CREDIT OPINION
10 April 2026

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King County School District 412 (Shoreline), WA

Update to credit analysis

Summary

King County School District 412 (Shoreline), WA's (A2 stable) credit profile incorporates an improving yet still narrow financial position and relatively stable enrollment. The district benefits from favorable economic metrics such as strong property wealth with full value per capita at close to $250,000 and resident income at 140% of the US. Long-term liabilities and fixed costs are manageable at 221% and 16% of operating revenue, respectively, and will moderate overtime given that management has no debt plans.

Credit strengths

» Strong economic metrics

» Consistent local support for operating levies

Credit challenges

» Narrow financial position

» District follows state guidance on financial reporting, with does not disclose OPEB liabilities and contributions, capital asset values or depreciation

Rating outlook

The stable outlook incorporates our expectation that management will continue to implement cost savings measures in order to support adequate reserves and liquidity. We also consider the strong local support for educational programs and operations (EP&O), and technology levies into the outlook.

Factors that could lead to an upgrade

» Sustained increases in available fund balance and liquidity supporting greater financial flexibility

» Enrollment growth that materially improves the district's financial profile

Factors that could lead to a downgrade

» Sustained deficits leading to available fund balance below 5%

» Annual enrollment losses that lead to operating deficits

Key indicators

Exhibit 1
King County S.D. 412 (Shoreline), WA

	2021	2022	2023	2024	A Medians
Economy					
Resident income	130.5%	135.6%	140.3%	139.5%	N/A
Full value ($000)	$15,497,264	$17,229,856	$21,026,197	$18,613,455	$1,239,292
Population	71,620	72,079	72,590	74,698	12,617
Full value per capita	$216,382	$239,041	$289,657	$249,183	$99,324
Enrollment	9,559	9,509	9,556	9,623	1,701
Enrollment trend	-0.7%	-1.5%	-0.8%	0.2%	N/A
Financial performance					
Operating revenue ($000)	$186,211	$194,584	$197,506	$207,359	$31,734
Available fund balance ($000)	$26,169	$23,589	$20,747	$24,409	$8,037
Net cash ($000)	$22,901	$21,112	$22,144	$26,221	$9,442
Available fund balance ratio	14.1%	12.1%	10.5%	11.8%	25.7%
Net cash ratio	12.3%	10.8%	11.2%	12.6%	33.2%
Leverage					
Debt ($000)	$402,470	$383,413	$364,515	$343,395	$21,998
ANPL ($000)	$262,456	$188,717	$141,161	$115,585	$34,713
OPEB ($000)	$0	$0	$0	$0	$2,511
Long-term liabilities ratio	357.1%	294.0%	256.0%	221.3%	N/A
Implied debt service ($000)	$28,917	$28,229	$26,777	$25,321	$1,520
Pension tread water ($000)	$8,952	$3,545	$7,420	$7,427	$1,316
OPEB contributions ($000)	$0	$0	$0	$0	$187
Fixed-costs ratio	20.3%	16.3%	17.3%	15.8%	N/A

For definitions of the metrics in the table above please refer to the US K-12 Public School Districts Methodology or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published K12 Median Report.
Sources: US Census Bureau, King County S.D. 412 (Shoreline), WA's financial statements and Moody's Ratings

Profile

Shoreline Public Schools encompasses 15 square miles in King County (Aaa stable), just north of Seattle (Aaa stable). It provides kindergarten through twelfth grade education to approximately 9,600 students within the cities of Shoreline and Lake Forest Park, as well as some unincorporated areas of the county.

Detailed credit considerations

The district's location in the Puget Sound region continues to be a credit strength. The local economy is diverse, with significant health care, educational and governmental components, and residents benefit from employment opportunities in nearby Seattle. The district continues to benefit from strong property wealth and favorable resident income when compared to peers. Enrollment is projected to remain relatively stable given recent new housing development and management is considering increasing its admission of transfer students.

The district's financial position is improving yet reserves are still expected to remain below-average when compared to peers. Positively, the district recorded a $4.4 million surplus in fiscal 2025 (unaudited) largely due to favorable revenue variances due to enrollment coming in above projections, the receipt of one time funds ($500,000), higher investment earnings, and special education costs coming in below budget. Available general fund balance increased to about $11 million or an adequate 6% of total general fund revenue. Based on projections through February, management is projecting a $3 million deficit for fiscal 2026 year-end driven by increased instructional costs.

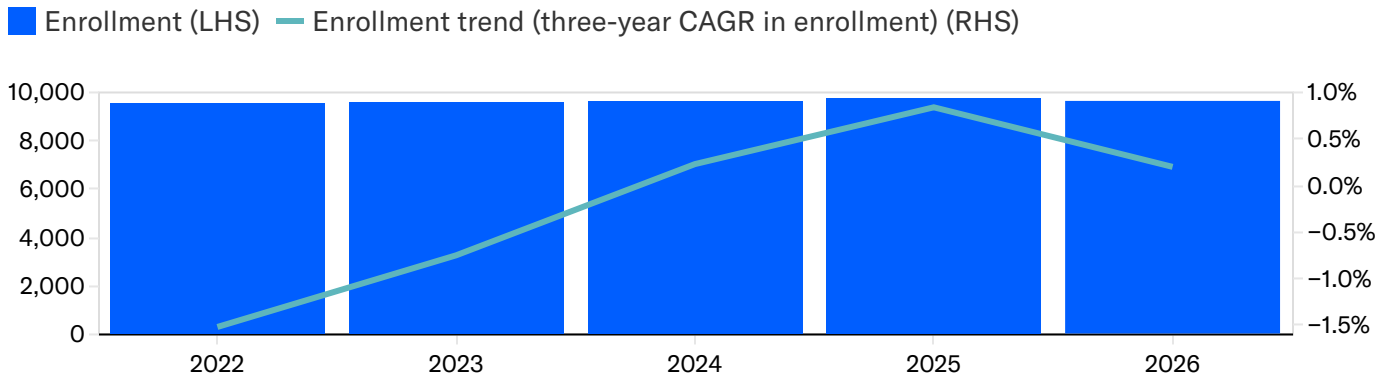
Moving forward, we expect reserves to stabilize around current levels given management's commitment to containing operating costs such as ensuring adequate staff levels for enrollment and maximizing efficiencies. In addition, the district continues to benefit from

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strong voter support for local levies with voters approving EP&O and technology levies, providing growing property tax revenue over the next four years.

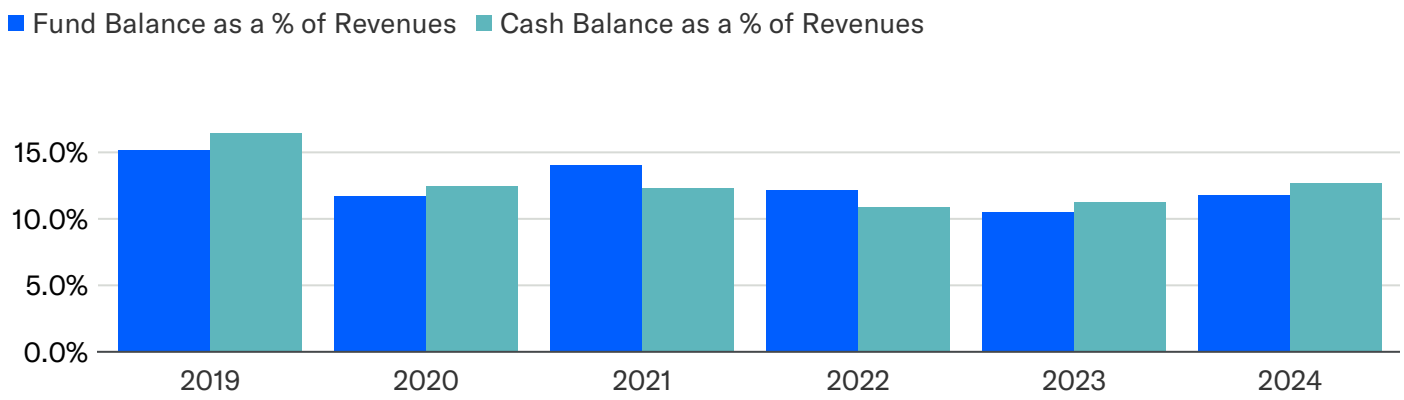
The district's long-term liabilities ratio and fixed costs will moderate overtime given that management has no debt plans. While results will vary across US public pension systems, we generally expect local governments' fiscal year 2026 ANPLs to fall by around another 20% based on our aggregate estimates, due to rising interest rates and above-target investment returns in 2025.

Exhibit 2
Enrollment growth moving forward is expected to be relatively stable



Source: Moody's Ratings

Exhibit 3
Financial reserves will decline when compared to prior years yet remain adequate

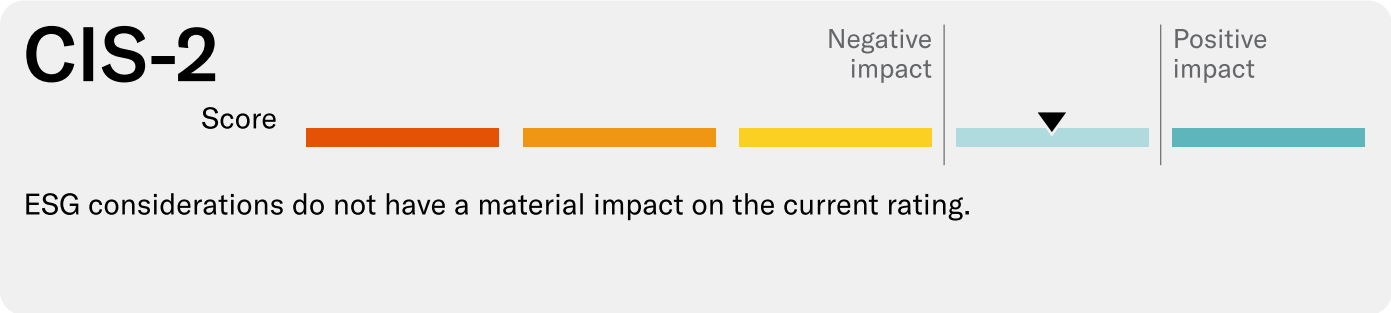


Source: Moody's Ratings

ESG considerations

King County S.D. 412 (Shoreline), WA's ESG credit impact score is CIS-2

Exhibit 4
ESG credit impact score



Source: Moody's Ratings

Shoreline Public Schools' **CIS-2** indicates the limited impact of environmental, social and governance risks on the district's rating given low overall risk exposure.

Exhibit 5
ESG issuer profile scores



Source: Moody's Ratings

Environmental

The **E-2** score reflects relatively low exposure to environmental risks across all categories, including physical climate risk, carbon transition, water management, natural capital and waste and pollution.

Social

The **S-2** score reflects the district's limited exposure to social risks. The district benefits from a growing population which drives the district's long-term trend of increasing enrollment. Income metrics are strong and improving and the childhood poverty rate in the district is favorably low. Housing is low risk though home prices have been increasing significantly in recent years. Risk exposure to education, health and safety and access to basic services is also low.

Governance

The **G-2** reflects the district's satisfactory governance. Transparency and disclosure represents low risk but is weaker than average, owing to limited financial reporting that does not disclose other post-employment benefits (OPEB) liabilities, capital asset values, or depreciation, in line with most Washington school districts and as directed by the state Office of Superintendent of Public Instruction (OSPI). Audited financial statements are typically filed timely and the district publishes monthly financial reports.

Rating methodology and scorecard factors

The US K-12 Public School Districts Methodology includes a scorecard that summarizes the rating factors generally most important to school district credit profiles. Because the scorecard is a summary and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 6

King County S.D. 412 (Shoreline), WA

	Measure	Weight	Score
Economy			
Resident Income (MHI Adjusted for RPP / US MHI)	139.5%	10.0%	Aaa
Full value per capita (full valuation of the tax base / population)	249,183	10.0%	Aaa
Enrollment trend (three-year CAGR in enrollment)	0.2%	10.0%	Aa
Financial performance			
Available fund balance ratio (available fund balance / operating revenue)	11.8%	20.0%	A
Net cash ratio (net cash / operating revenue)	12.6%	10.0%	A
Institutional framework			
Institutional Framework	A	10.0%	A
Leverage			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	221.3%	20.0%	Aa
Fixed-costs ratio (adjusted fixed costs / operating revenue)	15.8%	10.0%	Aa
Notching factors			
Weak financial reporting	-1.50		
Scorecard-Indicated Outcome			A2
Assigned Rating			**A2**

The complete list of outstanding ratings assigned to the King County S.D. 412 (Shoreline), WA is available on their issuer page. Details on the current ESG scores assigned to the King County S.D. 412 (Shoreline), WA are available on their ESGView page.

Sources: US Census Bureau, King County S.D. 412 (Shoreline), WA's financial statements and Moody's Ratings

Appendix

Exhibit 7

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income	Median Household Income (MHI), adjusted for Regional Price Parity (RPP), as a % of the US	MHI: American Community Survey (US Census Bureau) RPP: US Bureau of Economic Analysis
Full value ($000)	Estimated market value of taxable property accessible to the district	State repositories, district's audited financial reports, offering documents or continuing disclosure
Population	Population of school district	American Community Survey (US Census Bureau)
Full value per capita	Full value / population of school district	
Enrollment	Student enrollment of school district	State data publications
Enrollment trend	3-year Compound Annual Growth Rate (CAGR) of Enrollment	State data publications; Moody's Ratings
Financial performance		
Operating revenue ($000)	Total annual operating revenue in what we consider to be the district's operating funds	Audited financial statements
Available fund balance ($000)	Committed, assigned and unassigned fund balances in what we consider to be the district's operating funds	Audited financial statements
Net cash ($000)	Net cash (cash and liquid investments minus short-term debt) in what we consider to be the district's operating funds	Audited financial statements
Available fund balance ratio	Available fund balance / Operating Revenue	Audited financial statements
Net cash ratio	Net Cash / Operating Revenue	Audited financial statements
Leverage		
Debt ($000)	District's direct gross debt outstanding	Audited financial statements; official statements
ANPL ($000)	District's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
OPEB ($000)	District's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Long-term liabilities ratio	Debt, ANPL and OPEB liabilities as % of operating revenue	Audited financial statements, official statements; Moody's Ratings
Implied debt service ($000)	Annual cost to amortize district's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Ratings
Pension tread water ($000)	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Ratings
OPEB contributions ($000s)	District's actual contribution in a given period, typically the fiscal year	Audited financial statements; official statements
Fixed-costs ratio	Implied debt service, pension tread water and OPEB contributions as % of operating revenue	Audited financial statements, official statements, pension system financial statements

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the US K-12 Public School Districts Methodology.

Source: Moody's Ratings

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