rebuilding and debt service expenditures related to pupil transportation equipment. The major sources of revenue in this fund include the state reimbursement for pupil transportation equipment and special levies.

b. Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary Funds such as the private-purpose trust fund and the employee benefits trust fund are used by a district in its fiduciary capacity as trustee for assets held for individuals, private organizations, and other governments.

I). Private-Purpose Trust Fund - All of the income and principal in the private-purpose trust may be disbursed in the course of its operation. It includes money for scholarships donated by community supporters and funds for student aid provided by InvestED, a public charity formerly known as the Saul Haas Foundation.

II). Employee Benefits Trust Fund (Vision Benefits) – This fund accounts for moneys held in trust for employees participating in the district’s self-insured vision benefits plan. Premiums are deposited into, and vision claims are paid from this fund. The district has contracted with a service provider to administer claims payments.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Governmental fund financial statements include the General Fund, Special Revenue Fund, Debt Service Fund, Capital Projects Fund and Transportation Vehicle Fund. They are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be 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 of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Fiduciary fund financial statements include the Private-Purpose Trust Fund and the Employee Benefits Trust Fund (Vision Benefits). These funds are reported on the accrual basis of accounting.

1). Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances are liquidated at the end of the year; therefore, there are no outstanding encumbrances at year-end.

2). Eliminations and Reclassifications

In the process of aggregating data for the government-wide *statements of net assets* and the *statement of activities*, the inter-fund receivables and payables within governmental funds, except those with fiduciary funds, were eliminated.

D. BUDGETS AND BUDGETARY ACCOUNTING

1). General Budget Policies

The Auburn School District budgets its funds in accordance with the Revised Code of Washington Chapter 28A.505 and Chapter 392-123 of the Washington Administrative Code (WAC). The School District Board adopts the budget after a public hearing. An appropriation is a prerequisite to expenditure. Appropriations lapse at the end of the fiscal period. Annual appropriated budgets are adopted at the fund level. Each governmental fund's total expenditures cannot, by law, exceed its formal fund appropriation. Management is authorized to modify specific accounts within the overall fund appropriation. However, only the Board has the authority to increase or decrease a given fund's annual budget. The Board may adopt a revised or supplemental budget appropriation after a public hearing at anytime during the fiscal year.

2). Budgetary Basis of Accounting

For budget purposes, revenues and expenditures are accounted for on a modified accrual basis of accounting as prescribed in law for all governmental funds. Beginning fund balance is budgeted as available resources and, pursuant to law; the budgeted ending fund balance cannot be negative.

Formal budgetary accounting is employed as a management control for all governmental funds. Budgets are adopted on the same basis of accounting used to reflect actual revenues and expenditures on a generally accepted accounting principles basis.

E. ASSETS, LIABILITIES, NET ASSETS AND FUND BALANCES

1). Cash and Cash Equivalents

The district's cash and cash equivalents consist of cash balances, net of warrants outstanding, and cash equivalents with original maturities of three months or less. At August 31, 2012, cash deposits were \$75,000 petty cash, lunchroom change funds and cash on hand were \$37,424, the fair value of cash equivalents were \$44,251,800 and warrants outstanding were \$2,354,041. In accordance with authorized investment laws, the district's cash equivalents are deposited in the King County Investment Pool. The Pool invests in U.S. Agency mortgage-backed securities to enhance yield. As of August 31, 2012, such securities comprised 0.4% of the Pool's portfolio. As of August 31, 2012, the district's funds invested in the Pool comprised 1.01% of the Pool's portfolio. (See Note 2)

2). Property Taxes

Property tax revenues are collected as the result of special levies passed by the voters in the district. Per Revised Code of Washington 84.60.020, the tax assessment date is January 1 of the

calendar year of collection. The tax lien date is January 1 of the year of collection and taxes receivable are recognized as of that date. Current year taxes are due in full as of April 30, and are delinquent after that date. However, without incurring penalty, the taxpayer may elect to pay one half of taxes due by April 30, with the remaining one half taxes due October 31, and are delinquent after that date. Typically, a little more than half of taxes due are collected on the April 30 date. King County forecloses on property following the third year of delinquency. In *governmental fund financial statements*, property tax revenue that is measurable but not available (taxes that are not expected to be collected within the current period) is recorded as receivable and deferred revenue. In *government-wide financial statements*, property tax revenue, net of estimated uncollectible amounts, is accrued at year-end.

3). Accounts Receivable

This account represents amounts due for services rendered by the district, net of allowance for doubtful accounts.

4). Due From/To Other Funds

Interfund receivables and payables and the associated revenues and expenditures/expenses are recorded in the respective funds in *governmental fund financial statements*. Interfund receivables and payables are eliminated in *government-wide financial statements*, except those with fiduciary funds.

5). Due From Other Governments

This account represents \$1,292,104 of receivables for federal grants of \$1,104,347, state bus and vehicle sales of \$8,180, and local government impact fees of \$174,347. Grant revenues are recorded in the year in which the related expenditures are incurred.

6). Inventories

Inventories of instructional materials are valued at cost using the first-in first-out method. Warehoused inventories of food and maintenance and food service supplies are valued at cost using the weighted average method perpetual inventory system. Inventory is charged as an expenditure when it is issued for consumption. Reservation of fund balance is not necessary. However, the Board of Directors has designated a portion of fund balance to replace or increase the inventories.

7). Bond Discounts, Premiums, Issuance Costs and Refunding Losses

In governmental fund types, bond discounts, premium, issuance costs and refunding losses are recognized in the period of issuance. In *government-wide financial statements*, they are amortized over the life of the bond and charged to expense accounts.

8). Capital Assets

Capital Assets, which include property, buildings and improvements, and equipment are reported in the applicable governmental activities in the *government-wide financial statements*. Capital assets are defined by the district as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year for land, furniture, equipment, vehicles and school buses and \$100,000 for buildings, building improvements and depreciable land improvements with an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal

maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized, but are charged to expenditures in the current period. In *governmental fund financial statements*, there is no depreciation for capital assets. However, depreciation is charged to expenses and allocated to various functions/programs in *government-wide financial statements* in compliance with *GASB Statement No. 34* (See Note 4).

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets’ estimated useful life using the straight- line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | |
|-------------------------------|------------|
| Buildings | 50 years |
| Building Improvements | 20 years |
| Depreciable Land Improvements | 20 years |
| School Buses | 8-18 years |
| Equipment and Vehicles | 4-10 years |

9). Deferred Revenue

In *governmental fund financial statements*, deferred revenues consist of amounts collected before revenue recognition criteria are met, and receivables which, under the modified accrual basis of accounting, are measurable but not yet available, e.g. unearned property tax revenues, unearned revenues from federal, state, and local grants, and unearned revenues on long-term receivables. In *government-wide financial statements*, property taxes are accrued; therefore there are no deferred property tax revenues.

10). Net Assets (Government-wide Financial Statements)

In government-wide financial statements, the “Invested in Capital Assets, Net of Related Debt” component consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The “Restricted Net Assets” component reports the net assets where constraints have been placed on net asset by external laws, regulations, or legislation. Therefore, they are available for disbursements only for specific purposes such as debt service and capital projects. The “Unrestricted Net Assets” are assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

11). Fund Balances (Governmental Fund Financial Statements)

The District has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual

fund balance. In accordance with GASB 54, the District classified governmental fund balances as follows:

Nonspendable – includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid items and long term receivables.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes the child nutrition program, retirement of long term debt, construction programs and other federal and state grants.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the District's Board of Directors.

Assigned – includes fund balance amounts that are self-imposed by the District to be used for a particular purpose. Fund balance is assigned by the District's Board as part of the annual budget resolution.

Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and the unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

12). Compensated Absences

a). Sick Leave –

Full-time 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 paid at death or retirement at the rate of 25% of each day of accrued leave, limited to 180 accrued days. This statute also provides for an annual buy-back of an amount up to the maximum annual accumulation of twelve days. To qualify for annual sick leave buy-back, the employee must have accumulated an excess of 60 days sick leave as of January 1. Sick leave is reported under long-term liabilities in the *Statement of Net Assets*. For reporting purposes, 25% of the sick leave liability (up to 180 days) for those eligible for retirement is considered accruable. The vesting method in *GASB Statement No. 16* was applied in calculating the sick leave. The amount of accrued sick leave as of August 31, 2012 was \$1,902,368 and reported as a long-term liability in the *government-wide financial statements*.

b). Vacation Leave –

Vacation leave is accrued according to bargaining agreement rules for those

employees eligible. Annual leave accumulated by district employees is paid upon retirement at 100% of per diem value. In addition, annual leave accumulated by classified employees represented by the Public School Employees of Washington bargaining groups is paid upon termination at 100% of per diem value. As of August 31, 2012, vacation leave payable, estimated to be \$883,597 is reported as a long-term liability in the *government-wide financial statements*.

NOTE 2. DEPOSITS AND INVESTMENTS

By law, the King County Treasurer is the ex-officio treasurer for the district. In this capacity, the County Treasurer receives, deposits and transacts investments on the district's behalf.

A. DEPOSITS

At year-end, the carrying amounts of the district's deposits with financial institutions and with the King County Treasurer were respectively \$75,000 and \$44,251,800, the warrants outstanding were \$2,354,041 and the petty cash, change funds and cash on hand totaled \$37,424. Total district cash and cash equivalents were \$42,010,182. Of this amount, \$41,344,947 were in governmental funds and \$665,235 were in fiduciary funds. (See Note 1). In addition to FDIC insurance, the district's deposits are protected by the Washington Public Deposit Protection Commission (a multiple financial institution collateral pool). The provision for guaranteed coverage against loss applies not only to demand deposits, but also to certificates of deposit, money market deposit accounts, and savings deposits as well as accrued interest through the date of repayment. Accordingly, the district's deposits are classified per *GASB Statement No.3* as risk level one, insured or collateralized with securities held by the entity or by its agent in the entity's name.

B. INVESTMENTS

In accordance with state investment laws, the district's governing body has entered into a formal inter-local agreement with the district's *ex officio* treasurer, King County, to have all of its funds not required for immediate expenditure to be invested in the King County Investment Pool (Pool). All non-invested cash is held in this external investment pool administered by King County, Washington and consequently is not subject to categorization. At August 31, 2012, the fair value of the district investment in the pool was \$44,251,800 with an effective duration of 1.24 years. The pool is not registered by the SEC and does not operate in a manner consistent with the SEC's rule 2a7 which would allow it to be treated as a money market fund for basis of presentation.

Oversight of the Investment Pool is provided by the King County Executive Finance Committee (EFC) pursuant to RCW 36.29.020. The EFC consists of the Chair of the County Council, the County Executive, the Chief Budget Officer, and the Director of the Finance and Business Operations Division. All investments are subject to written policies and procedures adopted by the EFC. The EFC reviews Pool performance monthly.

All investments in cash equivalents are stated at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Fair value for the King County Investment Pool is provided by the County's safekeeping bank or Bloomberg L.P., a provider of fixed income analytics, market monitors, and security pricing. The net increase in fair value of the district's proportionate share of the King County Investment Pool for 2011-12 was \$168,282. This increase has been recognized and reported against investment income.

Impaired Investments.

As of August 31, 2012, all impaired commercial paper assets 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 four commercial paper assets that were part of completed enforcements events, where the Impaired Pool accepted the cash-out option. The District's share of the impaired investment pool principal is \$338,725 and the District's fair value of these investments is \$152,087.

Interest Rate Risk.

As of August 31, 2012, the Pool's average duration was 1.24 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.

Custodial Credit Risk.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. County policy mandates that all security transactions, including repurchase agreements, are settled "delivery versus payment." This means that payment is made simultaneously with the receipt of the security. These securities are delivered to the County's safekeeping bank or its tri-party bank.

Credit Risk.

As of August 31, 2012, the district's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statues, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

NOTE 3. INTERFUND RECEIVABLES AND PAYABLES

As of August 31, 2012, short-term interfund receivables and payables in governmental funds that resulted from various interfund transactions in governmental fund financial statements were as follows:

| | Due from Other Funds | Due to Other Funds |
|-----------------------|-------------------------|-----------------------|
| General Fund | \$ 2,458 | \$ - |
| Capital Projects Fund | - | \$ 139 |
| ASB Fund | - | 2,319 |
| Total | <u>\$ 2,458</u> | <u>\$ 2,458</u> |

The interfund balances are liquidated on a monthly basis. Almost all of the interfund transfers are to reimburse the general fund from other funds for processing payroll and other accounts payable in the general fund. In addition, all funds collected in the district are electronically swept on a daily basis into the general fund bank account at the county treasurer. Funds are then transferred to the appropriate fund as soon as the receipts are reconciled to the daily deposit reports. Total funds transferred from the General Fund were \$5,779,523. Of this amount \$167,958 were transferred to Fiduciary Funds and \$5,611,565 were transferred to other Governmental Funds.

NOTE 4. CHANGES IN CAPITAL ASSETS

Purchases of equipment over \$5,000 and building and depreciable land improvements over \$100,000 are capitalized and depreciated in the government-wide financial statements. Land is excluded from depreciation. The district’s property valuation of buildings and contents for insurance purposes was \$316,891,876 on August 31, 2012. In the opinion of the district’s insurance consultant, the amount is sufficient to adequately fund replacement of the district’s assets.

| | Balance 9/1/2011 | Additions | Deletions | Balance 8/31/2012 |
|--|-----------------------|---------------------|--------------------|-----------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 21,377,979 | \$ 1,612,630 | \$ - | \$ 22,990,609 |
| Construction in progress | 30,653,154 | 9,576,537 | | 40,229,691 |
| Total capital assets, not being depreciated | <u>52,031,133</u> | <u>11,189,167</u> | <u>-</u> | <u>63,220,300</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 261,378,650 | 228,488 | | 261,607,138 |
| Furniture and equipment | 18,628,210 | 171,673 | (1,251,833) | 17,548,050 |
| Total capital assets, being depreciated | <u>280,006,860</u> | <u>400,161</u> | <u>(1,251,833)</u> | <u>279,155,188</u> |
| Less: accumulated depreciation | | | | |
| Buildings and improvements | (88,683,549) | (5,252,001) | | (93,935,550) |
| Furniture and equipment | (12,781,279) | (1,051,035) | 1,251,833 | (12,580,481) |
| Total accumulated depreciation | <u>(101,464,828)</u> | <u>(6,303,036)</u> | <u>1,251,833</u> | <u>(106,516,031)</u> |
| Total capital assets, being depreciated, net | <u>178,542,032</u> | <u>(5,902,875)</u> | <u>-</u> | <u>172,639,157</u> |
| Governmental activities capital assets, net | <u>\$ 230,573,165</u> | <u>\$ 5,286,292</u> | <u>\$ -</u> | <u>\$ 235,859,457</u> |

The increases to buildings and improvements include completed projects transferred from construction in progress less those portions of the projects classified as capitalized and non capitalized equipment. Only those building improvements and depreciable land improvements that are greater than \$100,000 are capitalized. Additions to equipment include only those capital outlay purchases with a unit cost greater than \$5,000 in accordance with the district’s capitalization policy. Decreases to equipment were the result of the sale or trade-in of obsolete equipment.

Depreciation

Depreciation expense was charged to governmental activities as follows:

| | |
|------------------------------------|---------------------|
| Regular instruction | \$ 4,032,903 |
| Special instruction | 554,455 |
| Vocational instruction | 265,624 |
| Compensatory education | 465,161 |
| Other instructional programs | 63,012 |
| Support services | 238,260 |
| Child Nutrition services | 12,234 |
| Transportation services | 670,992 |
| Extracurricular activities (ASB) | 395 |
| Total depreciation expense | |
| charged to governmental activities | <u>\$ 6,303,036</u> |

NOTE 5. CONSTRUCTION IN PROGRESS

| Project | Authorized | Expended | Committed |
|--|----------------------|----------------------|---------------------|
| Future School Sites | \$ 12,772,211 | \$ 12,659,954 | \$ - |
| Future Middle School Site #5 | 8,493,737 | 8,493,737 | - |
| Auburn High School Improvements | 8,373,851 | 4,789,776 | 3,584,075 |
| Auburn Stadium and Pool Improvements | 3,586,359 | 3,586,359 | - |
| Multi Facility Phase 2 Energy Improvements | 2,974,808 | 2,974,808 | - |
| Hazelwood and Rainier Modernization | 2,688,572 | 2,688,572 | - |
| Gildo Rey & Lakeview ES Improvements | 2,252,594 | 2,252,594 | - |
| Alpac Elementary Improvements | 1,449,199 | 1,449,199 | - |
| Multi-Facility Fiber Optic Project | 612,135 | 612,135 | - |
| Secondary School HVAC Improvements | 317,044 | 317,044 | - |
| Other Improvements | 466,496 | 405,513 | 60,983 |
| Total Construction in Progress | <u>\$ 43,987,006</u> | <u>\$ 40,229,691</u> | <u>\$ 3,645,058</u> |

NOTE 6. PENSIONS

A. GENERAL INFORMATION

Substantially all of the district's full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by the Washington State Department of Retirement Systems (DRS).

The Teachers' Retirement Systems (TRS) includes certificated staff of 295 public school district employers and other public employers. As of June 30, 2011, it includes 75,407 active and inactive vested members.

The Public Employees' Retirement System (PERS) includes non-certificated staff of 295 public school district employers and other public employers. As of June 30, 2011, it includes 182,342 active and inactive vested members.

The School Employees' Retirement System (SERS) includes non-certificated staff of 295 public school district employers. As of June 30, 2011, it includes 62,594 active and inactive vested members.

The employer contribution rates for PERS, TRS and SERS are established each biennium by the state actuary. The employee contribution rate for Plan I is set by statute at six percent and does not vary from year to year. The employer rate is the same for all plans in a system. The method used to determine the contribution requirements are established under Chapter 41.40 and 41.32 Revised Code of Washington (RCW) for PERS and TRS, respectively.

Plan III for TRS was established effective July 1, 1996. This plan is a combination defined benefit, defined contribution plan. Employer contribution rates are established each biennium by the legislature. The state actuary calculates the rates, the economic revenue forecast council adopts the rates and the legislature enacts the rates for the defined benefit portion of the plan. Employee rates are established each biennium by the legislature as well. These rates fund the defined contribution portion of the plan.

SERS was established effective September 1, 2000 and includes a Plan III. This plan is a combination defined benefit, defined contribution plan. The Pension Funding Council establishes employer contribution rates each biennium. The state actuary calculates the rates and the Pension Funding Council adopts the rates, for the defined benefit portion of the plan. The Employee Retirement Benefits Board (ERBB) establishes employee rate choices. These rates fund the defined contribution portion of the plan.

Employee contribution rates for Plan I and Plan II for both systems have been set at rates reflective of amounts that have been appropriated by the state legislature.

The district contribution represents its full liability under both systems, except that future rates may be adjusted to meet the system needs.

B. GENERAL SYSTEM INFORMATION BY BENEFIT PLANS

Certificated public employees are members of TRS. Non-certificated public employees are members of PERS if Plan I or SERS.

Plan I (employment on or before September 30, 1977) members of TRS and PERS are eligible to retire with full benefits after 5 years of credited service and attainment of age 60 or after 25 years of credited service and attainment of age 55 or after 30 years of credited service.

Plan II (employment on or after October 1, 1977) members of TRS and SERS are eligible to retire with full benefits after 5 years of credited service and attainment of age 65 or after 20 years of credited service and attainment of age 55 with the benefit actuarial reduced from age 65.

Plan III (employment on or after July 1, 1996) members of TRS are eligible to retire with full benefits after 10 years of credited service and attainment of age 65 or after 10 years of credited service and attainment of age 55 with benefit actuarially reduced from age 65.

Average final compensation (AFC) of Plan I TRS and PERS members is the greatest average salary during any 2 consecutive years. For Plan II TRS and SERS members, it is the greatest average salary during any 5 consecutive years.

The retirement allowance of Plan I TRS and PERS members is the AFC multiplied by 2 percent per year of service capped at 60 percent. For Plan II TRS and SERS members it is the AFC multiplied by 2 percent per year of service with provision for a cost of living adjustment capped at 3 percent per year. For the defined benefit portion of Plan III TRS and SERS members it is the AFC multiplied by one percent per year of service with provision for a cost of living adjustment.

C. CONTRIBUTIONS

Employee contribution rates as of August 31, 2012:

| | | | |
|--------------|-------------|---------------|-------------|
| Plan I TRS | 6.00% | Plan I PERS | 6.00% |
| Plan II TRS | 4.69% | Plan II SERS | 4.09% |
| Plan III TRS | 5.00-15.00% | Plan III SERS | 5.00-15.00% |

Employer contribution rates as of August 31, 2012:

| | | | | | | |
|--------------|-------|---------------|-------|----------------|-------------|-------------|
| | | | | 9/1/12-3/31/12 | 4/1-6/30/12 | 7/1-8/31/12 |
| Plan I TRS | 8.04% | Plan I PERS | 7.25% | | 7.08% | 7.21% |
| Plan II TRS | 8.04% | Plan II SERS | 7.59% | | 7.58% | 7.58% |
| Plan III TRS | 8.04% | Plan III SERS | 7.59% | | 7.58% | 7.58% |

Under current law the employer must contribute 100 percent of the employer-required contribution. Employer required contributions were as follows:

| Plan | 2011-12 | 2010-11 | 2009-10 |
|---------------|----------------|----------------|----------------|
| Plan I TRS | \$ 224,295 | \$ 172,161 | \$ 200,629 |
| Plan II TRS | 646,951 | 479,856 | 466,332 |
| Plan III TRS | 4,200,070 | 3,195,200 | 3,091,177 |
| Plan I PERS | 27,893 | 24,953 | 28,727 |
| Plan II SERS | 547,304 | 380,236 | 372,394 |
| Plan III SERS | 1,132,934 | 833,641 | 814,260 |

Historical trend information showing TRS, PERS and SERS progress in accumulating sufficient assets to pay benefits when due is presented in the State of Washington's June 30, 2012, comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

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

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The state, through the Health Care Authority (HCA), administers an agent multiple-employer other post-employment benefit plan. The Public Employees Benefits Board (PEBB) created within the HCA is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Programs include medical, dental, life and long-term disability.

Employers participating in the plan include the state (which includes general government agencies and higher education institutions), 57 of the state's K-12 school and educational service districts (ESDs), and 206 political subdivisions. Additionally, the PEBB plan is available to the retirees of the remaining 244 K-12 school districts and ESDs. The Auburn School District's retirees are eligible to participate in the plan under this arrangement.

Plan Description

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.

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

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

Medical and Life Benefits

Upon retirement, members are permitted to receive medical benefits. Retirees pay the following month rates for pre-65 Medical coverage for 2012:

| Descriptions | Type of Coverage | | | |
|----------------------------|----------------------|-------------------------------|------------------|---------------------------|
| | Non-Medicare Retiree | Non-Medicare Retiree & Spouse | Medicare Retiree | Medicare Retiree & Spouse |
| Group Health Classic | \$ 550.48 | \$ 1,095.43 | \$ 131.86 | \$ 258.19 |
| Group Health Value | 501.58 | 997.63 | | |
| Kaiser Permanente Classic | 538.18 | 1,070.83 | 149.23 | 292.93 |
| Uniform Medical Plan | 531.11 | 1,056.69 | 213.87 | 422.21 |
| Premiera Blue Cross Plan F | | | 99.77 | 270.17 |

For 2012, after age 65, retired members receive a subsidy of 50 percent of their monthly medical premiums up to \$150.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The district's annual other post-employment benefits (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that if paid on an on-going basis, is projected to cover the normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period not to exceed thirty years. The following tables show the components of the district's annual OPEB cost for the year, the amount actually contributed to the plan and changes in district's Net OPEB Obligation. (NOO).

| Determination of Annual Required Contribution | August 31, 2012 |
|--|------------------------|
| Normal Cost at Year End | \$ 2,291,115 |
| Amortization of UAAL | 1,198,094 |
| Interest on Normal Cost and Amortization Payment | 157,014 |
| Annual Required Contribution (ARC) | <u>\$ 3,646,223</u> |

| Determination of Net OPEB Obligation | |
|---|---------------------|
| Annual Required Contribution | \$ 3,646,223 |
| Interest on Prior year Net OPEB Obligation | 42,222 |
| Adjustment to ARC | (312,754) |
| Annual OPEB Cost | <u>3,375,691</u> |
| Contributions Made* | (2,009,731) |
| Increase in Net OPEB Obligation | <u>1,365,960</u> |
| Net OPEB Obligation - Beginning of Year | <u>8,444,355</u> |
| Net OPEB Obligation - End of Year* | <u>\$ 9,810,315</u> |

*estimated

The District's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Years 2009 to 2012 were as follows:

| OPEB COST | | | |
|--------------------------|-------------------------|--|----------------------------|
| Fiscal Year Ended | Annual OPEB Cost | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
| 8/31/2012 | \$ 3,375,691 | 59.93% | \$ 9,810,315 |
| 8/31/2011 | \$ 3,702,701 | 21.98% | \$ 8,444,355 |
| 8/31/2010 | \$ 3,583,915 | 22.99% | \$ 5,555,388 |
| 8/31/2009 | \$ 3,554,516 | 21.36% | \$ 2,795,263 |

Funded Status and Funding Progress

As of August 31, 2011, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$35.9 million, and actuarial value of assets was \$0, resulting in a UAAL of \$35.9 million.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

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

The health cost trend rates used for the actuarial study are as follows:

| Year | Medical Trend | Life Trend |
|-------------|----------------------|-------------------|
| 2011-12 | 7.00% | 3.50% |
| 2010-11 | 7.00% | 3.50% |
| 2011-12 | 6.50% | 3.50% |
| 2012-13 | 6.00% | 3.50% |
| 2013-14 | 5.50% | 3.00% |

In the August 31, 2011 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions used included a 4.5% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance the payments of benefits.

The UAAL is being amortized as a level percentage of pay on an open basis over a period of 30 years. The UAAL as a percentage of the covered payroll of \$89,476,306 is 40%.

For further information on the results the actuarial valuation of the employer provided subsidies associated with state's PEBB plan refer to: http://osa.leg.wa.gov/Actuarial_services/OPEB/OPEB.htm.

NOTE 8. LONG-TERM LIABILITIES

Long-term liability activity for the year ended August 31, 2012 is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|----------------------------|--------------------------|----------------------|----------------------|-----------------------|----------------------------|
| Governmental activities: | | | | | |
| Bonds Payable: | | | | | |
| 2004 UTGO Refunding Bonds | \$ 21,270,000 | \$ - | \$ 3,625,000 | \$ 17,645,000 | \$ 1,795,000 |
| 2004 UTGO Bonds | 13,450,000 | - | 8,710,000 | 4,740,000 | 355,000 |
| 2005 UTGO Bonds | 20,000,000 | - | - | 20,000,000 | - |
| 2006 UTGO Bonds | 500,000 | - | 500,000 | - | - |
| 2010 UTGO Refunding Bonds | 35,450,000 | - | - | 35,450,000 | - |
| 2012 UTGO Refunding Bonds | - | 9,290,000 | - | 9,290,000 | 135,000 |
| Total Bonds Payable | 90,670,000 | 9,290,000 | 12,835,000 | 87,125,000 | 2,285,000 |
| Unamortized Bond Premium | 6,084,331 | 707,004 | 745,720 | 6,045,615 | 685,204 |
| Unamortized Refunding | | | | | |
| Adjustment | (3,248,285) | (1,108,516) | (309,362) | (4,047,439) | (414,936) |
| Net Bonds Payable | 93,506,046 | 8,888,488 | 13,271,358 | 89,123,176 | 2,555,268 |
| Other Liabilities: | | | | | |
| Compensated Absences | 2,449,186 | 2,785,966 | 2,449,186 | 2,785,966 | 137,033 |
| Net OPEB Obligation | 8,444,355 | 1,365,960 | - | 9,810,315 | - |
| GRAND TOTAL | \$ 104,399,587 | \$ 13,040,414 | \$ 15,720,544 | \$ 101,719,457 | \$ 2,692,301 |

The debt service fund is established to redeem the outstanding bonds. Compensated Absences payments are liquidated by the general fund.

General Obligation Bonds—The annual requirements to amortize all general obligation bonds outstanding as of August 31, 2012, including interest payments, are listed as follows:

| Principal | Interest | Total |
|----------------------|----------------------|-----------------------|
| \$ 2,285,000 | \$ 3,812,290 | \$ 6,097,290 |
| 6,395,000 | 3,643,328 | 10,038,328 |
| 2,840,000 | 3,411,362 | 6,251,362 |
| 5,225,000 | 3,227,703 | 8,452,703 |
| 5,725,000 | 2,951,441 | 8,676,441 |
| 36,445,000 | 10,659,356 | 47,104,356 |
| 28,210,000 | 2,123,150 | 30,333,150 |
| \$ 87,125,000 | \$ 29,828,630 | \$ 116,953,630 |

General obligation school building bonds payable at August 31, 2012, with their outstanding balances are comprised of the following individual issues:

OUTSTANDING BONDS

| | |
|---|---------------|
| \$27,785,000 2004 general obligation refunding bonds, due in installments of \$175,000 to \$4,010,000, beginning December 1, 2004 through December 1, 2016, interest from 2.00% to 5.00% | \$ 17,645,000 |
| \$18,000,000 2004 general obligation school building bonds, due in installments of \$125,000 to \$8,300,000, beginning December 1, 2008 through December 1, 2022, interest from 3.25% to 5.375% | 4,740,000 |
| \$20,000,000 2005 general obligation school building bonds, due in installments of \$10,000,000 beginning December 1, 2023 through December 1, 2024, interest 5.00% | 20,000,000 |
| \$36,025,000 2010 general obligation refunding bonds, due in installments of \$575,000 to \$8,215,000 beginning December 1, 2010 to December 1, 2021, interest 2% to 5.00% | 35,450,000 |
| \$9,290,000 2012 general obligation refunding bonds, due in installments of \$135,000 to \$8,210,000 beginning December 1, 2012 to December 1, 2022, interest 2% to 3.00% | 9,290,000 |
| | \$ 87,125,000 |

ADVANCE REFUNDING OF 2004 BONDS

On May 7, 2012, the district sold \$9,290,000 unlimited tax general obligation refunding bonds with a true interest cost of 2.13% to advance refund \$8,710,000 of outstanding 2004 series bonds with an average interest rate of 4.97%. The bonds were sold at a premium of \$707,004. Net proceeds of \$9,935,303 were used to purchase United State Treasury State and Local Government Securities (SLGS). Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded bonds. As a result, these bonds are considered to be defeased.

The District advance refunded these bonds to reduce its total debt service payments. On May 7, 2012, the total net savings of \$1,429,020 had a net present value of \$1,253,832, or 14.39% of the bonds being refunded.

PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the district defeased other general obligation 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 bonds defeased in the current year as well as those defeased in prior years are not included in the district’s financial statements. At August 31, 2012, \$ 64,210,000 of bonds outstanding are considered defeased.

LEGAL DEBT MARGIN

RCW 39.36.015 and RCW 39.36.020 provide that debt cannot be incurred in excess of the following percentages of the value of the taxable property of the district:

- .375% Without a vote of the people (Non-bonded debt only per RCW 28A51.010)
- 2.5% With a vote of the people
- 5.0% With a vote of the people, if the indebtedness in excess of 2.5% is for capital outlay.

Assessed valuation of taxable property for 2012 tax collection for bond purposes is \$8,146,014,682.

NOTE 9. OPERATING LEASES (NON-CAPITALIZED)

The district is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the district's Capital Assets. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms of one year or more as of August 31, 2012.

| Year Ending August 31, | Copiers |
|------------------------|-------------------|
| 2013 | 84,682 |
| 2014 | 35,284 |
| Total | <u>\$ 119,966</u> |

NOTE 10. RISK MANAGEMENT

A. UNEMPLOYMENT

Auburn School District self-insures for unemployment compensation for all of its employees. Actual employee claims are paid by the State of Washington, Department of Employment Security and then reimbursed by the district. This self-insurance program costs the district less than full participation in the state unemployment compensation program. Since actual claims paid during the fiscal year were less than the anticipated \$331,421 at the end of the prior year, no additional expense was accrued for the fiscal year ended August 31, 2012. In addition, no adjustment was made to reduce the estimated compensation payable of \$208,775 at year end due to the continued requirement to pay claims based on prior year service.

B. INDUSTRIAL INSURANCE

For the fiscal year ended August 31, 2012, Auburn School district made payments totaling \$978,456 to the Workers' Compensation Trust administered by Puget Sound Educational Service district No. 121 for industrial insurance for all district employees. This trust is operated for the benefit of several neighboring school districts in-lieu-of districts making monthly premium payments to the State of Washington for industrial insurance. This practice enables these districts to pay industrial insurance claims as they occur and minimizes the districts' costs for the program.

C. RISK MANAGEMENT POOL

The district is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. In order to obtain general liability insurance at a cost it considered to be economically justifiable, the district joined the Washington Schools Risk Management Pool administered by Puget Sound Educational Service District No. 121. This pool is a public entity risk pool currently operating as a common risk management and insurance program. The district pays an annual premium to the pool for its general insurance coverage. For the fiscal year ended August 31, 2012, the district contributed \$915,424 to the pool.

The agreement for formation of the Washington School Risk Management Pool provides that the pool will be self-sustaining through member premiums and reinsure through commercial companies for claims in excess of \$1 million for each property loss. For each liability loss up to \$100 million per occurrence, the pool will reinsure for claims in excess of \$2 million plus 50% quota share on losses from \$2 million to \$10 million, for a maximum of \$6 million on a \$10 million claim. The Pool maintains an excess insurance contract with Royal Insurance Company for property and machinery and boiler coverage, which provides a \$100 million limit of coverage over the Pool's self-insured retention limit. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Washington School risk Management Pool has published its own financial report for the year ended August 31, 2012. This report can be obtained from:

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

NOTE 11. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND FINANCIAL STATEMENTS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS

A. RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

Total fund balances for governmental funds \$ 38,111,714

Total net assets for governmental activities in the statement of net assets differs because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

| | | | |
|--|----|-------------|-------------|
| Land | \$ | 22,990,609 | |
| Construction in progress | | 40,229,691 | |
| Buildings and improvements, net of \$93,935,550 accum. depreciation | | 167,671,588 | |
| Furniture and equipment, net of \$ 12,580,481 accumulated depreciation | | 4,967,569 | |
| | | | 235,859,457 |

Property taxes that are deferred in government funds since not available soon enough to pay for the current period's expenditures. 29,907,877

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is recognized. (822,387)

Bond issuance costs are reported as expenditures in the governmental funds. 252,230

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. Balances at year-end are:

| | | | |
|----------------------------|----|--------------|---------------|
| Bonds payable | \$ | (87,125,000) | |
| Unamortized premiums | | (6,045,615) | |
| Unamortized Refunding Loss | | 4,047,439 | |
| Compensated Absences | | (2,785,966) | |
| Net OPEB Obligation | | (9,810,315) | |
| | | | (101,719,457) |

Total net assets of governmental activities \$ 201,589,434

**B. RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Net change in fund balances-total governmental funds \$ 1,155,224

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for furniture and equipment and \$100,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period (Schedule 4A):

| | | |
|----------------------|--------------------|--------------|
| Capital outlays | \$ 11,473,006 | |
| Depreciation expense | <u>(6,303,036)</u> | \$ 5,169,970 |

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. The repayment of principal reduces the liability. Governmental funds expend issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. However, interest expense is recognized as it accrues, regardless of when it is due. The effect of these differences in the treatment of general obligation bonds and related items is as follows:

| | | |
|---|-----------------|-----------|
| Repayment of bond principal | \$ 4,125,000 | |
| Interest and other charges - general obligation bonds | 420,805 | |
| Refunding Bond Sale | <u>(61,701)</u> | 4,484,104 |

Property tax revenues received prior to the year for which they are being levied are reported as deferred revenue in the governmental funds. They are, however, recorded as revenues in the statement of activities. Deferred property tax revenues increased this year. (2,349,314)

In the statement of activities, certain operating expenses such as compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. During this year, accrued vacation and sick leave payable increased by (336,780)

Net OPEB Obligation (1,365,960)

Change in net assets of governmental activities \$ 6,757,244

NOTE 12. SUMMARY OF SIGNIFICANT CONTINGENCIES

LITIGATION

Auburn School District is party to various pending legal actions arising from its normal educational activities. It is the opinion of the administration that these will be resolved without any material impact on the operations or the financial position of the district.

CLAIMS AND JUDGMENTS

The district participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Since these have not been completed, the amount, if any, of expenditures that may be disallowed by the granting agencies has not yet been determined. The district believes that disallowed expenditures, if any, will not have a material effect on any of the governmental funds or the overall financial position of the district.

NOTE 13. FUND BALANCE (GOVERNMENTAL FUNDS)

CHANGES IN FUND BALANCES

| | General Fund | Special Revenue Fund | Debt Service Fund | Capital Projects Fund | Transportation Vehicle Fund |
|----------------------------|---------------|----------------------|-------------------|-----------------------|-----------------------------|
| Total Fund Balance 8/31/11 | \$ 11,441,962 | \$ 1,375,404 | \$ 2,083,365 | \$ 21,105,379 | \$ 950,380 |
| Nonspendable-Inventories | (205,775) | 10,873 | - | - | - |
| Restricted | | | | | |
| Child Nutrition Services | 512,245 | - | - | - | - |
| Student Activities | - | 46,800 | - | - | - |
| Debt Service | - | - | (39,219) | - | - |
| Capital Projects | - | - | - | 1,699,824 | - |
| Buses | - | - | - | - | 704,480 |
| Unassigned | (1,574,004) | - | - | - | - |
| Total Fund Balance 8/31/12 | \$ 10,174,428 | \$ 1,433,077 | \$ 2,044,146 | \$ 22,805,203 | \$ 1,654,860 |

NOTE 14. OTHER DISCLOSURES

KING COUNTY DIRECTORS' ASSOCIATION

The district is a member of the King County Directors' Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. This association serves 294 public school districts. District purchases for the calendar year 2011 totaled \$775,069. Auburn School District's equity in KCDA totaled \$247,053 as of December 31, 2011. This equity 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 inventory at a maximum rate of ten (10) percent per year for a ten year period, or the district may withdraw cash equally over a fifteen-year period.

NOTE 15. SUBSEQUENT EVENTS

On November 6, 2012, Auburn voters approved the \$110 million Auburn High School Modernization

and Reconstruction Bond Issue. Plans call to issue the bonds in three separate sales, one in each of the next three years, to provide construction funds as needed by the construction schedule. Construction will start in 2013 and be completed in phases with the last phase finished in 2016. The project will replace all of the buildings on campus except for the Performing Arts Center and the Auto Shop.

On January 8, 2013, the district sold \$78,855,000 in unlimited tax general obligation and refunding bonds at a premium of \$8,880,051. The new money portion of the bonds of \$59,265,000 par value and \$6,013,364 premium represents the first series of bonds issued under the \$110 million bond authorized as described above. The balance of the issue of \$19,590,000 advance refunded \$20 million of the 2005 bonds. The total net refunding savings of \$3,013,853 had a net present value of \$2,601,687 as of January 22, 2013 the bond sale settlement date. The percentage savings of the refunded bonds was 13.02%. The net interest cost was 2.74%.

Required Supplemental Information

The required supplemental information presents budgetary comparisons (original and final budget), actual inflows and outflows, and balances of general fund and for each major fund.



REQUIRED SUPPLEMENTARY INFORMATION
AUBURN SCHOOL DISTRICT NO. 408
BUDGETARY COMPARISON SCHEDULE*
GENERAL FUND
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012

| | BUDGETED AMOUNTS | | ACTUAL AMOUNT | VARIANCE |
|--|---------------------|---------------------|----------------------|---------------------|
| | ORIGINAL | FINAL | | |
| REVENUES | | | | |
| Local | \$ 34,465,875 | \$ 34,465,875 | \$ 33,160,352 | \$ (1,305,523) |
| State | 88,508,788 | 88,508,788 | 88,627,797 | 119,009 |
| Federal | 11,964,569 | 11,964,569 | 13,042,232 | 1,077,663 |
| Other | 951,105 | 951,105 | 975,305 | 24,200 |
| TOTAL REVENUES | 135,890,337 | 135,890,337 | 135,805,686 | (84,651) |
| EXPENDITURES | | | | |
| CURRENT | | | | |
| Regular Instruction | 80,312,737 | 80,312,737 | 78,528,993 | 1,783,744 |
| Special Education | 15,980,401 | 15,980,401 | 16,643,184 | (662,783) |
| Vocational Instruction | 6,188,919 | 6,188,919 | 5,475,188 | 713,731 |
| Compensatory Education | 7,530,698 | 7,530,698 | 7,715,152 | (184,454) |
| Other Instructional Programs | 2,069,612 | 2,069,612 | 1,006,558 | 1,063,054 |
| Community Services | 1,097,757 | 1,097,757 | 902,401 | 195,356 |
| Support Services | 18,001,759 | 18,001,759 | 15,959,864 | 2,041,895 |
| Child Nutrition Services | 5,182,911 | 5,182,911 | 5,053,335 | 129,576 |
| Pupil Transportation Services | 5,982,408 | 5,982,408 | 5,702,805 | 279,603 |
| CAPITAL OUTLAY | | | | |
| Equipment | 218,494 | 218,494 | 102,241 | 116,253 |
| TOTAL EXPENDITURES | 142,565,696 | 142,565,696 | 137,089,721 | 5,475,975 |
| Excess of Revenues Over (Under) Expenditures | (6,675,359) | (6,675,359) | (1,284,035) | 5,391,324 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of Equipment | - | - | 16,501 | 16,501 |
| Total Other Financing Sources (Uses) | - | - | 16,501 | 16,501 |
| Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Uses | (6,675,359) | (6,675,359) | (1,267,534) | 5,407,825 |
| FUND BALANCE-September 1 | 10,205,640 | 10,205,640 | 11,441,962 | 1,236,322 |
| FUND BALANCE -August 31 | \$ 3,530,281 | \$ 3,530,281 | \$ 10,174,428 | \$ 6,644,147 |

* Prepared on the GAAP Budgetary Basis of Accounting

AUBURN SCHOOL DISTRICT NO. 408
BUDGETARY COMPARISON SCHEDULE*
SPECIAL REVENUE FUND (ASSOCIATED STUDENT BODY FUND)
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012

| | | | ACTUAL | |
|---|---------------------|---------------------|---------------------|--------------------|
| | ORIGINAL | FINAL | AMOUNT | VARIANCE |
| REVENUES | | | | |
| General | \$ 1,641,205 | \$ 1,641,205 | \$ 681,856 | \$ (959,349) |
| Athletics | 202,200 | 202,200 | 178,438 | (23,762) |
| Classes | 301,070 | 301,070 | 132,822 | (168,248) |
| Clubs | 1,841,598 | 1,841,598 | 1,211,894 | (629,704) |
| Private Monies | 96,660 | 96,660 | 50,867 | (45,793) |
| Total Revenues | 4,082,733 | 4,082,733 | 2,255,877 | (1,826,856) |
| EXPENDITURES | | | | |
| General | 1,214,123 | 1,214,123 | 490,218 | 723,905 |
| Athletics | 340,494 | 340,494 | 283,976 | 56,518 |
| Classes | 346,733 | 346,733 | 139,618 | 207,115 |
| Clubs | 2,015,387 | 2,015,387 | 1,239,333 | 776,054 |
| Private Monies | 109,647 | 109,647 | 45,059 | 64,588 |
| Total Expenditures | 4,026,384 | 4,026,384 | 2,198,204 | 1,828,180 |
| Excess of Revenues Over (Under) Expenditures | 56,349 | 56,349 | 57,673 | 1,324 |
| FUND BALANCE - September 1 | 948,856 | 948,856 | 1,375,404 | 426,548 |
| FUND BALANCE - August 31 | \$ 1,005,205 | \$ 1,005,205 | \$ 1,433,077 | \$ 427,872 |

*Prepared on the GAAP Budgetary Basis of Accounting.

REQUIRED SUPPLEMENTARY INFORMATION
AUBURN SCHOOL DISTRICT NO. 408
ACTUARIAL VALUATION OF POST EMPLOYMENT BENEFITS
OTHER THAN PENSION
SCHEDULE OF FUNDING PROGRESS

| Fiscal Year Ended August 31 | Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liabilities (UAAL) | Funded Ratio | Covered Payroll | UAAL As a Percentage of Covered Payroll |
|--|---|--|--|--|-------------------------|----------------------------|--|
| 2009 | August 31, 2009 | \$ - | \$ 39,459,390 | \$ 39,459,390 | 0% | \$ 86,000,573 | 46% |
| 2010 | August 31, 2009 | \$ - | \$ 39,459,390 | \$ 39,459,390 | 0% | \$ 87,724,325 | 45% |
| 2011 | August 31, 2011 | \$ - | \$ 35,942,820 | \$ 35,942,820 | 0% | \$ 78,871,163 | 46% |
| 2012 | August 31, 2011 | \$ - | \$ 35,942,820 | \$ 35,942,820 | 0% | \$ 89,476,306 | 40% |

Supplemental Data

Supplemental data includes financial statements and schedules not required by the Governmental Accounting Standard Board (GASB), nor are they a part of the basic financial statements, but are presented for purposes of additional analysis.



Auburn School District No. 408
915 4th Street NE, Auburn WA 98002

AUBURN SCHOOL DISTRICT NO. 408
GENERAL FUND
COMPARATIVE BALANCE SHEETS
AUGUST 31, 2012 AND 2011

| | 2011-12 | 2010-11 |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 11,076,355 | \$ 11,442,838 |
| Property Tax Receivable | 15,257,600 | 14,768,999 |
| Accounts Receivable, Net | 111,746 | 279,265 |
| Interest Receivable | 4,805 | 6,740 |
| Due From Other Funds | 2,458 | 2,008 |
| Due From Other Governments | 1,116,541 | 1,531,483 |
| Inventories, at Cost | 628,289 | 834,064 |
| TOTAL ASSETS | \$ 28,197,794 | \$ 28,865,397 |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities: | | |
| Accounts Payable | 636,352 | 727,416 |
| Accrued Wages and Benefits Payable | 1,629,229 | 1,860,901 |
| Due To Other Governments | 102,819 | 26,777 |
| Deferred Revenue | 15,654,966 | 14,808,341 |
| TOTAL LIABILITIES | \$ 18,023,366 | \$ 17,423,435 |
| Fund Balance: | | |
| Nonspendable | 628,289 | 834,064 |
| Restricted | 918,365 | 406,120 |
| Assigned | 2,100,000 | 2,100,000 |
| Unassigned | 6,527,774 | 8,101,778 |
| TOTAL FUND BALANCE | \$ 10,174,428 | \$ 11,441,962 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 28,197,794 | \$ 28,865,397 |

AUBURN SCHOOL DISTRICT NO. 408
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2011)

| | 2011-12 | | | 2010-11 |
|--|---------------------|----------------------|---------------------|----------------------|
| | BUDGET | ACTUAL | VARIANCE | ACTUAL |
| REVENUES: | | | | |
| Source: | | | | |
| Local Taxes | 29,483,879 | 29,576,925 | 93,046 | \$ 27,635,643 |
| Local Non-Tax | 4,981,996 | 3,583,427 | (1,398,569) | 3,932,707 |
| State, General Purpose | 73,404,042 | 73,403,321 | (721) | 70,315,169 |
| State, Special Purpose | 15,104,746 | 15,224,476 | 119,730 | 15,264,296 |
| Federal, General Purpose | 146,916 | 133,197 | (13,719) | 151,548 |
| Federal, Special Purpose | 11,817,653 | 12,909,035 | 1,091,382 | 16,983,925 |
| Revenues from other sources | 951,105 | 975,305 | 24,200 | 928,943 |
| TOTAL REVENUES | 135,890,337 | 135,805,686 | (84,651) | 135,212,231 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Regular Instruction | 80,312,737 | 78,528,993 | 1,783,744 | 73,870,533 |
| Special Instruction | 15,980,401 | 16,643,184 | (662,783) | 14,735,842 |
| Vocational Instruction | 6,188,919 | 5,475,188 | 713,731 | 5,654,358 |
| Compensatory Education | 7,530,698 | 7,715,152 | (184,454) | 12,900,946 |
| Other Educational Programs | 2,069,612 | 1,006,558 | 1,063,054 | 670,850 |
| Community Services | 1,097,757 | 902,401 | 195,356 | 794,902 |
| Support Services | 18,001,759 | 15,959,864 | 2,041,895 | 15,402,775 |
| Child Nutrition Services | 5,182,911 | 5,053,335 | 129,576 | 4,814,488 |
| Pupil Transportation Services | 5,982,408 | 5,702,805 | 279,603 | 5,782,168 |
| Capital Outlay - Equipment | 218,494 | 102,241 | 116,253 | 129,529 |
| TOTAL EXPENDITURES | 142,565,696 | 137,089,721 | 5,475,975 | 134,756,391 |
| Excess of Revenues Over (Under) Expenditures | (6,675,359) | (1,284,035) | 5,391,324 | 455,840 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of Equipment | - | 16,501 | 16,501 | 11,315 |
| Total Other Financing Sources (Uses) | - | 16,501 | 16,501 | 11,315 |
| Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Uses | (6,675,359) | (1,267,534) | 5,407,825 | 467,155 |
| FUND BALANCE-September 1 | 10,205,640 | 11,441,962 | 1,236,322 | 10,974,807 |
| FUND BALANCE -August 31 | \$ 3,530,281 | \$ 10,174,428 | \$ 6,644,147 | \$ 11,441,962 |

AUBURN SCHOOL DISTRICT NO. 408
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2011)

| DESCRIPTION | 2011-12 | | | 2010-11 |
|---|-------------------|-------------------|--------------------|-------------------|
| | BUDGET | ACTUAL | VARIANCE | ACTUAL |
| LOCAL TAXES | | | | |
| Local Property Tax | \$ 29,482,801 | \$ 29,575,772 | \$ 92,971 | \$ 27,634,351 |
| Other Taxes | 1,078 | 1,153 | 75 | 1,292 |
| TOTAL LOCAL TAXES | 29,483,879 | 29,576,925 | 93,046 | 27,635,643 |
| LOCAL NON-TAX | | | | |
| Tuition & Fees, Unassigned | 548,969 | 404,030 | (144,939) | 447,970 |
| Summer School Tuition | - | 4,930 | 4,930 | 8,853 |
| Sales of Goods and Supplies | 135,700 | 174,674 | 38,974 | 159,048 |
| Sales of Goods and Supplies, Vocational | 656,500 | 442,099 | (214,401) | 498,563 |
| Other Community Services | 206,850 | 253,010 | 46,160 | 164,934 |
| Food Services Sales | 1,438,700 | 1,251,867 | (186,833) | 1,308,052 |
| Investment Earnings | 75,000 | 73,837 | (1,163) | 93,162 |
| Gifts & Donations | 1,235,000 | 389,981 | (845,019) | 374,179 |
| Fines & Damages | 25,500 | 21,909 | (3,591) | 19,027 |
| Rental of Property | 300,000 | 363,524 | 63,524 | 289,101 |
| Insurance Recoveries | 15,000 | - | (15,000) | 9,843 |
| Local Non-Tax Unassigned | 120,000 | 203,566 | 83,566 | 137,882 |
| E-Rate | 224,777 | - | (224,777) | 422,093 |
| TOTAL LOCAL NONTAX | 4,981,996 | 3,583,427 | (1,398,569) | 3,932,707 |
| STATE FUNDS, GENERAL PURPOSE | | | | |
| Apportionment | 68,178,135 | 68,090,179 | (87,956) | 65,406,882 |
| Apportionment-Special Education | 2,157,132 | 2,088,299 | (68,833) | 2,099,711 |
| Local Effort Assistance | 3,068,775 | 3,224,843 | 156,068 | 2,808,576 |
| TOTAL STATE, GENERAL PURPOSE | 73,404,042 | 73,403,321 | (721) | 70,315,169 |
| STATE FUNDS, SPECIAL PURPOSE | | | | |
| Special Purpose, Unassigned | 2,000 | 1,560 | (440) | 1,820 |
| Special Education | 8,322,268 | 8,343,210 | 20,942 | 8,383,808 |
| Learning Assistance | 1,858,867 | 1,901,007 | 42,140 | 2,064,441 |
| Special Pilot Programs | 491,358 | 372,681 | (118,677) | 336,533 |
| Transitional Bilingual | 1,572,593 | 1,579,909 | 7,316 | 1,612,250 |
| Student Achievement | - | - | - | - |
| Highly Capable | 127,593 | 130,579 | 2,986 | 128,415 |
| School Food Services | 130,503 | 166,934 | 36,431 | 132,150 |
| Transportation - Operations | 2,599,564 | 2,710,381 | 110,817 | 2,599,564 |
| Other State Agencies, Unassigned | - | 18,215 | 18,215 | 5,315 |
| TOTAL STATE, SPECIAL PURPOSE | 15,104,746 | 15,224,476 | 119,730 | 15,264,296 |

AUBURN SCHOOL DISTRICT NO. 408
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2011)

| DESCRIPTION | 2011-12 | | | 2010-11 |
|--|-----------------------|-----------------------|--------------------|-----------------------|
| | BUDGET | ACTUAL | VARIANCE | ACTUAL |
| FEDERAL FUNDS, GENERAL PURPOSE | | | | |
| Impact Aid | \$ 106,671 | \$ 124,678 | \$ 18,007 | \$ 111,298 |
| Federal Forests | 40,245 | 8,519 | (31,726) | 40,250 |
| TOTAL FEDERAL, GENERAL PURPOSE | 146,916 | 133,197 | (13,719) | 151,548 |
| FEDERAL, SPECIAL PURPOSE | | | | |
| Federal Stimulus | - | 45,555 | 45,555 | 5,336,994 |
| Special Purpose, Unassigned | 200,000 | 310,300 | 110,300 | 36,415 |
| Special Education, Medicaid Reimbursement | - | 127,211 | 127,211 | 111,948 |
| Special Education | 2,607,453 | 2,932,027 | 324,574 | 2,634,877 |
| Vocational Education | 88,271 | 100,452 | 12,181 | 86,374 |
| Disadvantaged, Title I | 2,336,728 | 2,391,057 | 54,329 | 1,890,070 |
| Title II | 465,876 | 586,698 | 120,822 | 712,468 |
| Reading First | - | 45,578 | 45,578 | 156,840 |
| Limited English Proficiency | 300,000 | 361,175 | 61,175 | 325,826 |
| Other Community Services | 481,000 | 279,271 | (201,729) | 265,750 |
| School Food Service | 3,800,000 | 4,004,554 | 204,554 | 3,746,819 |
| Other Title | 140,000 | 19,090 | (120,910) | 26,097 |
| Head Start | 625,700 | 612,361 | (13,339) | 631,780 |
| Indian Education | 78,150 | 77,993 | (157) | 84,378 |
| Medicaid Administrative Match | 350,000 | 614,597 | 264,597 | 435,929 |
| USDA Commodities | 344,475 | 401,116 | 56,641 | 250,020 |
| Communities Putting Prevention to Work | - | - | - | 251,340 |
| TOTAL FEDERAL, SPECIAL PURPOSE | 11,817,653 | 12,909,035 | 1,091,382 | 16,983,925 |
| REVENUES FROM OTHER DISTRICTS | | | | |
| Transportation | - | 113,108 | 113,108 | (833) |
| Non-High Participation | 848,405 | 857,697 | 9,292 | 925,276 |
| TOTAL REVENUES FROM OTHER DISTRICTS | 848,405 | 970,805 | 122,400 | 924,443 |
| REVENUES FROM OTHER AGENCIES | | | | |
| Agency & Association Grants | 102,700 | 4,500 | (98,200) | 4,500 |
| TOTAL REVENUES FROM OTHER AGENCIES | 102,700 | 4,500 | (98,200) | 4,500 |
| REVENUES FROM OTHER FINANCING SOURCES | | | | |
| Sale of Equipment | - | 16,501 | 16,501 | 11,315 |
| TOTAL REVENUES FROM OTHER FINANCING SOURCES | - | 16,501 | 16,501 | 11,315 |
| TOTAL REVENUES | \$ 135,890,337 | \$ 135,822,187 | \$ (68,150) | \$ 135,223,546 |

AUBURN SCHOOL DISTRICT NO. 408
GENERAL FUND
SCHEDULE OF EXPENDITURES BY PROGRAM
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2011)

| PROGRAM | 2011-12 | | | 2010-11 |
|--|---------------------|---------------------|---------------------|----------------------|
| | BUDGET | ACTUAL | VARIANCE | ACTUAL |
| REGULAR INSTRUCTION | | | | |
| Teaching | \$ 58,729,360 | \$ 58,228,008 | \$501,352 | \$ 53,096,636 |
| Extracurricular | 3,641,038 | 2,803,985 | 837,053 | 2,866,077 |
| Instructional Supervision | 1,396,474 | 1,329,927 | 66,547 | 1,298,384 |
| Learning Resources - Library Services | 2,508,044 | 2,410,752 | 97,292 | 2,678,355 |
| Principals | 8,631,842 | 8,731,205 | (99,363) | 8,498,961 |
| Guidance and Counseling | 2,960,977 | 2,716,901 | 244,076 | 3,122,377 |
| Pupil Management and Safety | 1,326,637 | 1,146,076 | 180,561 | 1,174,668 |
| Health Services - Psychologists, Nurses | 1,118,365 | 1,162,139 | (43,774) | 1,135,075 |
| Total Regular Instruction | 80,312,737 | 78,528,993 | 1,783,744 | 73,870,533 |
| SPECIAL INSTRUCTION | | | | |
| Basic State Program | 13,396,626 | 13,740,057 | (343,431) | 12,118,472 |
| Supplemental Federal Program | 2,536,508 | 2,860,812 | (324,304) | 2,571,796 |
| Other | 47,267 | 42,315 | 4,952 | 45,574 |
| Total Special Instruction | 15,980,401 | 16,643,184 | (662,783) | 14,735,842 |
| VOCATIONAL INSTRUCTION | | | | |
| Basic State Program | 6,103,000 | 5,377,295 | 725,705 | 5,570,123 |
| Supplemental Federal Program | 85,919 | 97,893 | (11,974) | 84,235 |
| Total Vocational Instruction | 6,188,919 | 5,475,188 | 713,731 | 5,654,358 |
| COMPENSATORY EDUCATION | | | | |
| Federal Remediation-Title I | 2,273,081 | 2,270,518 | 2,563 | 1,843,252 |
| Federal School Improvement ESEA | 587,179 | 590,086 | (2,907) | 720,994 |
| Federal Stimulus--Title I | | | - | 761,388 |
| Federal Stimulus--State Fiscal Stabilization | | 45,555 | (45,555) | 2,892,675 |
| Federal Stimulus--IDEA | | | - | 1,621,767 |
| Federal Stimulus--Other | | 20,328 | (20,328) | 854 |
| Reading First | | 46,935 | (46,935) | 152,955 |
| State Remediation | 1,808,231 | 1,934,821 | (126,590) | 2,082,596 |
| Special and Pilot Programs | 475,738 | 375,563 | 100,175 | 358,098 |
| Federal Head Start | 625,700 | 608,347 | 17,353 | 631,780 |
| Federal Limited English Proficiency | 291,828 | 351,508 | (59,680) | 319,437 |
| State Transitional Bilingual | 1,392,895 | 1,393,498 | (603) | 1,432,862 |
| Federal Indian Education | 76,046 | 77,993 | (1,947) | 82,288 |
| Total Compensatory Education | \$ 7,530,698 | \$ 7,715,152 | \$ (184,454) | \$ 12,900,946 |

AUBURN SCHOOL DISTRICT NO. 408
GENERAL FUND
SCHEDULE OF EXPENDITURES BY PROGRAM
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2011)

| PROGRAM | 2011-12 | | | 2010-11 |
|---|-----------------------|-----------------------|---------------------|-----------------------|
| | BUDGET | ACTUAL | VARIANCE | ACTUAL |
| OTHER EDUCATIONAL PROGRAMS | | | | |
| Summer School | \$ - | \$ 13,203 | \$ (13,203) | \$ - |
| Highly Capable | 126,336 | 118,297 | 8,039 | 122,881 |
| Other Instructional Programs | 1,943,276 | 875,058 | 1,068,218 | 547,969 |
| Total Other Educational Programs | 2,069,612 | 1,006,558 | 1,063,054 | 670,850 |
| COMMUNITY SERVICES | 1,097,757 | 902,401 | 195,356 | 794,902 |
| SUPPORT SERVICES | | | | |
| Board of Directors | 198,172 | 189,980 | 8,192 | 105,776 |
| Superintendent's Office | 446,097 | 403,628 | 42,469 | 372,506 |
| Business Services | 1,557,467 | 1,497,233 | 60,234 | 1,422,089 |
| Human Resources | 1,242,680 | 1,073,246 | 169,434 | 1,090,826 |
| Maintenance | 3,515,817 | 3,031,941 | 483,876 | 2,997,914 |
| Custodial | 4,365,691 | 4,281,353 | 84,338 | 4,393,302 |
| Utilities | 4,525,697 | 3,484,851 | 1,040,846 | 3,181,042 |
| Insurance | 801,844 | 799,954 | 1,890 | 786,235 |
| Building Security | 263,408 | 274,268 | (10,860) | 222,649 |
| Printing | (32,718) | - | (32,718) | - |
| Information Technology | 649,403 | 544,588 | 104,815 | 475,336 |
| Warehouse | 457,801 | 369,528 | 88,273 | 352,120 |
| Motor Pool | 10,400 | 9,294 | 1,106 | 2,980 |
| Total Support Services | 18,001,759 | 15,959,864 | 2,041,895 | 15,402,775 |
| CHILD NUTRITION SERVICES | 5,182,911 | 5,053,335 | 129,576 | 4,814,488 |
| PUPIL TRANSPORTATION SERVICES | 5,982,408 | 5,702,805 | 279,603 | 5,782,168 |
| CAPITAL OUTLAY-EQUIPMENT | 218,494 | 102,241 | 116,253 | 129,529 |
| Total Expenditures | \$ 142,565,696 | \$ 137,089,721 | \$ 5,475,975 | \$ 134,756,391 |

AUBURN SCHOOL DISTRICT NO. 408
SPECIAL REVENUE FUND (ASSOCIATED STUDENT BODY FUND)
COMPARATIVE BALANCE SHEETS
AUGUST 31, 2012 AND 2011

| | 2011-12 | 2010-11 |
|---|---------------------|---------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 1,713,081 | \$ 1,658,092 |
| Accounts Receivable | 11,623 | 4,000 |
| Accrued Interest Receivable | 555 | 781 |
| TOTAL ASSETS | \$ 1,725,259 | \$ 1,662,873 |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities: | | |
| Accounts Payable | 24,426 | 40,859 |
| Due to Other Governments | 5,124 | 5,208 |
| Due To Other Funds | 2,319 | - |
| Deferred Revenue | 260,313 | 241,402 |
| Total Liabilities | \$ 292,182 | \$ 287,469 |
| Fund Balance: | | |
| Nonspendable | 10,873 | - |
| Restricted | 1,422,204 | 1,375,404 |
| Total Fund Balance | \$ 1,433,077 | \$ 1,375,404 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 1,725,259 | \$ 1,662,873 |

AUBURN SCHOOL DISTRICT NO. 408
SPECIAL REVENUE FUND (ASSOCIATED STUDENT BODY FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2011)

| | 2011-12 | | | 2010-11 |
|-----------------------------------|---------------------|---------------------|--------------------|---------------------|
| | BUDGET | ACTUAL | VARIANCE | ACTUAL |
| REVENUES | | | | |
| General | \$ 1,641,205 | \$ 681,856 | \$ (959,349) | \$ 612,113 |
| Athletics | 202,200 | 178,438 | (23,762) | 194,264 |
| Classes | 301,070 | 132,822 | (168,248) | 137,953 |
| Clubs | 1,841,598 | 1,211,894 | (629,704) | 1,178,111 |
| Other | 96,660 | 50,867 | (45,793) | 59,999 |
| Total Revenues | 4,082,733 | 2,255,877 | (1,826,856) | 2,182,440 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General | 1,214,123 | 490,218 | 723,905 | 439,015 |
| Athletics | 340,494 | 283,976 | 56,518 | 315,532 |
| Classes | 346,733 | 139,618 | 207,115 | 136,644 |
| Clubs | 2,015,387 | 1,239,333 | 776,054 | 1,310,706 |
| Other | 109,647 | 45,059 | 64,588 | 63,339 |
| Total Expenditures | 4,026,384 | 2,198,204 | 1,828,180 | 2,265,236 |
| Excess of Revenues Over | | | | |
| (Under) Expenditures | 56,349 | 57,673 | 1,324 | (82,796) |
| FUND BALANCE - September 1 | 948,856 | 1,375,404 | 426,548 | 1,458,200 |
| FUND BALANCE - August 31 | \$ 1,005,205 | \$ 1,433,077 | \$ 427,872 | \$ 1,375,404 |

**AUBURN SCHOOL DISTRICT NO. 408
DEBT SERVICE FUND (BOND FUND)
COMPARATIVE BALANCE SHEETS
AUGUST 31, 2012 AND 2011**

| 2011-12 | 2010-11 |
|---------|---------|
|---------|---------|

ASSETS

| | | |
|-----------------------------|---------------------|---------------------|
| Cash and Cash Equivalent | \$ 2,078,544 | \$ 2,118,004 |
| Property Tax Receivable | 4,074,275 | 4,098,858 |
| Accrued Interest Receivable | 857 | 1,176 |
| TOTAL ASSETS | \$ 6,153,676 | \$ 6,218,038 |

LIABILITIES AND FUND BALANCE**Liabilities:**

| | | |
|-----------------------------------|-----------|-----------|
| Accounts Payable | 35,255 | 35,815 |
| Due to Other Governments | | - |
| Deferred Revenue-Taxes Receivable | 4,074,275 | 4,098,858 |

Total Liabilities

| | |
|---------------------|---------------------|
| \$ 4,109,530 | \$ 4,134,673 |
|---------------------|---------------------|

Fund Balance:

| | | |
|------------|-----------|-----------|
| Restricted | 2,044,146 | 2,083,365 |
|------------|-----------|-----------|

Total Fund Balance

| | |
|---------------------|---------------------|
| \$ 2,044,146 | \$ 2,083,365 |
|---------------------|---------------------|

TOTAL LIABILITIES AND FUND BALANCE

| | |
|---------------------|---------------------|
| \$ 6,153,676 | \$ 6,218,038 |
|---------------------|---------------------|

AUBURN SCHOOL DISTRICT NO. 408
DEBT SERVICE FUND (BOND FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2011)

| | 2011-12 | | | 2010-11 |
|---|---------------------|---------------------|------------------|---------------------|
| | BUDGET | ACTUAL | VARIANCE | ACTUAL |
| REVENUES | | | | |
| Local Taxes | \$ 7,927,201 | \$ 7,951,648 | \$ 24,447 | \$ 7,715,850 |
| Local Non-Tax | 13,637 | 22,054 | 8,417 | 36,644 |
| Total Revenues | 7,940,838 | 7,973,702 | 32,864 | 7,752,494 |
| EXPENDITURES | | | | |
| DEBT SERVICE | | | | |
| Principal Retirement | 4,125,000 | 4,125,000 | - | 4,505,000 |
| Interest on Bonds | 4,103,444 | 3,887,024 | 216,420 | 3,946,720 |
| Bond Transfer Fees | 4,500 | 1,683 | 2,817 | - |
| Underwriter's Fees | - | 60,915 | (60,915) | - |
| Total Expenditures | 8,232,944 | 8,074,622 | 158,322 | 8,451,720 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bond Sales and Refunding Bond Sales | - | 9,997,004 | 9,997,004 | 40,965,756 |
| Payment to Refunded Bond Escrow Agent | - | (9,935,303) | (9,935,303) | (40,766,778) |
| Total Other Financing Sources (Uses) | - | 61,701 | 61,701 | 198,978 |
| Excess of Revenues/Other Financing Sources | (292,106) | (39,219) | 252,887 | (500,248) |
| Over (Under) Expenditures And Other Financing Uses | | | | |
| FUND BALANCE - September 1 | 2,248,202 | 2,083,365 | (164,837) | 2,583,613 |
| FUND BALANCE -August 31 | \$ 1,956,096 | \$ 2,044,146 | \$ 88,050 | \$ 2,083,365 |

AUBURN SCHOOL DISTRICT NO. 408
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
AUGUST 31, 2012 AND 2011

| | 2011-12 | 2010-11 |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash and Cash Equivalent | \$ 24,820,785 | \$ 23,362,518 |
| Property Tax Receivable | 5,902,126 | 6,896,878 |
| Accrued Interest Receivable | 11,125 | 13,895 |
| Accounts Receivable | | 409,242 |
| Due From Other Governments | 174,347 | 147,067 |
| TOTAL ASSETS | \$ 30,908,383 | \$ 30,829,600 |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities: | | |
| Accounts Payable | 2,081,292 | 2,704,115 |
| Due to Other Governments | 113,514 | 114,530 |
| Due to Other Funds | 139 | 2,008 |
| Deferred Revenue | 5,908,235 | 6,903,568 |
| Total Liabilities | \$ 8,103,180 | \$ 9,724,221 |
| Fund Balance: | | |
| Restricted | 22,805,203 | 21,105,379 |
| Total Fund Balance | \$ 22,805,203 | \$ 21,105,379 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 30,908,383 | \$ 30,829,600 |

AUBURN SCHOOL DISTRICT NO. 408
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2011)

| | 2011-12 | | | 2010-11 |
|---|----------------------|----------------------|---------------------|----------------------|
| | BUDGET | ACTUAL | VARIANCE | ACTUAL |
| REVENUES | | | | |
| Local Taxes | \$ 12,633,674 | \$ 12,593,236 | \$ (40,438) | \$ 12,823,621 |
| Local Non-Tax | 682,991 | 1,595,382 | 912,391 | 1,379,301 |
| State, Special Purpose | 1,300,000 | 1,300,000 | - | 200,211 |
| TOTAL REVENUES | 14,616,665 | 15,488,618 | 871,953 | 14,403,133 |
| EXPENDITURES | | | | |
| Capital Outlay | | | | |
| Sites | 3,069,394 | 1,046,024 | 2,023,370 | 1,209,843 |
| Building | 14,152,412 | 8,162,730 | 5,989,682 | 8,821,885 |
| Equipment | 2,427,102 | 1,501,320 | 925,782 | 1,410,157 |
| Energy | 4,401,092 | 3,078,720 | 1,322,372 | 431,225 |
| TOTAL EXPENDITURES | 24,050,000 | 13,788,794 | 10,261,206 | 11,873,110 |
| Excess Of Revenues Over (Under) Expenditures | (9,433,335) | 1,699,824 | 11,133,159 | 2,530,023 |
| FUND BALANCE - September 1 | 23,284,584 | 21,105,379 | (2,179,205) | 18,575,356 |
| FUND BALANCE - August 31 | \$ 13,851,249 | \$ 22,805,203 | \$ 8,953,954 | \$ 21,105,379 |

**AUBURN SCHOOL DISTRICT NO. 408
TRANSPORTATION VEHICLE FUND
COMPARATIVE BALANCE SHEETS
AUGUST 31, 2012 AND 2011**

| | 2011-12 | 2010-11 |
|---|---------------------|-------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 1,656,180 | \$ 953,096 |
| Taxes Receivable | 1,692 | 1,481 |
| Due From Other Governments | 1,216 | - |
| Interest Receivable | 701 | 549 |
| TOTAL ASSETS | \$ 1,659,789 | \$ 955,126 |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities: | | |
| Due to Other Governments | 3,237 | 3,265 |
| Deferred Revenue Tax Receivable | 1,692 | 1,481 |
| Total Liabilities | \$ 4,929 | \$ 4,746 |
| Fund Balance: | | |
| Restricted | 1,654,860 | 950,380 |
| Total Fund Balance | \$ 1,654,860 | \$ 950,380 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 1,659,789 | \$ 955,126 |

AUBURN SCHOOL DISTRICT NO. 408
TRANSPORTATION VEHICLE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2011)

| | 2011-12 | | | 2010-11 |
|--|------------------|---------------------|---------------------|-------------------|
| | BUDGET | ACTUAL | VARIANCE | ACTUAL |
| REVENUES | | | | |
| Local Taxes | \$ - | \$ 249 | \$ 249 | \$ 256 |
| Local Non-Tax | 5,736 | 11,772 | 6,036 | 9,306 |
| State, Special Purpose | 520,000 | 671,093 | 151,093 | 530,843 |
| TOTAL REVENUES | 525,736 | 683,114 | 157,378 | 540,405 |
| EXPENDITURES | | | | |
| Capital Outlay: | | | | |
| Equipment | 1,465,000 | - | 1,465,000 | 389,344 |
| TOTAL EXPENDITURES | 1,465,000 | - | 1,465,000 | 389,344 |
| Excess of Revenues (Under) Expenditures | (939,264) | 683,114 | 1,622,378 | 151,061 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Surplus Buses | - | 21,366 | 21,366 | 12,136 |
| TOTAL OTHER FINANCING SOURCES(USES) | - | 21,366 | 21,366 | 12,136 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses | (939,264) | 704,480 | 1,643,744 | 163,197 |
| FUND BALANCE - September 1 | 940,716 | 950,380 | 9,664 | 787,183 |
| FUND BALANCE - August 31 | \$ 1,452 | \$ 1,654,860 | \$ 1,653,408 | \$ 950,380 |

**PRIVATE PURPOSE TRUST
COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS
AUGUST 31, 2012 AND 2011**

| | 2011-12 | | 2010-11 |
|---------------------------------|-------------------|-----------|----------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 574,876 | \$ | 572,850 |
| Accounts Receivable | 2,000 | | 10,905 |
| Interest Receivable | 274 | | 374 |
| TOTAL ASSETS | \$ 577,150 | \$ | 584,129 |
| LIABILITIES | | | |
| Accounts Payable | 3,624 | | 5,944 |
| Due to Other Governmental Units | - | | - |
| Total Liabilities | \$ 3,624 | \$ | 5,944 |
| NET ASSETS | \$ 573,526 | \$ | 578,185 |

**AUBURN SCHOOL DISTRICT NO. 408
PRIVATE PURPOSE TRUST
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2011)**

| | 2011-12 | 2010-11 |
|---------------------------------|-------------------|-------------------|
| ADDITIONS: | | |
| Donations | \$ 135,292 | \$ 112,165 |
| Investment Earnings: | 4,001 | 4,887 |
| TOTAL ADDITIONS | 139,293 | 117,052 |
| DEDUCTIONS: | | |
| Scholarships and Student Aid | 143,952 | 148,972 |
| CHANGES IN NET ASSETS | (4,659) | (31,920) |
| NET ASSETS - September 1 | 578,185 | 610,105 |
| NET ASSETS - August 31 | \$ 573,526 | \$ 578,185 |

**AUBURN SCHOOL DISTRICT NO. 408
EMPLOYEE BENEFIT TRUST FUND
COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS
AUGUST 31, 2012 AND 2011**

| | 2011-12 | 2010-11 |
|-------------------------------------|------------------|-------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 90,359 | \$ 136,369 |
| Interest Receivable | 31 | 70 |
| TOTAL ASSETS | \$ 90,390 | \$ 136,439 |
| LIABILITIES | | |
| Accounts Payable | 5,981 | 4,480 |
| Due to Other Governments | | 731 |
| Total Liabilities | \$ 5,981 | \$ 5,211 |
| NET ASSETS | | |
| Held In Trust For Employee Benefits | 84,409 | 131,228 |
| Total Net Assets | \$ 84,409 | \$ 131,228 |

**AUBURN SCHOOL DISTRICT NO. 408
EMPLOYEE BENEFIT TRUST FUND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2011)**

| | 2011-12 | | 2010-11 |
|---------------------------------|------------------|-----------|-----------------|
| ADDITIONS | | | |
| Contributions from Plan Members | \$ 155,054 | \$ | 156,440 |
| Investment Earnings | 567 | | 1,057 |
| TOTAL ADDITIONS | 155,621 | | 157,497 |
| DEDUCTIONS | | | |
| Benefit Claims | 201,740 | | 200,691 |
| Administrative Expenses | 700 | | 700 |
| TOTAL DEDUCTIONS | 202,440 | | 201,391 |
| CHANGES IN NET ASSETS | (46,819) | | (43,894) |
| NET ASSETS - September 1 | 131,228 | | 175,122 |
| NET ASSETS - August 31 | \$ 84,409 | \$ | 131,228 |

AUBURN SCHOOL DISTRICT NO. 408
STATEMENT OF CHANGES IN LONG-TERM DEBT
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012

| | BALANCE 9/1/2011 | INCREASES | DECREASES | BALANCE 8/31/2012 |
|-----------------------------------|-----------------------------|----------------------|----------------------|------------------------------|
| Governmental Bonds Payable | | | | |
| 2004 UTGO Refunding Bonds | 21,270,000 | | 3,625,000 | 17,645,000 |
| 2004 UTGO Bonds | 13,450,000 | | 8,710,000 | 4,740,000 |
| 2005 UTGO Bonds | 20,000,000 | | | 20,000,000 |
| 2006 UTGO Bonds | 500,000 | | 500,000 | - |
| 2010 UTGO Refunding Bonds | 35,450,000 | | | 35,450,000 |
| 2012 UTGO Refunding Bonds | - | 9,290,000 | - | 9,290,000 |
| Total Bonds Payable | 90,670,000 | 9,290,000 | 12,835,000 | 87,125,000 |
| Unamortized Bond Premium/Discount | 6,084,331 | 707,004 | 745,720 | 6,045,615 |
| Unamortized Refunding Loss | (3,248,285) | (1,108,516) | (309,362) | (4,047,439) |
| Net Bonds Payable | 93,506,046 | 8,888,488 | 13,271,358 | 89,123,176 |
| Compensated Absences | 2,449,186 | 2,785,966 | 2,449,186 | 2,785,966 |
| Net OPEB Obligation | 8,444,355 | 1,365,960 | | 9,810,315 |
| Total Long-Term Debt | \$ 104,399,587 | \$ 13,040,414 | \$ 15,720,544 | \$ 101,719,457 |

AUBURN SCHOOL DISTRICT NO. 408
OUTSTANDING GENERAL OBLIGATION INDEBTEDNESS DEBT SERVICE
AUGUST 31, 2012

| DUE DATE | Original Issue Amount \$27,785,000 2004 Refunding Bond Dated 3/1/2004 | | Original Issue Amount \$18,000,000 2004 Bond Dated 8/1/2004 | | Original Issue Amount \$20,000,000 2005 Bond Dated 4/1/2005 | | Original Issue Amount \$36,025,000 2010 Refunding Bond Dated 9/27/10 | | Original Issue Amount \$9,290,0008 2012 Refunding Bond 5/7/2012 | | TOTAL DEBT SERVICE | TOTAL CALENDAR YEAR |
|----------|--|-----------|--|----------|--|------------|---|------------|--|-----------|--------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | | |
| | 12/1/12 | 1,795,000 | 404,696 | 355,000 | 115,362 | - | 500,000 | - | 764,575 | 135,000 | | |
| 6/1/13 | - | 368,796 | - | 108,263 | - | 500,000 | - | 764,575 | - | 133,356 | 1,874,990 | |
| 12/1/13 | 4,010,000 | 368,795 | 270,000 | 108,262 | - | 500,000 | - | 764,575 | 100,000 | 133,356 | 6,254,988 | 8,129,978 |
| 6/1/14 | 2,015,000 | 268,546 | - | 102,863 | - | 500,000 | - | 764,575 | - | 132,356 | 3,783,340 | |
| 12/1/14 | 2,015,000 | 232,024 | 725,000 | 102,862 | - | 500,000 | - | 764,575 | 100,000 | 132,357 | 4,571,818 | 8,355,158 |
| 6/1/15 | - | 195,250 | - | 88,363 | - | 500,000 | - | 764,575 | - | 131,356 | 1,679,544 | |
| 12/1/15 | 3,920,000 | 195,250 | 1,205,000 | 88,362 | - | 500,000 | - | 764,575 | 100,000 | 131,356 | 6,904,543 | 8,584,087 |
| 6/1/16 | - | 97,250 | - | 55,979 | - | 500,000 | - | 764,575 | - | 130,356 | 1,548,160 | |
| 12/1/16 | 3,890,000 | 97,250 | 1,735,000 | 55,978 | - | 500,000 | - | 764,575 | 100,000 | 130,357 | 7,273,160 | 8,821,320 |
| 6/1/17 | - | - | - | 9,350 | - | 500,000 | - | 764,575 | - | 129,356 | 1,403,281 | |
| 12/1/17 | - | - | 125,000 | 9,350 | - | 500,000 | 6,100,000 | 764,575 | 100,000 | 129,356 | 7,728,281 | 9,131,562 |
| 6/1/18 | - | - | - | 6,787 | - | 500,000 | - | 660,200 | - | 128,356 | 1,295,343 | |
| 12/1/18 | - | - | 150,000 | 6,788 | - | 500,000 | 6,540,000 | 660,200 | 100,000 | 128,357 | 8,085,345 | 9,380,688 |
| 6/1/19 | - | - | - | 3,675 | - | 500,000 | - | 542,100 | - | 127,356 | 1,173,131 | |
| 12/1/19 | - | - | 175,000 | 3,675 | - | 500,000 | 7,020,000 | 542,100 | 100,000 | 127,356 | 8,468,131 | 9,641,262 |
| 6/1/20 | - | - | - | - | - | 500,000 | - | 391,700 | - | 126,356 | 1,018,056 | |
| 12/1/20 | - | - | - | - | - | 500,000 | 7,575,000 | 391,700 | 120,000 | 126,357 | 8,713,057 | 9,731,113 |
| 6/1/21 | - | - | - | - | - | 500,000 | - | 205,375 | - | 124,556 | 829,931 | |
| 12/1/21 | - | - | - | - | - | 500,000 | 8,215,000 | 205,375 | 125,000 | 124,556 | 9,169,931 | 9,999,862 |
| 6/1/22 | - | - | - | - | - | 500,000 | - | - | - | 123,150 | 623,150 | |
| 12/1/22 | - | - | - | - | - | 500,000 | - | - | 8,210,000 | 123,150 | 8,833,150 | 9,456,300 |
| 6/1/23 | - | - | - | - | - | 500,000 | - | - | - | - | 500,000 | |
| 12/1/23 | - | - | - | - | 10,000,000 | 500,000 | - | - | - | - | 10,500,000 | 11,000,000 |
| 6/1/24 | - | - | - | - | - | 250,000 | - | - | - | - | 250,000 | |
| 12/1/24 | - | - | - | - | 10,000,000 | 250,000 | - | - | - | - | 10,250,000 | 10,500,000 |
| Total | 17,645,000 | 2,227,857 | 4,740,000 | 865,919 | 20,000,000 | 12,000,000 | 35,450,000 | 12,009,075 | 9,290,000 | 2,725,779 | 116,953,630 | 116,953,630 |

AUBURN SCHOOL DISTRICT #408
SCHEDULE OF CAPITAL ASSETS BY LOCATION
AUGUST 31, 2012

| PROPERTY | LOCATION | LAND | BUILDINGS & CONSTRUCTION | | | TOTALS |
|--|-----------------------|----------------------|--------------------------|----------------------|----------------------|-----------------------|
| | | | IMPROVEMENTS | IN PROGRESS | EQUIPMENT | |
| SENIOR HIGH SCHOOLS | | | | | | |
| Auburn | 800 4th Street N.E. | \$ 592,951 | \$ 26,797,681 | \$ - | \$ 1,144,486 | \$ 28,535,118 |
| Auburn Riverside | 501 Oravetz Rd | 4,476,766 | 31,642,226 | - | 678,922 | 36,797,914 |
| Auburn Mountainview | 28900 124th Ave SE | 4,129,915 | 48,309,830 | - | 404,940 | 52,844,685 |
| West Auburn | 401 West Main Street | 16,650 | 3,966,302 | - | 52,304 | 4,035,256 |
| Auburn Memorial | 801 4th Street N.E. | 692,294 | 6,358,208 | - | 68,491 | 7,118,993 |
| MIDDLE SCHOOLS | | | | | | |
| Cascade | 1015 24th Street NE | 121,486 | 8,495,693 | - | 140,315 | 8,757,494 |
| Mt. Baker | 620 37th Street SE | 2,923,600 | 13,453,860 | - | 58,144 | 16,435,604 |
| Olympic | 1825 "K" Street SE | 92,532 | 8,966,021 | - | 53,274 | 9,111,827 |
| Rainier | 30620 116th Ave. SE | 107,681 | 10,956,929 | - | 59,621 | 11,124,231 |
| ELEMENTARY SCHOOLS | | | | | | |
| Alpac | 310 Milwaukee Blvd N. | 83,007 | 4,788,914 | - | 145,460 | 5,017,381 |
| Arthur Jacobsen | 29205 132nd St SE | 1,006,023 | 20,188,888 | - | 149,136 | 21,344,047 |
| Chinook | 3502 Auburn Way S. | 32,985 | 3,513,839 | - | 70,413 | 3,617,237 |
| Dick Scobee | 1031 14th Street NE | 9,731 | 4,415,674 | - | 85,091 | 4,510,496 |
| Evergreen Heights | 5602 So 316th | 22,223 | 2,151,056 | - | 147,593 | 2,320,872 |
| Gildo Rey | 1005 37th Street SE | 30,232 | 2,996,162 | - | 108,733 | 3,135,127 |
| Hazelwood | 11815 SE 304th Street | 230,323 | 5,614,612 | - | 97,630 | 5,942,565 |
| Ilalko | 301 Oravetz Pl SE | 2,007,182 | 6,770,908 | - | 127,452 | 8,905,542 |
| Lake View | 16401 SE 318th | 408,702 | 4,273,651 | - | 139,284 | 4,821,637 |
| Lakeland Hills | 1020 Evergreen Way SE | 3,093,020 | 14,472,577 | - | 145,281 | 17,710,878 |
| Lea Hill | 30908 124th Ave. SE | 21,620 | 3,774,005 | - | 141,903 | 3,937,528 |
| Pioneer | 2301 "M" Street SE | 18,082 | 3,140,723 | - | 124,740 | 3,283,545 |
| Terminal Park | 1101 "D" Street SE | 26,603 | 2,955,375 | - | 158,249 | 3,140,227 |
| Washington | 20 "E" Street NE | 10,000 | 6,723,246 | - | 63,147 | 6,796,393 |
| ADMINISTRATION. & SERVICE BUILDINGS | | | | | | |
| James P. Fugate | 915 4th Street NE | 88,690 | 2,452,281 | - | 1,047,359 | 3,588,330 |
| Annex | 502 4th Street NE | 183,646 | 653,035 | - | 12,394 | 849,075 |
| Support Services Center | 1302 4th Street SW | 1,046,802 | 4,466,330 | - | 1,115,983 | 6,629,115 |
| Transportation | 615 15th Street SW | 18 | 4,661,051 | - | 11,007,705 | 15,668,774 |
| Transition Assistance | 501 3rd St NE | 154,552 | 879,951 | - | - | 1,034,503 |
| Portables | Miscellaneous | - | 2,712,386 | - | - | 2,712,386 |
| Head Start | 2236 K St SE | 143,484 | 224,424 | - | - | 367,908 |
| Miscellaneous Sites | Miscellaneous | 1,219,809 | 831,300 | - | - | 2,051,109 |
| Construction in Progress | | - | - | 40,229,691 | - | 40,229,691 |
| TOTALS | | \$ 22,990,609 | \$ 261,607,138 | \$ 40,229,691 | \$ 17,548,050 | \$ 342,375,488 |

AUBURN SCHOOL DISTRICT NO. 408
STATEMENT OF CHANGES IN CAPITAL ASSETS
AUGUST 31, 2012

| CAPITAL ASSET TYPES | CAPITAL ASSETS | | | CAPITAL ASSETS |
|--|-----------------------|---------------------|--------------------|-----------------------|
| | 9/1/2011 | ADDITIONS | DELETIONS | |
| Land | \$ 21,377,979 | \$ 1,612,630 | \$ - | \$ 22,990,609 |
| Building and Improvements | 261,378,650 | 228,488 | - | 261,607,138 |
| Equipment | 18,628,210 | 171,673 | (1,251,833) | 17,548,050 |
| Construction In Progress | 30,653,154 | 9,576,537 | - | 40,229,691 |
| Totals at Historical Cost | <u>332,037,993</u> | <u>11,589,328</u> | <u>(1,251,833)</u> | <u>342,375,488</u> |
| Less: Accumulated Depreciation | | | | |
| Building and Improvements | (88,683,549) | (5,252,001) | - | (93,935,550) |
| Equipment | (12,781,279) | (1,051,035) | 1,251,833 | (12,580,481) |
| Total Accumulated Depreciation | <u>(101,464,828)</u> | <u>(6,303,036)</u> | <u>1,251,833</u> | <u>(106,516,031)</u> |
| Capital Assets, Net of Accumulated Depreciation | <u>\$ 230,573,165</u> | <u>\$ 5,286,292</u> | <u>\$ -</u> | <u>\$ 235,859,457</u> |

**AUBURN SCHOOL DISTRICT
SCHEDULE OF CAPITAL ASSETS
BY FUNCTION AND ACTIVITY
AS OF AUGUST 31, 2012**

| FUNCTION & ACTIVITY | LAND | BUILDINGS & IMPROVEMENTS | CONSTRUCTION IN PROGRESS | EQUIPMENT | TOTALS |
|-------------------------------------|----------------------|-----------------------------|-----------------------------|----------------------|-----------------------|
| ADMINISTRATION | | | | | |
| Administration | \$ - | \$ - | \$ - | \$ 120,630 | \$ 120,630 |
| General Buildings | 272,336 | 3,105,316 | - | - | \$ 3,377,652 |
| Total | \$ 272,336 | 3,105,316 | - | 120,630 | 3,498,282 |
| INSTRUCTION | | | | | |
| Supervision | - | - | - | - | - |
| Learning Resources | - | - | - | 72,792 | 72,792 |
| Teaching | - | - | - | 970,572 | 970,572 |
| Extracurricular | - | - | - | 2,828,714 | 2,828,714 |
| School Buildings | 21,671,453 | 249,374,441 | - | 299,109 | 271,345,003 |
| Total | 21,671,453 | 249,374,441 | - | 4,171,187 | 275,217,081 |
| CHILD NUTRITION SERVICES | | | | | |
| Operations | - | - | - | 273,215 | 273,215 |
| Total | - | - | - | 273,215 | 273,215 |
| PUPIL TRANSPORTATION | | | | | |
| Supervision | 18 | 4,661,051 | - | 120,472 | 4,781,541 |
| Maintenance | - | - | - | 10,595,580 | 10,595,580 |
| Total | 18 | 4,661,051 | - | 10,716,052 | 15,377,121 |
| MAINTENANCE & OPERATIONS | | | | | |
| Supervision | 1,046,802 | 4,466,330 | - | 41,488 | 5,554,620 |
| Ground Care | - | - | - | 350,667 | 350,667 |
| Operations of Plant | - | - | - | 419,450 | 419,450 |
| Maintenance | - | - | - | 512,932 | 512,932 |
| Total | 1,046,802 | 4,466,330 | - | 1,324,537 | 6,837,669 |
| OTHER SERVICES | | | | | |
| Information Tech | - | - | - | 778,106 | 778,106 |
| Printing & Graphics | - | - | - | 14,032 | 14,032 |
| Warehousing | - | - | - | 150,291 | 150,291 |
| Total | - | - | - | 942,429 | 942,429 |
| CONSTRUCTION | | | | | |
| IN PROGRESS | - | - | 40,229,691 | - | 40,229,691 |
| TOTALS | \$ 22,990,609 | \$ 261,607,138 | \$ 40,229,691 | \$ 17,548,050 | \$ 342,375,488 |

AUBURN SCHOOL DISTRICT NO. 408
SUMMARY AMORTIZATION SCHEDULE FOR ALL OUTSTANDING BONDS
BOND PREMIUM, DISCOUNT, REFUNDING ADJUSTMENT
FOR THE YEAR ENDED AUGUST 31, 2012

| Date | Payment | Interest Expense | Premium/ Discount Amortized | Unamortized Premium/ Discount | Principal | Refunding Adjustment Amortized | Unamortized Refunding Adjustment | Bond Carrying Value |
|----------|-----------------------|----------------------|-----------------------------------|-------------------------------------|-----------------------|--------------------------------------|--|------------------------|
| 03/02/04 | \$ - | \$ - | \$ - | \$ 1,464,510 | \$ - | \$ - | \$ 1,656,581 | \$ 27,592,929 |
| 06/01/04 | 278,235 | 221,908 | 56,327 | 1,408,183 | - | 138,049 | 1,518,532 | 27,674,651 |
| 12/01/04 | 1,121,471 | 500,144 | 56,327 | 1,351,856 | 565,000 | 138,048 | 1,380,484 | 27,191,372 |
| 06/01/05 | 725,820 | 494,493 | 56,327 | 2,010,329 | 175,000 | 138,049 | 1,242,435 | 47,812,894 |
| 12/01/05 | 1,215,738 | 1,141,083 | 74,655 | 1,935,674 | - | 138,048 | 1,104,387 | 47,876,287 |
| 06/01/06 | 1,224,070 | 974,415 | 74,655 | 1,861,019 | 175,000 | 138,049 | 966,338 | 47,764,681 |
| 12/01/06 | 1,906,052 | 1,152,950 | 103,102 | 2,023,801 | 650,000 | 138,048 | 828,290 | 60,065,511 |
| 06/01/07 | 1,510,882 | 1,227,780 | 103,102 | 1,920,699 | 180,000 | 138,048 | 690,242 | 59,920,457 |
| 12/01/07 | 1,329,083 | 1,225,980 | 103,103 | 1,817,596 | - | 138,049 | 552,193 | 59,955,403 |
| 06/01/08 | 1,514,083 | 1,225,980 | 103,103 | 1,714,493 | 185,000 | 138,048 | 414,145 | 59,805,348 |
| 12/01/08 | 6,827,002 | 1,223,899 | 103,103 | 1,611,390 | 5,500,000 | 138,048 | 276,097 | 54,340,293 |
| 06/01/09 | 1,379,503 | 1,086,400 | 103,103 | 1,508,287 | 190,000 | 138,049 | 138,048 | 54,185,239 |
| 12/01/09 | 6,687,127 | 1,084,024 | 103,103 | 1,405,184 | 5,500,000 | 138,048 | - | 48,720,184 |
| 06/01/10 | 2,678,376 | 966,409 | 96,967 | 1,308,217 | 1,615,000 | - | - | 47,008,217 |
| 12/01/10 | 3,988,502 | 1,001,719 | 311,783 | 5,937,190 | 2,675,000 | 154,681 | 3,402,966 | 88,390,156 |
| 06/01/11 | 3,598,934 | 1,468,400 | 300,534 | 5,636,656 | 1,830,000 | 154,681 | 3,248,285 | 86,104,941 |
| 12/01/11 | 4,069,197 | 1,438,663 | 300,534 | 5,336,122 | 2,330,000 | 154,681 | 3,093,604 | 83,319,726 |
| 06/01/12 | 3,495,684 | 1,411,213 | 289,471 | 6,045,615 | 1,795,000 | 154,681 | 4,047,439 | 97,218,054 |
| 12/01/12 | 4,275,432 | 1,647,830 | 342,602 | 5,703,013 | 2,285,000 | 207,468 | 3,839,971 | 94,382,984 |
| 06/01/13 | 1,928,122 | 1,585,520 | 342,602 | 5,360,411 | - | 207,468 | 3,632,503 | 93,832,914 |
| 12/01/13 | 6,308,120 | 1,585,518 | 342,602 | 5,017,809 | 4,380,000 | 207,468 | 3,425,035 | 88,902,844 |
| 06/01/14 | 3,836,472 | 1,478,870 | 342,602 | 4,675,207 | 2,015,000 | 207,467 | 3,217,568 | 86,337,775 |
| 12/01/14 | 4,624,948 | 1,442,346 | 342,602 | 4,332,605 | 2,840,000 | 207,467 | 3,010,101 | 82,947,706 |
| 06/01/15 | 1,732,675 | 1,390,073 | 342,602 | 3,990,003 | - | 207,467 | 2,802,634 | 82,397,637 |
| 12/01/15 | 6,957,674 | 1,390,072 | 342,602 | 3,647,401 | 5,225,000 | 207,467 | 2,595,167 | 76,622,568 |
| 06/01/16 | 1,601,289 | 1,258,688 | 342,601 | 3,304,800 | - | 207,467 | 2,387,700 | 76,072,500 |
| 12/01/16 | 7,326,289 | 1,258,680 | 342,609 | 2,962,191 | 5,725,000 | 207,467 | 2,180,233 | 69,797,424 |
| 06/01/17 | 1,456,411 | 1,170,137 | 286,274 | 2,675,917 | - | 207,467 | 1,972,766 | 69,303,683 |
| 12/01/17 | 7,781,411 | 1,170,137 | 286,274 | 2,389,643 | 6,325,000 | 207,466 | 1,765,300 | 62,484,943 |
| 06/01/18 | 1,348,475 | 1,062,201 | 286,274 | 2,103,369 | - | 207,466 | 1,557,834 | 61,991,203 |
| 12/01/18 | 8,138,474 | 1,062,200 | 286,274 | 1,817,095 | 6,790,000 | 207,466 | 1,350,368 | 54,707,463 |
| 06/01/19 | 1,226,262 | 939,988 | 286,274 | 1,530,821 | - | 207,466 | 1,142,902 | 54,213,723 |
| 12/01/19 | 8,521,261 | 939,987 | 286,274 | 1,244,547 | 7,295,000 | 207,466 | 935,436 | 46,424,983 |
| 06/01/20 | 1,051,722 | 784,912 | 266,810 | 977,737 | - | 207,466 | 727,970 | 45,950,707 |
| 12/01/20 | 8,746,722 | 784,912 | 266,810 | 710,927 | 7,695,000 | 207,466 | 520,504 | 37,781,431 |
| 06/01/21 | 863,598 | 596,788 | 266,810 | 444,117 | - | 207,466 | 313,038 | 37,307,155 |
| 12/01/21 | 9,203,597 | 596,788 | 266,809 | 177,308 | 8,340,000 | 207,466 | 105,572 | 28,492,880 |
| 06/01/22 | 656,818 | 604,824 | 51,994 | 125,314 | - | 52,786 | 52,786 | 28,388,100 |
| 12/01/22 | 8,866,818 | 604,824 | 51,994 | 73,320 | 8,210,000 | 52,786 | - | 20,073,320 |
| 06/01/23 | 500,000 | 481,672 | 18,328 | 54,992 | - | - | - | 20,054,992 |
| 12/01/23 | 10,500,000 | 481,672 | 18,328 | 36,664 | 10,000,000 | - | - | 10,036,664 |
| 06/01/24 | 250,000 | 231,668 | 18,332 | 18,332 | - | - | - | 10,018,332 |
| 12/01/24 | 10,250,000 | 231,668 | 18,332 | - | 10,000,000 | - | - | - |
| | <u>\$ 161,502,349</u> | <u>\$ 42,627,435</u> | <u>\$ 8,384,914</u> | | <u>\$ 110,490,000</u> | <u>\$ 6,322,744</u> | | |

AUBURN SCHOOL DISTRICT NO. 408
AMORTIZATION SCHEDULE
BOND PREMIUM AND REFUNDING ADJUSTMENT
2004 BONDS
FOR THE YEAR ENDED AUGUST 31, 2012

| 2004 Unlimited Tax General Obligation Refunding Bonds (Refunded 1997 Bonds) | | | | | | | | |
|--|----------------------|---------------------|---------------------|---------------------|----------------------|--------------------------------|----------------------------------|---------------------|
| Date | Payment | Interest Expense | Premium Amortized | Unamortized Premium | Principal | Refunding Adjustment Amortized | Unamortized Refunding Adjustment | Bond Carrying Value |
| 03/02/04 | \$ - | \$ - | \$ - | \$ 1,464,510 | \$ - | \$ - | \$ 1,656,581 | \$ 27,592,929 |
| 06/01/04 | 278,235 | 221,908 | 56,327 | 1,408,183 | - | 138,049 | 1,518,532 | 27,674,651 |
| 12/01/04 | 1,121,471 | 500,144 | 56,327 | 1,351,856 | 565,000 | 138,048 | 1,380,484 | 27,191,372 |
| 06/01/05 | 725,820 | 494,493 | 56,327 | 1,295,529 | 175,000 | 138,049 | 1,242,435 | 27,098,094 |
| 12/01/05 | 549,071 | 492,744 | 56,327 | 1,239,202 | - | 138,048 | 1,104,387 | 27,179,815 |
| 06/01/06 | 724,070 | 492,743 | 56,327 | 1,182,875 | 175,000 | 138,049 | 966,338 | 27,086,537 |
| 12/01/06 | 547,321 | 490,994 | 56,327 | 1,126,548 | - | 138,048 | 828,290 | 27,168,258 |
| 06/01/07 | 727,320 | 490,993 | 56,327 | 1,070,221 | 180,000 | 138,048 | 690,242 | 27,069,979 |
| 12/01/07 | 545,521 | 489,194 | 56,327 | 1,013,894 | - | 138,049 | 552,193 | 27,151,701 |
| 06/01/08 | 730,521 | 489,194 | 56,327 | 957,567 | 185,000 | 138,048 | 414,145 | 27,048,422 |
| 12/01/08 | 543,439 | 487,112 | 56,327 | 901,240 | - | 138,048 | 276,097 | 27,130,143 |
| 06/01/09 | 733,440 | 487,113 | 56,327 | 844,913 | 190,000 | 138,049 | 138,048 | 27,021,865 |
| 12/01/09 | 541,064 | 484,737 | 56,327 | 788,586 | - | 138,048 | - | 27,103,586 |
| 06/01/10 | 2,156,064 | 484,737 | 56,327 | 732,259 | 1,615,000 | - | - | 25,432,259 |
| 12/01/10 | 2,117,296 | 460,969 | 56,327 | 675,932 | 1,600,000 | - | - | 23,775,932 |
| 06/01/11 | 2,323,295 | 436,968 | 56,327 | 619,605 | 1,830,000 | - | - | 21,889,605 |
| 12/01/11 | 2,293,558 | 407,231 | 56,327 | 563,278 | 1,830,000 | - | - | 20,003,278 |
| 06/01/12 | 2,231,108 | 379,781 | 56,327 | 506,951 | 1,795,000 | - | - | 18,151,951 |
| 12/01/12 | 2,199,696 | 348,369 | 56,327 | 450,624 | 1,795,000 | - | - | 16,300,624 |
| 06/01/13 | 368,796 | 312,469 | 56,327 | 394,297 | - | - | - | 16,244,297 |
| 12/01/13 | 4,378,795 | 312,468 | 56,327 | 337,970 | 4,010,000 | - | - | 12,177,970 |
| 06/01/14 | 2,283,546 | 212,219 | 56,327 | 281,643 | 2,015,000 | - | - | 10,106,643 |
| 12/01/14 | 2,247,024 | 175,697 | 56,327 | 225,316 | 2,015,000 | - | - | 8,035,316 |
| 06/01/15 | 195,250 | 138,923 | 56,327 | 168,989 | - | - | - | 7,978,989 |
| 12/01/15 | 4,115,250 | 138,923 | 56,327 | 112,662 | 3,920,000 | - | - | 4,002,662 |
| 06/01/16 | 97,250 | 40,923 | 56,327 | 56,335 | - | - | - | 3,946,335 |
| 12/01/16 | 3,987,250 | 40,915 | 56,335 | - | 3,890,000 | - | - | - |
| | <u>\$ 38,761,471</u> | <u>\$ 9,511,961</u> | <u>\$ 1,464,510</u> | | <u>\$ 27,785,000</u> | <u>\$ 1,656,581</u> | | |

AUBURN SCHOOL DISTRICT NO. 408
AMORTIZATION SCHEDULE
BOND PREMIUM
2005 BONDS
FOR THE YEAR ENDED AUGUST 31, 2012

| 2005 Unlimited Tax General Obligation Bonds | | | | | | |
|--|----------------------|-------------------------|--------------------------|----------------------------|----------------------|----------------------------|
| Date | Payment | Interest Expense | Premium Amortized | Unamortized Premium | Principal | Bond Carrying Value |
| 4/13/2005 | \$ - | \$ - | \$ - | \$ 714,800 | \$ - | \$ 20,714,800 |
| 12/1/2005 | 666,667 | 648,339 | 18,328 | 696,472 | - | 20,696,472 |
| 6/1/2006 | 500,000 | 481,672 | 18,328 | 678,144 | - | 20,678,144 |
| 12/1/2006 | 500,000 | 481,672 | 18,328 | 659,816 | - | 20,659,816 |
| 6/1/2007 | 500,000 | 481,672 | 18,328 | 641,488 | - | 20,641,488 |
| 12/1/2007 | 500,000 | 481,672 | 18,328 | 623,160 | - | 20,623,160 |
| 6/1/2008 | 500,000 | 481,672 | 18,328 | 604,832 | - | 20,604,832 |
| 12/1/2008 | 500,000 | 481,672 | 18,328 | 586,504 | - | 20,586,504 |
| 6/1/2009 | 500,000 | 481,672 | 18,328 | 568,176 | - | 20,568,176 |
| 12/1/2009 | 500,000 | 481,672 | 18,328 | 549,848 | - | 20,549,848 |
| 6/1/2010 | 500,000 | 481,672 | 18,328 | 531,520 | - | 20,531,520 |
| 12/1/2010 | 500,000 | 481,672 | 18,328 | 513,192 | - | 20,513,192 |
| 6/1/2011 | 500,000 | 481,672 | 18,328 | 494,864 | - | 20,494,864 |
| 12/1/2011 | 500,000 | 481,672 | 18,328 | 476,536 | - | 20,476,536 |
| 6/1/2012 | 500,000 | 481,672 | 18,328 | 458,208 | - | 20,458,208 |
| 12/1/2012 | 500,000 | 481,672 | 18,328 | 439,880 | - | 20,439,880 |
| 6/1/2013 | 500,000 | 481,672 | 18,328 | 421,552 | - | 20,421,552 |
| 12/1/2013 | 500,000 | 481,672 | 18,328 | 403,224 | - | 20,403,224 |
| 6/1/2014 | 500,000 | 481,672 | 18,328 | 384,896 | - | 20,384,896 |
| 12/1/2014 | 500,000 | 481,672 | 18,328 | 366,568 | - | 20,366,568 |
| 6/1/2015 | 500,000 | 481,672 | 18,328 | 348,240 | - | 20,348,240 |
| 12/1/2015 | 500,000 | 481,672 | 18,328 | 329,912 | - | 20,329,912 |
| 6/1/2016 | 500,000 | 481,672 | 18,328 | 311,584 | - | 20,311,584 |
| 12/1/2016 | 500,000 | 481,672 | 18,328 | 293,256 | - | 20,293,256 |
| 6/1/2017 | 500,000 | 481,672 | 18,328 | 274,928 | - | 20,274,928 |
| 12/1/2017 | 500,000 | 481,672 | 18,328 | 256,600 | - | 20,256,600 |
| 6/1/2018 | 500,000 | 481,672 | 18,328 | 238,272 | - | 20,238,272 |
| 12/1/2018 | 500,000 | 481,672 | 18,328 | 219,944 | - | 20,219,944 |
| 6/1/2019 | 500,000 | 481,672 | 18,328 | 201,616 | - | 20,201,616 |
| 12/1/2019 | 500,000 | 481,672 | 18,328 | 183,288 | - | 20,183,288 |
| 6/1/2020 | 500,000 | 481,672 | 18,328 | 164,960 | - | 20,164,960 |
| 12/1/2020 | 500,000 | 481,672 | 18,328 | 146,632 | - | 20,146,632 |
| 6/1/2021 | 500,000 | 481,672 | 18,328 | 128,304 | - | 20,128,304 |
| 12/1/2021 | 500,000 | 481,672 | 18,328 | 109,976 | - | 20,109,976 |
| 6/1/2022 | 500,000 | 481,672 | 18,328 | 91,648 | - | 20,091,648 |
| 12/1/2022 | 500,000 | 481,672 | 18,328 | 73,320 | - | 20,073,320 |
| 6/1/2023 | 500,000 | 481,672 | 18,328 | 54,992 | - | 20,054,992 |
| 12/1/2023 | 10,500,000 | 481,672 | 18,328 | 36,664 | 10,000,000 | 10,036,664 |
| 6/1/2024 | 250,000 | 231,668 | 18,332 | 18,332 | - | 10,018,332 |
| 12/1/2024 | 10,250,000 | 231,668 | 18,332 | - | 10,000,000 | - |
| | <u>\$ 39,166,667</u> | <u>\$ 18,451,867</u> | <u>\$ 714,800</u> | | <u>\$ 20,000,000</u> | |

AUBURN SCHOOL DISTRICT NO. 408
AMORTIZATION SCHEDULE
BOND PREMIUM
2006 BONDS
FOR THE YEAR ENDED AUGUST 31, 2012

| 2006 Unlimited Tax General Obligation Bonds | | | | | | |
|--|----------------------|---------------------|-------------------|------------------------|----------------------|---------------------|
| Date | Payment | Interest Expense | Premium Amortized | Unamortized Premium | Principal | Bond Carrying Value |
| 7/25/2006 | \$ - | \$ - | \$ - | \$ 265,884 | \$ - | \$ 12,915,884 |
| 12/1/2006 | 858,731 | 180,284 | 28,447 | 237,437 | 650,000 | 12,237,437 |
| 6/1/2007 | 283,562 | 255,115 | 28,447 | 208,990 | - | 12,208,990 |
| 12/1/2007 | 283,562 | 255,114 | 28,448 | 180,542 | - | 12,180,542 |
| 6/1/2008 | 283,562 | 255,114 | 28,448 | 152,094 | - | 12,152,094 |
| 12/1/2008 | 5,783,563 | 255,115 | 28,448 | 123,646 | 5,500,000 | 6,623,646 |
| 6/1/2009 | 146,063 | 117,615 | 28,448 | 95,198 | - | 6,595,198 |
| 12/1/2009 | 5,646,063 | 117,615 | 28,448 | 66,750 | 5,500,000 | 1,066,750 |
| 6/1/2010 | 22,312 | - | 22,312 | 44,438 | - | 1,044,438 |
| 12/1/2010 | 522,312 | - | 22,312 | 22,126 | 500,000 | 522,126 |
| 6/1/2011 | 11,063 | - | 11,063 | 11,063 | - | 511,063 |
| 12/1/2011 | 511,063 | - | 11,063 | - | 500,000 | - |
| | <u>\$ 14,351,856</u> | <u>\$ 1,435,972</u> | <u>\$ 265,884</u> | | <u>\$ 12,650,000</u> | |

AUBURN SCHOOL DISTRICT NO. 408
AMORTIZATION SCHEDULE
BOND PREMIUM AND REFUNDING ADJUSTMENT
2010 BONDS
FOR THE YEAR ENDED AUGUST 31, 2012

| 2010 Unlimited Tax General Obligation Bonds | | | | | | | | |
|---|-------------------------|------------------------|------------------------|---------------------|----------------------|--------------------------------|----------------------------------|---------------------|
| Date | Payment | Interest Expense | Premium Amortized | Unamortized Premium | Principal | Refunding Adjustment Amortized | Unamortized Refunding Adjustment | Bond Carrying Value |
| 9/27/2010 | \$ - | \$ - | \$ - | \$ 4,940,756 | \$ - | \$ - | \$ 3,557,647 | \$ 44,523,403 |
| 12/1/2010 | 848,893.33 | 59,077.83 | 214,815.50 | 4,725,940 | 575,000 | 154,681 | 3,402,966 | 43,578,906 |
| 6/1/2011 | 764,575.00 | 549,759.50 | 214,815.50 | 4,511,125 | - | 154,681 | 3,248,285 | 43,209,410 |
| 12/1/2011 | 764,575.00 | 549,759.50 | 214,815.50 | 4,296,309 | - | 154,681 | 3,093,604 | 42,839,913 |
| 6/1/2012 | 764,575.00 | 549,759.50 | 214,815.50 | 4,081,494 | - | 154,681 | 2,938,923 | 42,470,417 |
| 12/1/2012 | 764,575.00 | 549,759.50 | 214,815.50 | 3,866,678 | - | 154,681 | 2,784,242 | 42,100,920 |
| 6/1/2013 | 764,575.00 | 549,759.50 | 214,815.50 | 3,651,863 | - | 154,681 | 2,629,561 | 41,731,424 |
| 12/1/2013 | 764,575.00 | 549,759.50 | 214,815.50 | 3,437,047 | - | 154,681 | 2,474,880 | 41,361,927 |
| 6/1/2014 | 764,575.00 | 549,759.50 | 214,815.50 | 3,222,232 | - | 154,680 | 2,320,200 | 40,992,432 |
| 12/1/2014 | 764,575.00 | 549,759.50 | 214,815.50 | 3,007,416 | - | 154,680 | 2,165,520 | 40,622,936 |
| 6/1/2015 | 764,575.00 | 549,759.50 | 214,815.50 | 2,792,601 | - | 154,680 | 2,010,840 | 40,253,441 |
| 12/1/2015 | 764,575.00 | 549,759.50 | 214,815.50 | 2,577,785 | - | 154,680 | 1,856,160 | 39,883,945 |
| 6/1/2016 | 764,575.00 | 549,759.50 | 214,815.50 | 2,362,970 | - | 154,680 | 1,701,480 | 39,514,450 |
| 12/1/2016 | 764,575.00 | 549,759.50 | 214,815.50 | 2,148,154 | - | 154,680 | 1,546,800 | 39,144,954 |
| 6/1/2017 | 764,575.00 | 549,759.50 | 214,815.50 | 1,933,339 | - | 154,680 | 1,392,120 | 38,775,459 |
| 12/1/2017 | 6,864,575.00 | 549,759.50 | 214,815.50 | 1,718,523 | 6,100,000 | 154,680 | 1,237,440 | 32,305,963 |
| 6/1/2018 | 660,200.00 | 445,384.50 | 214,815.50 | 1,503,708 | - | 154,680 | 1,082,760 | 31,936,468 |
| 12/1/2018 | 7,200,200.00 | 445,384.50 | 214,815.50 | 1,288,892 | 6,540,000 | 154,680 | 928,080 | 25,026,972 |
| 6/1/2019 | 542,100.00 | 327,284.50 | 214,815.50 | 1,074,077 | - | 154,680 | 773,400 | 24,657,477 |
| 12/1/2019 | 7,562,100.00 | 327,284.50 | 214,815.50 | 859,261 | 7,020,000 | 154,680 | 618,720 | 17,267,981 |
| 6/1/2020 | 391,700.00 | 176,884.50 | 214,815.50 | 644,446 | - | 154,680 | 464,040 | 16,898,486 |
| 12/1/2020 | 7,966,700.00 | 176,884.50 | 214,815.50 | 429,630 | 7,575,000 | 154,680 | 309,360 | 8,953,990 |
| 6/1/2021 | 205,375.00 | (9,440.00) | 214,815.00 | 214,815 | - | 154,680 | 154,680 | 8,584,495 |
| 12/1/2021 | 8,420,375.00 | (9,440.50) | 214,815.50 | - | 8,215,000 | 154,680 | - | - |
| | <u>\$ 50,601,693.33</u> | <u>\$ 9,635,937.33</u> | <u>\$ 4,940,756.00</u> | | <u>\$ 36,025,000</u> | <u>\$ 3,557,647</u> | | |

AUBURN SCHOOL DISTRICT NO. 408
AMORTIZATION SCHEDULE
BOND PREMIUM
2012 BONDS
FOR THE YEAR ENDED AUGUST 31, 2012

| Date | 2012 Unlimited Tax General Obligation Bond Issue (Refunded 2004 Bonds) | | | | | |
|----------|--|-------------------|-------------------|---------------------|----------------------|---------------------|
| | Payment | Interest Expense | Premium Amortized | Unamortized Premium | Principal | Bond Carrying Value |
| 06/01/12 | \$ - | \$ - | \$ - | \$ 291,960 | \$ - | \$ 5,031,960 |
| 12/01/12 | 489,826 | 115,362 | 19,464 | 272,496 | 355,000 | 4,657,496 |
| 06/01/13 | 127,727 | 108,263 | 19,464 | 253,032 | - | 4,638,032 |
| 12/01/13 | 397,726 | 108,262 | 19,464 | 233,568 | 270,000 | 4,348,568 |
| 06/01/14 | 122,327 | 102,863 | 19,464 | 214,104 | - | 4,329,104 |
| 12/01/14 | 847,326 | 102,862 | 19,464 | 194,640 | 725,000 | 3,584,640 |
| 06/01/15 | 107,827 | 88,363 | 19,464 | 175,176 | - | 3,565,176 |
| 12/01/15 | 1,312,826 | 88,362 | 19,464 | 155,712 | 1,205,000 | 2,340,712 |
| 06/01/16 | 75,442 | 55,978 | 19,464 | 136,248 | - | 2,321,248 |
| 12/01/16 | 1,810,442 | 55,978 | 19,464 | 116,784 | 1,735,000 | 566,784 |
| 06/01/17 | 28,814 | 9,350 | 19,464 | 97,320 | - | 547,320 |
| 12/01/17 | 153,814 | 9,350 | 19,464 | 77,856 | 125,000 | 402,856 |
| 06/01/18 | 26,252 | 6,788 | 19,464 | 58,392 | - | 383,392 |
| 12/01/18 | 176,252 | 6,788 | 19,464 | 38,928 | 150,000 | 213,928 |
| 06/01/19 | 23,139 | 3,675 | 19,464 | 19,464 | - | 194,464 |
| 12/01/19 | 198,139 | 3,675 | 19,464 | - | 175,000 | - |
| | <u>\$ 5,897,879</u> | <u>\$ 865,919</u> | <u>\$ 291,960</u> | | <u>\$ 4,740,000</u> | |
| | Prior Payments | | 311,424 | | 4,550,000 | |
| | Refunded May 2012 | | 116,787 | | 8,710,000 | |
| | | | <u>\$ 720,171</u> | | <u>\$ 18,000,000</u> | |

AUBURN SCHOOL DISTRICT NO. 408
AMORTIZATION SCHEDULE
BOND PREMIUM AND REFUNDING ADJUSTMENT
2012 BONDS
FOR THE YEAR ENDED AUGUST 31, 2012

| Date | 2012 Unlimited Tax General Obligation Refunding Bonds | | | | | | | |
|----------|---|---------------------|-------------------|---------------------|---------------------|--------------------------------|----------------------------------|---------------------|
| | Payment | Interest Expense | Premium Amortized | Unamortized Premium | Principal | Refunding Adjustment Amortized | Unamortized Refunding Adjustment | Bond Carrying Value |
| 06/01/12 | | | | 707,004 | - | | 1,108,516 | 11,105,520 |
| 12/01/12 | 321,334 | 152,667 | 33,667 | 673,337 | 135,000 | 52,787 | 1,055,729 | 10,884,066 |
| 06/01/13 | 167,023 | 133,356 | 33,667 | 639,670 | - | 52,787 | 1,002,942 | 10,797,612 |
| 12/01/13 | 267,023 | 133,356 | 33,667 | 606,003 | 100,000 | 52,787 | 950,155 | 10,611,158 |
| 06/01/14 | 166,023 | 132,356 | 33,667 | 572,336 | - | 52,787 | 897,368 | 10,524,704 |
| 12/01/14 | 266,023 | 132,356 | 33,667 | 538,669 | 100,000 | 52,787 | 844,581 | 10,338,250 |
| 06/01/15 | 165,023 | 131,356 | 33,667 | 505,002 | | 52,787 | 791,794 | 10,251,796 |
| 12/01/15 | 265,023 | 131,356 | 33,667 | 471,335 | 100,000 | 52,787 | 739,007 | 10,065,342 |
| 06/01/16 | 164,023 | 130,356 | 33,667 | 437,668 | - | 52,787 | 686,220 | 9,978,888 |
| 12/01/16 | 264,023 | 130,356 | 33,667 | 404,001 | 100,000 | 52,787 | 633,433 | 9,792,434 |
| 06/01/17 | 163,023 | 129,356 | 33,667 | 370,334 | | 52,787 | 580,646 | 9,705,980 |
| 12/01/17 | 263,023 | 129,356 | 33,667 | 336,667 | 100,000 | 52,786 | 527,860 | 9,519,527 |
| 06/01/18 | 162,023 | 128,356 | 33,667 | 303,000 | - | 52,786 | 475,074 | 9,433,074 |
| 12/01/18 | 262,023 | 128,356 | 33,667 | 269,333 | 100,000 | 52,786 | 422,288 | 9,246,621 |
| 06/01/19 | 161,023 | 127,356 | 33,667 | 235,666 | | 52,786 | 369,502 | 9,160,168 |
| 12/01/19 | 261,023 | 127,356 | 33,667 | 201,999 | 100,000 | 52,786 | 316,716 | 8,973,715 |
| 06/01/20 | 160,023 | 126,356 | 33,667 | 168,332 | - | 52,786 | 263,930 | 8,887,262 |
| 12/01/20 | 280,023 | 126,356 | 33,667 | 134,665 | 120,000 | 52,786 | 211,144 | 8,680,809 |
| 06/01/21 | 158,223 | 124,556 | 33,667 | 100,998 | - | 52,786 | 158,358 | 8,594,356 |
| 12/01/21 | 283,222 | 124,556 | 33,666 | 67,332 | 125,000 | 52,786 | 105,572 | 8,382,904 |
| 06/01/22 | 156,818 | 123,152 | 33,666 | 33,666 | - | 52,786 | 52,786 | 8,296,452 |
| 12/01/22 | 8,366,818 | 123,152 | 33,666 | - | 8,210,000 | 52,786 | - | - |
| | <u>\$12,722,783</u> | <u>\$ 2,725,779</u> | <u>\$ 707,004</u> | | <u>\$ 9,290,000</u> | <u>\$ 1,108,516</u> | | |