

**Washington State Auditor's Office**  
**Financial Statements and Federal Single Audit Report**

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**City of Renton**  
**King County**

Audit Period  
**January 1, 2012 through December 31, 2012**

**Report No. 1010425**

Issue Date  
**September 23, 2013**



WASHINGTON  
**TROY KELLEY**  
STATE AUDITOR



**Washington State Auditor  
Troy Kelley**

September 23, 2013

Council  
City of Renton  
Renton, Washington

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

Please find attached our report on the City of Renton's financial statements and compliance with federal laws and regulations.

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

Sincerely,

**TROY KELLEY**  
STATE AUDITOR

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King County  
January 1, 2012 through December 31, 2012**

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# Federal Summary

## City of Renton King County January 1, 2012 through December 31, 2012

The results of our audit of the City of Renton are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

### **FINANCIAL STATEMENTS**

An unmodified opinion was issued on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

#### ***Internal Control Over Financial Reporting:***

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

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

### **FEDERAL AWARDS**

#### ***Internal Control Over Major Programs:***

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

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

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

***Identification of Major Programs:***

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
16.710	ARRA Public Safety Partnership and Community Policing Grants (Recovery Act)
20.106	Airport Improvement Program
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction
97.036	Disaster Grants - Public Assistance Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$338,668.

The City qualified as a low-risk auditee under OMB Circular A-133.

# Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**City of Renton  
King County  
January 1, 2012 through December 31, 2012**

Council  
City of Renton  
Renton, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Renton, King County, Washington, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 30, 2013. During the year ended December 31, 2012, the City implemented Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

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



**TROY KELLEY**  
STATE AUDITOR

July 30, 2013

# Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

**City of Renton  
King County  
January 1, 2012 through December 31, 2012**

Council  
City of Renton  
Renton, Washington

## ***REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM***

We have audited the compliance of the City of Renton, King County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the accompanying Federal Summary.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

### ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***PURPOSE OF THIS REPORT***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

**TROY KELLEY**  
STATE AUDITOR

July 30, 2013

# Independent Auditor's Report on Financial Statements

**City of Renton  
King County  
January 1, 2012 through December 31, 2012**

Council  
City of Renton  
Renton, Washington

## ***REPORT ON THE FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Renton, King County, Washington, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 11.

### ***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 City'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 City'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, the business-type activities, each major fund and the aggregate remaining fund information of the City of Renton, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Matters of Emphasis***

As discussed in Note 1 to the financial statements, in 2012, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 24, budgetary comparison information on page 94, information on Firefighter's Pension Fund on page 95 and LEOFF 1 Retiree Medical Benefits information on page 96 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.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule 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 basic financial statements. The information has been subjected to the 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 basic financial statements or to the basic 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.

### ***OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

**TROY KELLEY**  
STATE AUDITOR

July 30, 2013

# Financial Section

## **City of Renton King County January 1, 2012 through December 31, 2012**

### ***REQUIRED SUPPLEMENTARY INFORMATION***

Management's Discussion and Analysis – 2012

### ***BASIC FINANCIAL STATEMENTS***

Statement of Net Position – 2012

Statement of Activities – 2012

Balance Sheet – Governmental Funds – 2012

Reconciliation of the Balance Sheet to the Statement of Net Position – 2012

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2012

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Governmental Activities – 2012

Statement of Net Position – Proprietary Funds – 2012

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds – 2012

Statement of Cash Flows – Proprietary Funds – 2012

Statement of Fiduciary Net Position – Fiduciary Funds – 2012

Statement of Changes in Fiduciary Net Position – Firemen's Pension Funds – 2012

Notes to the Financial Statements – 2012

### ***REQUIRED SUPPLEMENTARY INFORMATION***

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund – 2012

Firefighter's Pension Fund – Schedule of Employer Contribution – 2012

LEOFF 1 Retiree Medical Benefits – Schedule of Funding Progress – Schedule of Employer Contribution – 2012

### ***SUPPLEMENTARY AND OTHER INFORMATION***

Schedule of Expenditures of Federal Awards – 2012

Notes to the Schedule of Expenditures of Federal Awards – 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Renton's discussion and analysis provides a narrative overview of the City's financial activities for the fiscal year ended December 31, 2012. The intent of the discussion and analysis is to review the City's financial performance as a whole.

This Management's Discussion and Analysis (MD&A) combined with the Transmittal Letter, the Financial Statements, and the Notes to the Financial Statements represent the complete 2012 financial activities for the City of Renton. These are all intended to help the reader understand the City's significant financial issues while providing an overview of the City's financial records. The information in this financial report also identifies any material deviations from the financial plan and the adopted annual budget and will isolate and identify individual fund issues or concerns.

### FINANCIAL HIGHLIGHTS

- As of December 31, 2012, the City's total assets exceed liabilities by \$744.2 million. This financial net position is an improvement of \$50.4 million over 2011. This increase consists of \$43 million in restricted net position and \$7.7 in unrestricted net position. Unrestricted net position is the portion of city resources that does not have externally imposed conditions and disposition is generally at the discretion of the City Council.
- Two-thirds of the \$744.2 million net position, or \$487.7 million, is related to governmental activities; of this, \$433.5 million are restricted monies that are invested in infrastructure or fixed assets that are not spendable or are committed for current capital and other activities. \$54.2 million are "unrestricted" which is a slight increase (\$0.9 million) from the 2011 level and includes amounts the City set aside for a self-insurance plans reserve, employee benefit reserves and working capital to meet cash flow needs of all general governmental purposes.
- The net position for business type activities totaled \$256.5 million, an increase of \$16.0 million from 2011. \$224.9 million represents the City's investments in capital assets net of related debt. An unrestricted balance of \$31.6 million remains and includes amounts set aside for future capital projects as well as cash flow to meet day-to-day operating requirements of the utilities and other enterprise funds.
- The City's total outstanding long-term debt as of December 31, 2012, was \$131.4 million. Of this amount, \$ 83.6 million is general obligation debt backed by the full faith and credit of the City. \$38.0 million are revenue bonds and state Public Works Trust Fund loans backed by the revenues of the Waterworks Utility. The remaining \$9.7 million is for accrued employee leave balances and LEOFF 1 Retiree Benefits.

## FINANCIAL INFORMATION

The City's Government-wide Financial Statements were prepared on the full accrual basis of accounting in conformity with Generally Accepted Accounting Principles (GAAP). The City's Fund Financial Statements for its major and non-major governmental funds were prepared on the modified accrual basis of accounting in conformity with GAAP. The City's major and non-major enterprise funds, internal service funds, and pension funds were accounted for on the full accrual basis of accounting in conformity with GAAP.

The City of Renton, along with all cities, counties, and other governmental entities in Washington, must comply with the Budgeting, Accounting, and Reporting System (BARS) as prescribed by the Washington State Auditor's Office (SAO). The SAO audits the financial records of all cities and other governmental units within the State. In addition to examining financial statements, the SAO also performs compliance audits and reviews internal control procedures. The City of Renton has a financial system that is consistent with BARS and has strong administrative and management controls that are designed to provide:

1. Reasonable assurance that transactions are executed in accordance to management policies and approval authorities;
2. Reasonable assurance that transactions are recorded and reported in accordance to GAAP;
3. Accountability for control of assets and obligations; and
4. Assurance that sufficient reporting and review exists to provide complete information for analysis and comparability of data.

The City maintains strong budgetary controls in order to ensure compliance with legal provisions embodied in the appropriated budget as approved by the City Council. The City Council must authorize any budget increase or decrease to any fund.

## STRUCTURE OF THE FINANCIAL STATEMENTS

This discussion and analysis provides an introduction and overview to the City of Renton's basic financial statements. The basic financial statements are comprised of three components:

1. Government-wide Financial Statements;
2. Fund Financial Statements; and
3. Notes to the Financial Statements.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

While the *fund financial statements* present the City's financial data as a collection of separate financial units, the *government-wide finance statements* present the entire City's finances as a single integrated unit. The government-wide financial statements use separate columns to distinguish governmental activities, principally supported by taxes and intergovernmental revenues, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include a full range of local government services provided to the public such as police and fire protection; road

maintenance and construction; community planning and economic development; parks and recreational opportunities; and other community services. All internal service activities are reported under governmental activities. The business-type activities of the City include waterworks (water, sewer, and surface water), solid waste management and services, a golf course, and an airport. Fiduciary resources, by definition, are not available to support the City's programs, therefore are excluded from Government-wide financial statements.

1. **The Statement of Net Position** presents information on all of the City's assets and liabilities with the difference between the two reported as net position. This statement combines and consolidates governmental funds' current financial resources (short-term available resources) with capital assets and long-term obligations, which is primarily debt. The Statement of Net Position serves a purpose similar to that of the Balance Sheet of a private-sector business. Over time, increases or decreases in net position may serve as one indicator of whether the financial position of the City is improving or deteriorating. Other indicators to consider when evaluating the financial position of the City includes changes to the property tax base, general economic conditions as demonstrated through business licenses fees or sales tax revenue, and the condition of the City's infrastructure (roads, drainage systems, bridges, and water infrastructure).
2. **The Statement of Activities** focuses upon both the gross and net cost of various activities that are provided by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of cost to various governmental services and/or subsidies to business-type activities. By separating program revenue from general revenue, users of the financial statements can identify the extent to which each program relies on taxes for funding.

The governmental activities reflect the City's basic functions: General Government, Judicial, Security of Person and Property, Physical Environment, Mental and Physical Health, and Culture and Recreation. Property, sales, and utility taxes finance the majority of these functions.

All changes in net position are reported using the accrual basis of accounting, which is similar to the accounting used in the private sector. The accrual basis of accounting requires that revenues are reported when earned and expenses are reported when incurred, no matter when the revenue will actually be received or the obligation will be paid. For example, property taxes are shown as a receivable and revenue even though some amount of these taxes will not be available to the City for several years. Unpaid vendor obligations are illustrated as an accounts payable obligation as of December 31.

### 3. **Fund Financial Statements**

The City uses fund structure to ensure and demonstrate fiscal integrity and compliance with finance-related legal requirements. A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities and objectives. There are three types of funds: governmental, proprietary, and fiduciary. These statements focus on major government funds and proprietary funds separately.

A Major Fund has three elements as defined by GASB 34:

- Total assets, liabilities, revenues, or expenditures of that individual governmental or enterprise funds are at least ten percent (10%) of the corresponding total (assets, liabilities, etc.) for all funds of that category or type (i.e., governmental, proprietary, or fiduciary); and
- Total assets, liabilities, revenues, or expenditures/expenses of the individual government fund or enterprise funds are at least five percent (5%) of the corresponding total for all governmental and enterprise funds combined; or
- Any other governmental or enterprise fund that governing officials believe is particularly important.

Governmental Funds present most of a government's tax-supported activities. The Proprietary Funds present the government's business-type activities where all or part of the activities' costs are supported by fees and charges that are paid directly by those who benefit from the activities. Fiduciary Funds present resources held by the government as a trustee or agent for parties outside of the government. The resources of Fiduciary Funds cannot be used to support the government's other programs.

### ***Governmental Funds***

The Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances present separate columns of financial data for the General Fund, Municipal Facilities CIP Fund and Capital Improvement Fund. These comprise the City's major governmental funds. Data from the remaining governmental funds are combined and presented in a single column in the fund statements. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. The focus of Governmental Fund Financial Statements is on *near-term* inflows and outflows of available financial resources and on balances of resources available at the end of the fiscal year. Such information is useful in evaluating whether there are more or less financial resources that can be used in the near future to finance City services.

Because the focus of Governmental Fund Financial Statements is a narrower view than that of the Government-wide Financial Statements, it is useful to compare similar information in order to gain a better understanding of the long-term impact of the government's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to the governmental activities column in the government-wide statements to facilitate this comparison.

The City maintains budgetary controls over its governmental funds. Budgetary controls ensure compliance with legal provisions embodied in the annual appropriated budget. Governmental fund budgets are established in accordance with state law and are adopted on a fund level. General fund budget variances are specifically addressed later in this discussion and analysis.

### ***Proprietary Funds***

These types of funds consist of two types: Enterprise and Internal Service. Each of these are, and have always been, operated as a business activity. Enterprise Funds are used to report the same functions as business-type activities in the Government-wide Financial Statements. Internal Service Funds are used to report activities that provide supplies and services to various City departments and to allocate the associated costs of providing these services to the various functions. The revenues and expenses of Internal Service Funds that are duplicated in other funds are eliminated in the government-wide statements. Because the remaining balances primarily benefit governmental, rather than business-type, activities they have been included within Governmental Activities in the Government-wide Statements.

The City of Renton has two major Enterprise Funds: Waterworks Utility (water, wastewater, and storm water) and Solid Waste. The Proprietary Statement of Net Position and the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Equity present separate columns of financial data for the Waterworks Utility and Solid Waste. Information from the remaining Enterprise Funds are combined and presented in a single, aggregated column in the fund statements. Internal Service Funds are reported separately in this section.

Proprietary Fund Statements provide the same type of information as the Government-wide Financial Statements, only in more detail, since both apply the accrual basis of accounting. In comparing the total assets and total liabilities between the two statements, only slight differences will be noticed. One notable difference is that the “due from other funds” (asset) and the “due to other funds” (liability) in the Proprietary Fund Statements are combined in a single line called “internal balances” in the asset section of the Government-wide Statement of Net Position.

### ***Fiduciary Funds***

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reported in the Government-wide Financial Statements because the resources of those funds are not available to support the City’s own operations. All of the City’s fiduciary activities are reported in a separate Fiduciary Statement of Net Position and a Statement of Revenues, Expenses, and Changes in Fiduciary Net Position.

## **4. NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the information provided and are an integral part of the Government-wide and Fund Financial Statements.

Combining statements for non-major Governmental and Enterprise Funds, as well as Internal Service Funds, are presented immediately following the required supplementary information.

#### **REQUIRED SUPPLEMENTAL INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) on budgetary comparisons for major governmental funds as well as the City's funding progress for the Firemen's Pension Trust Fund and Other Post-Employment Benefits (LEOFF 1 Retiree Medical).

#### **COMBINING STATEMENTS**

The combining statements for other government funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information.

#### **STATISTICAL INFORMATION**

This section includes unaudited trends and demographic information.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

#### **Statement of Net Position**

The change in net position is an indicator of a government's financial situation. Table 1 below shows the condensed Government-wide Net Position as of December 31, 2012, with comparison to 2011.

The City's overall financial position improved in 2012 over 2011 by \$50.4 million, \$34.4 in governmental activities and \$16.0 million associated with business-type activities. The increase in governmental net position is entirely attributable to an increase in capital assets such as land and improvements to infrastructure, with non-capital net-position increasing by just under \$1 million. Net position for business-type activities increased by \$16.0 million; \$7.8 million of which was related to capital assets, \$2.9 million restricted for debt service purpose, and \$5.4 million were unrestricted resources for planned future capital projects.

<b>TABLE 1 CONDENSED STATEMENT OF NET POSITION</b>						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current assets	\$ 92,738,107	\$ 90,005,599	\$ 32,575,404	\$ 26,980,830	\$ 125,313,511	\$116,986,429
Capital and other assets	502,051,823	475,711,915	266,306,655	259,065,394	768,358,478	734,777,309
<b>TOTAL ASSETS</b>	<b>594,789,930</b>	<b>565,717,514</b>	<b>298,882,059</b>	<b>286,046,224</b>	<b>893,671,989</b>	<b>851,763,738</b>
Current liabilities	\$ 14,483,938	12,949,403	\$ 3,276,701	3,532,129	\$ 17,760,639	16,481,532
Other liabilities	92,611,066	99,449,845	39,110,485	42,069,463	131,721,551	141,519,308
<b>TOTAL LIABILITIES</b>	<b>107,095,004</b>	<b>112,399,248</b>	<b>42,387,186</b>	<b>45,601,592</b>	<b>149,482,190</b>	<b>158,000,840</b>
<b>NET POSITION:</b>						
Net Investment in Capital Assets	\$425,581,342	373,641,842	\$ 224,893,271	217,103,722	\$ 650,474,613	590,745,564
Restricted	7,953,634	26,432,127	2,909,578	-	10,863,212	26,432,127
Unrestricted	54,159,950	53,244,297	28,692,024	23,340,910	82,851,974	76,585,207
<b>TOTAL NET POSITION</b>	<b>\$487,694,926</b>	<b>\$453,318,266</b>	<b>\$ 256,494,873</b>	<b>\$240,444,632</b>	<b>\$ 744,189,799</b>	<b>\$693,762,898</b>

Nearly 90% of the City's net position is investments in capital assets (e.g., streets, water and sewer systems, drainage systems, buildings, parks and open spaces) less any related debt used to acquire these assets. The City's capital assets are used to provide services to citizens. It should be noted that, although the investments in capital assets are reported net of related debt, resources needed to repay this debt must be provided from *other* sources since the capital assets, with limited exception, cannot be liquidated to reduce these liabilities.

The substantial increase in governmental capital assets (net of related debt) in 2012 is primarily due to the addition of capital grant funded improvements. The increase of net investment in capital assets related to business-type activities were also related to grant funded capital improvement projects (\$7.7 million for surface water systems). Interfund loan debt is not included in the calculation of net investments in capital assets.

### Statement of Activities and Change in Net Position

Table 2 is the citywide condensed summary Statement of Activities and Change in Net Position.

TABLE 2 CONDENSED STATEMENT OF ACTIVITIES						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 16,327,227	\$ 15,534,490	\$ 66,785,318	\$ 62,328,294	\$ 83,112,545	\$ 77,862,784
Operating grants and contributions	12,794,132	15,540,897	165,164	465,468	12,959,296	16,006,365
Capital grants and contributions	33,529,033	12,135,982	7,668,558	2,473,309	41,197,591	14,609,291
Taxes and other general revenues:					-	-
Property taxes	33,932,290	33,309,975			33,932,290	33,309,975
Sales taxes	23,653,706	22,008,777			23,653,706	22,008,777
Other Taxes	21,929,128	20,984,369			21,929,128	20,984,369
Other general revenue	1,768,728	1,594,288	149,971	188,325	1,918,699	1,782,613
Total revenues	143,934,244	121,108,778	74,769,011	65,455,396	218,703,255	186,564,174
Expenses:						
General government	9,859,550	4,268,321	-	-	9,859,550	4,268,321
Judicial	2,610,481	2,563,989	-	-	2,610,481	2,563,989
Public safety	58,152,773	52,627,849	-	-	58,152,773	52,627,849
Physical environment	2,643,930	2,151,322	-	-	2,643,930	2,151,322
Transportation	13,571,691	25,376,308	-	-	13,571,691	25,376,308
Economic environment	6,330,233	6,491,151	-	-	6,330,233	6,491,151
Health and human services	827,802	819,138	-	-	827,802	819,138
Culture and recreation	13,011,327	11,955,737	-	-	13,011,327	11,955,737
Interest on long-term debt	3,087,269	2,165,960	-	-	3,087,269	2,165,960
Waterworks utility	-	-	39,419,864	37,148,813	39,419,864	37,148,813
Airport	-	-	2,251,434	2,026,804	2,251,434	2,026,804
Solid waste utility	-	-	14,780,647	14,434,201	14,780,647	14,434,201
Golf course	-	-	2,139,847	2,099,936	2,139,847	2,099,936
Total expenses	110,095,056	108,419,775	58,591,792	55,709,754	168,686,848	164,129,529
Increase in net position before transfers	33,839,188	12,689,003	16,177,219	9,745,642	50,016,407	22,434,645
Transfers	233,961	37,454	(233,961)	(37,454)	-	-
Increase in net position	34,073,149	12,726,457	15,943,258	9,708,188	50,016,407	22,434,645
Net position - beginning	453,318,266	440,591,809	240,444,632	231,802,937	693,762,898	672,394,746
Prior period adjustments	303,511	-	106,983	(1,066,493)	410,494	(1,066,493)
Net position - ending	\$487,694,926	\$453,318,266	\$256,494,873	\$240,444,632	\$744,189,799	\$693,762,898

Citywide revenue grew by \$32.1 million or 17.23%. Over 80% or \$26.6 million of this increase was in project-related capital grants. Without capital grants, the revenue grew by \$5.6 million account for 3.0% of the growth. Tax and miscellaneous revenues grew by \$3.3 million account for or 1.8% of the growth. Program revenue, such as user fees, grew by \$5.2 million, primarily from rate increases in business type activities. Operating grants and contributions decreased by \$3.0 million.

Combined citywide service expenses totaled \$168.9 million for 2012. That is \$4.6 million or 2.8% higher than 2011. Governmental activities increased by \$1.7 million or 1.5% while business activities increased by \$2.9 million or 5.2%.

The resulting change in net position without prior period adjustments increased in 2012 by \$50.0 million, \$34.1 million from governmental activities and \$15.9 million from business-type activities. As discussed above, this increase is primarily an increase in fixed assets funded by capital grants.

### Governmental Activities Analysis

Governmental activities cost a total of \$110.1 million in 2012 against operating revenue (excluding capital grants and contributions) of \$110.4 million. \$81.1 million or 74% of all governmental activities were funded by taxes and miscellaneous revenues. \$29 million or 26% were supported by program revenues such as permit fees, fines and forfeitures, recreation fees, facility rental fees.

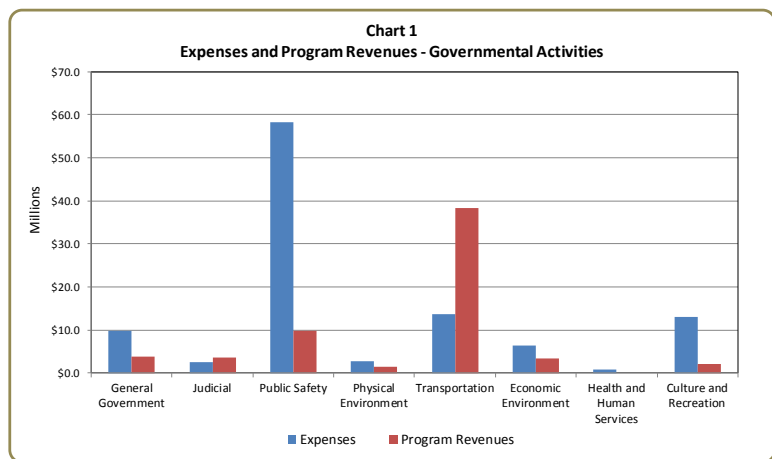


Chart 1 portrays the cost of each of the City's governmental programs along with each program's generated revenue (fees and intergovernmental revenues specifically related to that program). The program revenues for Transportation Systems include capital grants for large-scale projects such as Rainier Ave improvements.

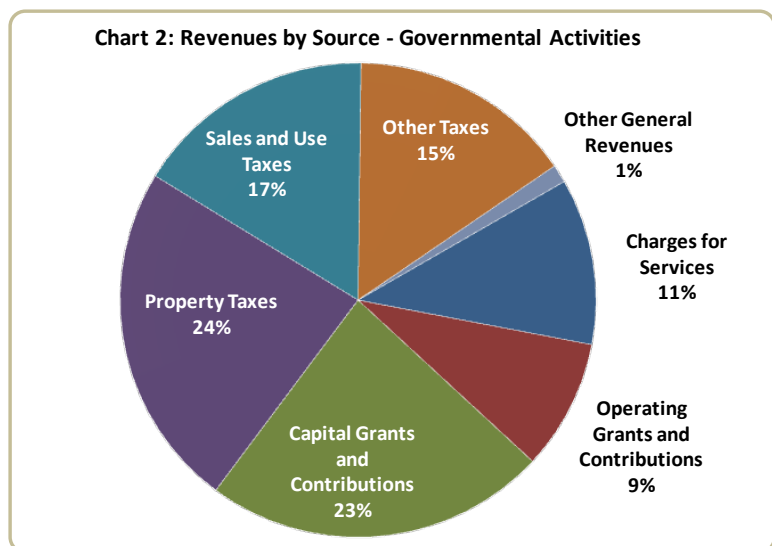


Chart 2 depicts the sources of revenue that funds governmental activities. Approximately fifty-six percent (56%) is from various taxes and general resources. Charges for services, grants and interest earnings generate forty-four percent (44%) of total revenue for general governmental activities.

### Business-Type Activities Analysis

Charts 3 and 4 present the same information for business-type activities as previously illustrated for governmental activities.

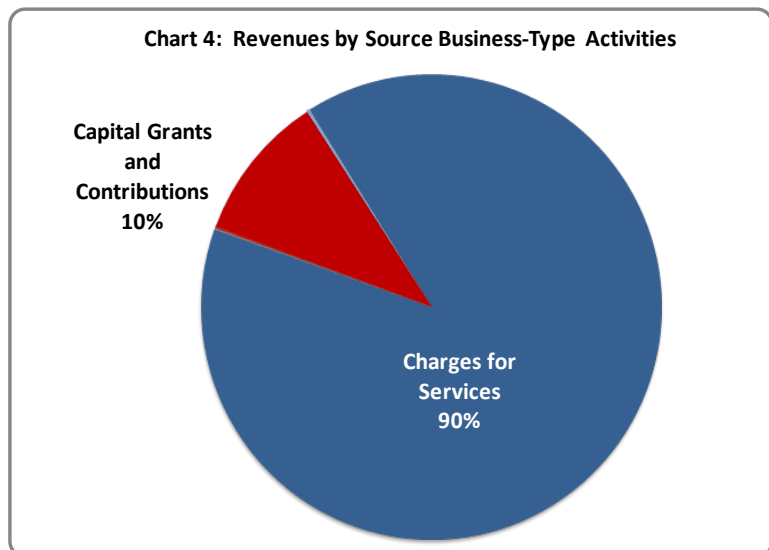
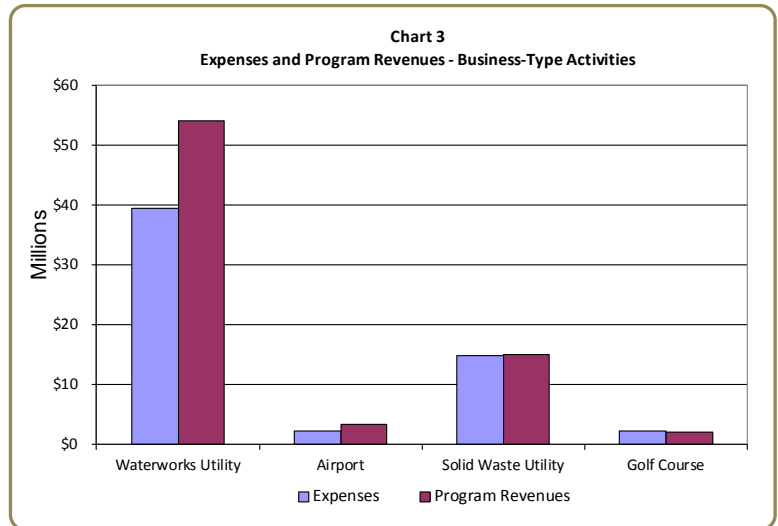
Chart 3 shows the expense of each of the City's business-type programs along with each programs' revenue (fees and intergovernmental revenues specifically related to that program).

**The Waterworks Utility** generated \$47.3 million in various fees for services and

other sources and had \$39.4 million in operating and debt service expenses resulting in a \$7.9 million increase in net position from operations. In addition, the utility received \$6.8 million in capital grants and facilities contributed by developers for a combined increase in net position of \$14.7 million. The operating balance is necessary for planned system infrastructure replacements.

**The Solid Waste Utility** generated \$15.1 million in total revenue and incurred \$14.8 million in program expenses, resulting in a positive increase in net position of \$0.3 million. The **Airport** generated a total of \$2.4 million in revenue and \$2.2 million in expenses 2012, consistent with 2011. The **Golf Course** generated a total of \$2.1 million in green fees, driving range charges, and other user fees. The total expenses for the Golf Course were \$2.1 million. The Golf Course had an operating loss of \$3,000 for the year, an improvement from the \$85,000 loss in 2011.

Business-type activities are supported primarily from charges for services. In the City of Renton, \$66.8 million was generated from charges for services in the business-type activities. These comprise 90% of the total financial support for these activities. Grant revenues totaled \$7.7 million largely due to a surface water improvement grant for \$6.8 million and a Federal Aviation Administration grant for approximately \$900,000 for airport improvements.



## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

### Governmental Funds

The governmental fund statements provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's ability to meet financing requirements in the near term. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the City's **General Fund** had a fund balance of \$18.7 million, which is an increase of \$2.9 million from a year ago. The increase is partially due to higher tax revenues from improving economic conditions, and partially from budget-savings. Approximately \$691,000 of this is restricted for specific programs. Another \$16.6 million is unrestricted but assigned to meet the 12% targeted operating reserve and for commitments in future periods. The remaining \$1.4 million is unrestricted and unassigned fund balance.

The **Municipal Facilities Capital Improvement Project (CIP)** fund includes the library development funds as well as general governmental major maintenance fund. The \$22.9 million in fund balance are either restricted or committed to capital purposes and will continue to decrease as projects move forward.

The **Capital Improvement** fund accounts for the many transportation-related projects in the City. All fund balance is committed to projects.

### Proprietary Funds Analysis

The fund financial statements for the proprietary funds are presented in more detail, but essentially provide the same type of information found within the business-type activities in the Government-wide Financial Statements. The factors concerning the finances of the Waterworks Utility and the Solid Waste Utility funds have been addressed in the discussion of business-type activities. The proprietary fund statements also include a column for internal services fund activities in aggregate. These activities are consolidated with general governmental activities in the government-wide statements; therefore, the \$23.0 million unrestricted net position are included in the governmental activities net position.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The City uses a biennial budget process that adopts two one-year budgets at one time. 2012 is the second year of the 2011-12 biennium. The original 2012 adopted budget was \$99.3 million and the final adjusted budget was \$106.7 million. The increase of \$7.4 million was due to multiple factors: \$2.3 million was used for the early redemption of 2002 LTGO bonds; \$1.8 million was added for the annual debt service payment for the new 2011 Library Development Bond issue; the General Fund provided a temporary, interest bearing interfund loan of \$1.7 million to the Golf Course to allow the Golf Course to pay off its revenue bond balances; the City received a Staffing for Adequate Fire & Emergency Response (SAFER) grant for a two-year period providing for the rehiring/retention of nine firefighter positions – the 2012 increase totaled approximately \$1.0 million. The remainder of the increase was related to various operating grants, contributions and intergovernmental funding adding approximately \$600,000 to the 2012 budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The City of Renton's investment in capital assets, including construction in progress, for governmental and business-type activities amounts to \$724.5 million as of December 31, 2012 as shown in the following table.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Land and Land Improvements	\$191,294,494	\$182,417,081	\$ 7,943,225	\$ 6,165,321	\$199,237,719	\$188,582,402
Buildings and Structures	62,180,126	64,658,927	10,744,152	11,192,993	72,924,278	75,851,920
Other Improvements	140,587,042	142,756,922	231,688,960	230,654,790	372,276,002	373,411,712
Machinery and Equipment	10,794,514	9,512,108	544,519	640,493	11,339,034	10,152,601
Intangible Assets	432,386	647,589	823,531	827,827	1,255,917	1,475,416
Construction in Progress	56,257,272	32,803,660	11,180,617	8,992,098	67,437,889	41,795,758
<b>Total</b>	<b>\$461,545,836</b>	<b>\$432,796,287</b>	<b>\$262,925,004</b>	<b>\$258,473,522</b>	<b>\$724,470,839</b>	<b>\$691,269,809</b>

The increase of \$33.2 million in 2012 is made up of a number of large capital projects such as the new libraries, Rainier Avenue, Strander Boulevard, Lake Washington Trail, and various storm water and wastewater improvement projects. The increases in the categories of Land and Land Improvements for \$10.6 million and Construction in Progress \$25.6 million for a combined total of \$36.2 million are offset by the decrease in building, equipment, and intangible values due to depreciation. More detail about the City's Capital Assets can be found in Note 5 to the financial statements.

### Debt Administration

The City's total outstanding debt at December 31, 2012, was \$121.7 million as shown in Table 4. This was a \$10.7 million reduction from the prior year which can be attributed to a \$6.2 million reduction in General Obligation Debt, a \$1.2 million reduction to intergovernmental debt, a \$2.4 million reduction in Water/Sewer Revenue bonds, and a \$0.9 million reduction in Public Works Trust Fund Loans.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
General Obligation Bonds	\$ 44,335,000	\$ 50,290,000	\$ -	\$ -	\$ 44,335,000	\$ 50,290,000
Revenue Bonds	-	-	32,595,000	34,925,000	32,595,000	34,925,000
Other Long-Term Debt	36,891,722	38,053,639	5,538,929	6,443,218	42,430,652	44,496,857
Unamortized Premium (Discount)	2,408,675	2,703,407	(102,198)	1,581	2,306,477	2,704,987
<b>Total</b>	<b>\$ 83,635,398</b>	<b>\$ 91,047,046</b>	<b>\$ 38,133,929</b>	<b>\$ 41,368,218</b>	<b>\$121,667,129</b>	<b>\$132,416,845</b>

The City was able to reduce aggregate debt service payments by refunding the 2004 Water Sewer Revenue Bonds in 2012 and early redemption of the 2002 Limited Tax General Obligation Bonds. On July 1, 2013, the City issued a 15-year Qualified Energy Conservation Bond in an amount of \$3.2 million to convert its streetlights to LED lights. The estimated annual energy saving is

approximately \$275,000 a year and the annual debt service cost net of rebate from the IRS will average \$215,000 annually. The City does not have other capital financing planned in the near future. More detailed information about the City's long-term debt can be found in Note 13 to the financial statements.

## **FUTURE YEAR'S BUDGETARY IMPACTS**

For the 2013-2014 biennium, the adopted total revenue is \$462.6 million against total expenditures of \$457.3 million. The revenue is a 4.7% increase over the 2011-2012 biennial budget and expenditures are 2.7% above the 2011-2012 adopted budget. During the 2011-2012 biennial budget process, the City formed a Community Budget Advisory Group comprised of local residents, business owners, and community leaders. They were able to provide the City with a number of valuable recommendations in prioritizing city services and in managing personnel costs.

Though certain sectors of Renton's economy have started to improve since 2011, the assessed value for 2013 property taxes declined another 7%. For the first time in decades, the city's property tax collection in 2013 will be less than the year before by 4.5%. This combined with the expiration of public safety grants that funded 15 police officers and firefighters; a one-year elimination of state liquor excise tax, as well as increased cost pressures (increased retirement contributions, increased healthcare costs, and deferred maintenance on City buildings) required that the City further reduce its General Fund expenditures.

To balance this projected gap, City Administration used a three-prong approach to help develop a sustainable and balanced budget. This approach included reducing (1) 25.2 FTE positions over the biennium, (2) freezing the City's contribution to the City's employee medical plan for one year, and (3) increasing revenue through increased business license fees, increased interfund utility taxes, and adding a basic life support (BLS) transportation fee. The expenditure reductions are designed to re-balance the city's operations to a sustainable level. The business license fee and utility tax revenue adjustments are to provide basic capital funding that will allow the City to preserve its governmental assets. The BLS transport fee is designated to retain three of the nine firefighters funded by the SAFER grant.

The city has been very responsible and responsive in balancing the services the community needs with the changing mixture and level of resources. However, to thrive and remain financially secure in the long term, the City must continue to expand our economy and pursue progressive economic development strategies. Some of the past successes have helped the City during the Great Recession.

- The Landing is a master planning development area on land previously owned by Boeing. The development has added more than 900 residential units and 600,000 square feet of retail. Restaurants and stores at the Landing continue to enjoy double-digit sales growth over the previous year. Several new tenants have come in during 2012 including Cost Plus World Market and Top Pot Doughnuts. Completed during the recession, the residential units are fully occupied and the commercial spaces are nearly 90% leased.

- The Sunset Area Community Revitalization Plan continues to make progress with the completion of the Glenwood Townhomes and design completion of the new Renton Highlands Library. The revitalization program will create market-rate affordable housing, retail investment, and improve community livability through: street upgrades; new parks and open space; a new public library; a new early childhood learning center; capacity for 2,300 new living units and 1.25 million square feet of service/retail space over the next 20 years.
- Boeing is investing \$250 million in its Renton Plant to expand its production line to allow production increase from 31 to 42 planes per month by mid-2014 and has announced it will produce the 737 Max in Renton. This increase in production is expected to add 2,400 new Boeing and other aerospace jobs to Renton.

For more information regarding the City's budget please refer to the city's website for 2013-2014 adopted budget as well as monthly sales tax and budgetary financial reports.

#### **REQUESTS FOR FINANCIAL INFORMATION**

This financial report is designed to provide our citizens, creditors, investors, and others interested in the City's finances with a general overview of the City's finances and to show the City's accountability for financial resources it receives. If you have any questions about this report or need additional information, please contact Iwen Wang, Administrative Services Administrator, 1055 South Grady Way, Renton, WA 98057 or visit our web site at [www.rentonwa.gov](http://www.rentonwa.gov).

STATEMENT OF NET POSITION  
December 31, 2012

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 52,677,584	\$ 17,563,679	\$ 70,241,263
Cash with fiscal agent	224,837	-	224,837
Investments at fair value	17,172,181	6,677,013	23,849,194
Receivables (net of allowance for uncollectibles)	21,274,588	8,820,930	30,095,518
Internal balances	1,175,274	(1,175,274)	-
Inventories	-	330,458	330,458
Prepayments	213,643	358,598	572,241
Other non-current assets	40,505,987	472,073	40,978,060
Restricted assets:			
Cash and cash equivalents	-	2,909,578	2,909,578
Capital assets not being depreciated:			
Land	191,294,495	7,943,225	199,237,720
Construction in progress	56,257,272	11,180,617	67,437,889
Capital assets, net of accumulated depreciation:			
Buildings	62,180,126	10,744,152	72,924,278
Infrastructure	140,587,042	231,688,961	372,276,003
Machinery and equipment	10,794,515	544,519	11,339,034
Intangibles	432,386	823,530	1,255,916
Total assets	<u>594,789,930</u>	<u>298,882,059</u>	<u>893,671,989</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	12,378,717	3,148,372	15,527,089
Interest payable	200,557	128,329	328,886
Unearned revenue	1,904,664	353,362	2,258,026
Non-current liabilities:			
Due within one year	7,726,477	2,342,625	10,069,102
Due in more than one year	84,884,589	36,414,498	121,299,087
Total liabilities	<u>107,095,004</u>	<u>42,387,186</u>	<u>149,482,190</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	425,581,342	224,893,271	650,474,613
Restricted for:			
Judicial	33,167	-	33,167
Public safety	389,005	-	389,005
Health and Human Services	90,103	-	90,103
Transportation	265,790	-	265,790
Economic environment	144,682	-	144,682
Culture and recreation	437,273	-	437,273
Debt service	1,159,999	2,909,578	4,069,577
Capital	5,433,616	-	5,433,616
Unrestricted	54,159,950	28,692,024	82,851,974
Total net position	<u>\$ 487,694,926</u>	<u>\$ 256,494,873</u>	<u>\$ 744,189,799</u>

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

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2012  
Page 1 of 2

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS
Primary government:				
Governmental activities:				
General government	\$ 9,859,550	\$ 2,586,799	\$ 1,302,735	\$ 8,799
Judicial	2,610,481	3,493,071	44,457	-
Public safety	58,152,773	650,129	9,066,435	162,144
Physical environment	2,643,930	1,326,517	-	167,350
Transportation	13,571,691	3,329,054	1,999,254	32,953,673
Economic environment	6,330,233	3,130,530	315,522	-
Health and human services	827,802	-	-	-
Culture and recreation	13,011,327	1,811,127	65,729	237,067
Interest on long-term debt	3,087,269	-	-	-
Total governmental activities	<u>110,095,056</u>	<u>16,327,227</u>	<u>12,794,132</u>	<u>33,529,033</u>
Business-type activities:				
Waterworks utility	39,419,864	47,314,389	18,197	6,788,184
Airport	2,251,434	2,436,543	7,814	880,374
Solid waste utility	14,780,647	14,905,934	133,875	-
Golf course	2,139,847	2,128,452	5,278	-
Total business-type activities	<u>58,591,792</u>	<u>66,785,318</u>	<u>165,164</u>	<u>7,668,558</u>
Total primary government	<u>168,686,848</u>	<u>83,112,545</u>	<u>12,959,296</u>	<u>41,197,591</u>
General revenues:				
Taxes:				
Property taxes				
Retail sales taxes				
Business taxes				
Excise taxes				
Penalties and interest				
Interest and investment earnings				
Gain on Sales of Assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Prior Period Adjustment				
Net position - ending				

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

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2012  
Page 2 of 2

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	TOTAL
\$	(5,961,217)		\$ (5,961,217)
	927,047		927,047
	(48,274,065)		(48,274,065)
	(1,150,063)		(1,150,063)
	24,710,290		24,710,290
	(2,884,181)		(2,884,181)
	(827,802)		(827,802)
	(10,897,404)		(10,897,404)
	(3,087,269)		(3,087,269)
	<u>(47,444,664)</u>		<u>(47,444,664)</u>
		14,700,906	14,700,906
		1,073,297	1,073,297
		259,162	259,162
		<u>(6,117)</u>	<u>(6,117)</u>
		<u>16,027,248</u>	<u>16,027,248</u>
	<u>(47,444,664)</u>	<u>16,027,248</u>	<u>(31,417,416)</u>
	33,932,290	-	33,932,290
	23,653,706	-	23,653,706
	17,632,759	-	17,632,759
	4,286,883	-	4,286,883
	9,486	-	9,486
	589,616	105,129	694,745
	157,483	-	157,483
	1,021,629	44,842	1,066,471
	233,961	(233,961)	-
	<u>81,517,813</u>	<u>(83,990)</u>	<u>81,433,823</u>
	<u>34,073,149</u>	<u>15,943,258</u>	<u>50,016,407</u>
	<u>453,318,266</u>	<u>240,444,632</u>	<u>693,762,898</u>
	<u>303,511</u>	<u>106,983</u>	<u>410,494</u>
\$	<u>487,694,926</u>	\$ <u>256,494,873</u>	\$ <u>744,189,799</u>

FUNCTIONS/PROGRAMS	
Primary government:	
Governmental activities:	
General government	
Judicial	
Public safety	
Physical environment	
Transportation	
Economic environment	
Health and human services	
Culture and recreation	
Interest on long-term debt	
Total governmental activities	
Business-type activities:	
Waterworks utility	
Airport	
Solid waste utility	
Golf course	
Total business-type activities	
Total primary government	
General revenues:	
Taxes:	
Property taxes	
Retail sales taxes	
Business taxes	
Excise taxes	
Penalties and interest	
Interest and investment earnings	
Gain on Sales of Assets	
Miscellaneous	
Transfers	
Total general revenues and transfers	
Change in net position	
Net position - beginning	
Prior Period Adjustment	
Net position - ending	

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2012  
Page 1 of 2

	GENERAL	MUNICIPAL FACILITIES CIP	CAPITAL IMPROVEMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash & cash equivalents	\$ 11,435,445	\$ 17,170,379	\$ -	\$ 3,890,371	\$ 32,496,195
Cash with fiscal agent	224,837	-	-	-	224,837
Deposit with fiscal agent	-	-	-	-	-
Investments	3,721,741	5,599,834	-	1,268,781	10,590,356
Receivables (net of allowances)					
Taxes	2,262,963	-	-	-	2,262,963
Customer accounts	4,192,301	-	586,118	1,500	4,779,919
Accrued interest & penalty	28,817	33,006	3,496	13,159	78,478
Special assessments	-	-	-	16,534	16,534
Interfund loans receivable	461,810	-	-	-	461,810
Due from other funds	136,367	26,482	-	-	162,849
Due from other governmental units	5,162,769	165,545	6,799,055	1,931,517	14,058,886
<b>TOTAL ASSETS</b>	<b>\$ 27,627,050</b>	<b>\$ 22,995,246</b>	<b>\$ 7,388,669</b>	<b>\$ 7,121,862</b>	<b>\$ 65,132,827</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2012  
Page 2 of 2

	GENERAL	MUNICIPAL FACILITIES CIP	CAPITAL IMPROVEMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 605,019	102,359	\$ 3,266,495	\$ 11,185	\$ 3,985,058
Taxes payable	49,776	26	-	-	49,802
Retainage payable	-	35,806	134,967	-	170,773
Due to other funds	36,742	902	64,973	198	102,815
Due to other governmental units	115	-	-	-	115
Matured interest payable	-	-	7,431	-	7,431
Interfund loans payable	-	-	1,027,970	-	1,027,970
Custodial accounts	394,868	-	-	-	394,868
Unearned revenue	4,243,630	-	143	1,816,814	6,060,587
Accrued employee wages and leave payable	3,612,456	-	-	-	3,612,456
<b>Total liabilities</b>	<b>8,942,606</b>	<b>139,093</b>	<b>4,501,979</b>	<b>1,828,197</b>	<b>15,411,875</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FUND BALANCES</b>					
Restricted	690,655	19,270,931	-	4,459,757	24,421,343
Committed					
Capital purposes	-	3,199,122	2,886,690	-	6,085,812
Assigned					
Capital purposes	-	386,100	-	51,879	437,979
Special revenue funds	-	-	-	782,029	782,029
Operating reserves and carryforwards	16,566,659	-	-	-	16,566,659
Unassigned					
General fund	1,427,130	-	-	-	1,427,130
<b>Total fund balances</b>	<b>18,684,444</b>	<b>22,856,153</b>	<b>2,886,690</b>	<b>5,293,665</b>	<b>49,720,952</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$ 27,627,050</b>	<b>\$ 22,995,246</b>	<b>\$ 7,388,669</b>	<b>\$ 7,121,862</b>	<b>\$ 65,132,827</b>

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

RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
December 31, 2012

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS 49,720,952

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

Other non-current assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Investment in Join Venture-SCORE	31,944,844	
Investment in Join Venture-Valley Communications	5,709,434	
Unamortized Debt Issuance Costs	333,367	
Net Pension Obligation-overfunded	<u>2,501,810</u>	40,489,455

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Land	191,294,495	
Construction in progress	55,605,576	
Buildings (net of accumulated depreciation)	62,100,297	
Infrastructure (net of accumulated depreciation)	140,414,913	
Machinery and equipment (net of accumulated depreciation)	1,698,486	
Intangible assets (net of accumulated amortization)	<u>169,151</u>	451,282,919

Other long-term assets are not available to pay for current period expenditures, and, therefore are reported as unavailable revenue in the funds

Property Tax Revenue	494,773	
Municipal Court Revenue	1,231,074	
Photo Enforcement Revenue	2,334,473	
Other	<u>95,603</u>	4,155,923

Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Interest payable	(193,126)	
Bonds Payable	(83,635,398)	
Compensated absences	<u>(8,632,674)</u>	(92,461,198)

Internal service funds are used by management to charge the costs of certain activities, such as equipment rental, self-insurance, information technology and facility services to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.

34,506,875

NET POSITION OF GOVERNMENTAL ACTIVITIES

487,694,926

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2012  
Page 1 of 1

	GENERAL	MUNICIPAL FACILITIES CIP	CAPITAL IMPROVEMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>					
Taxes	\$ 71,537,019	\$ 1,129,343	\$ -	\$ 7,212,105	\$ 79,878,467
Licenses and permits	3,002,481	-	1,790,311	50,654	4,843,446
Intergovernmental revenues	10,982,766	339,783	20,497,099	1,610,430	33,430,078
Charges for services	4,280,901	200	-	215,938	4,497,039
Fines and forfeits	3,053,938	-	-	-	3,053,938
Interfund revenues	3,324,852	50,282	-	-	3,375,134
Contributions	120,207	226,778	1,076,399	65,000	1,488,384
Investment earnings	383,909	78,379	7,023	25,207	494,518
Miscellaneous revenues	942,680	301	17	-	942,998
<b>TOTAL REVENUES</b>	<b>97,628,753</b>	<b>1,825,066</b>	<b>23,370,849</b>	<b>9,179,334</b>	<b>132,004,002</b>
<b>EXPENDITURES</b>					
Current:					
General government	8,223,191	148,298	-	-	8,371,489
Judicial	2,610,481	-	-	-	2,610,481
Public safety	54,378,422	-	-	-	54,378,422
Physical environment	2,608,369	-	-	-	2,608,369
Transportation	8,376,509	-	1,761,241	-	10,137,750
Economic environment	5,804,336	50,000	-	428,928	6,283,264
Health and human services	523,577	-	-	-	523,577
Culture and recreation	10,471,784	1,045,412	-	20,254	11,537,450
Capital outlay	26,506	886,961	24,061,564	14,746	24,989,777
Debt service:					
Principal payments	-	-	-	7,116,917	7,116,917
Interest and fiscal charges	-	-	13,993	3,354,910	3,368,903
<b>TOTAL EXPENDITURES</b>	<b>93,023,175</b>	<b>2,130,671</b>	<b>25,836,798</b>	<b>10,935,755</b>	<b>131,926,399</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>4,605,578</b>	<b>(305,605)</b>	<b>(2,465,949)</b>	<b>(1,756,421)</b>	<b>77,603</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer in	204,000	265,000	1,053,315	2,660,870	4,183,185
Transfer (out)	(2,085,347)	(30,813)	(7,064)	(1,990,241)	(4,113,465)
Sale of capital assets	211,437	-	-	163,602	375,039
<b>TOTAL OTHER FINANCE SOURCES (USES)</b>	<b>(1,669,910)</b>	<b>234,187</b>	<b>1,046,251</b>	<b>834,231</b>	<b>444,759</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>2,935,668</b>	<b>(71,418)</b>	<b>(1,419,698)</b>	<b>(922,190)</b>	<b>522,362</b>
<b>FUND BALANCE JANUARY 1</b>	<b>15,748,776</b>	<b>22,927,571</b>	<b>4,306,388</b>	<b>6,215,855</b>	<b>49,198,590</b>
<b>FUND BALANCE DECEMBER 31</b>	<b>\$ 18,684,444</b>	<b>\$ 22,856,153</b>	<b>\$ 2,886,690</b>	<b>\$ 5,293,665</b>	<b>\$ 49,720,952</b>

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
For the Year Ended December 31, 2012

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 522,362

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 the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period plus extraordinary gains on capital assets from the sale of land and equipment.

Capital expenditures	24,979,213	
Depreciation expense	(9,313,662)	
Sale of capital assets	<u>(217,556)</u>	15,447,995

Donations of property and infrastructure from developers are not reported in the governmental funds. However, in the statement of activities, the fair market value of those assets is recognized as revenue.		11,380,175
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. Unearned revenue increased by this amount.		58,840
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		5,917,383
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Increase (decrease) in other non-current assets which include the Net Pension Asset and Investments in Joint Ventures which are not reported in governmental funds.

Equity interest-SCORE	(2,114,084)	
Equity interest-Valley Communications	65,681	
Net Pension Asset -overfunded	<u>567,429</u>	(1,480,974)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds are reported with governmental activities.		2,227,368
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 34,073,149

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

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 December 31, 2012  
 Page 1 of 2

	BUSINESS-TYPE ACTIVITIES				GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	ENTERPRISE FUNDS				
	WATERWORKS UTILITY	SOLID WASTE	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
ASSETS					
Current assets:					
Cash & cash equivalents	\$ 13,115,499	1,740,902	\$ 2,707,278	\$ 17,563,679	\$ 20,181,389
Investments at fair value	5,226,313	567,766	882,934	6,677,013	6,581,827
Receivables (net of allowances):					
Customer accounts	5,579,598	1,664,918	95,545	7,340,061	47,833
Special assessments	92,629	-	-	92,629	-
Interest - investments	33,561	4,056	5,677	43,294	46,422
Due from other funds	25,937	2,218	-	28,155	13,178
Interfund loan receivable	98,208	-	-	98,208	511,666
Due from other governmental units	708,064	104,987	531,901	1,344,952	83
Inventory of materials and supplies	262,978	-	67,480	330,458	160,642
Prepayments	-	358,598	-	358,598	53,000
Total current assets	25,142,787	4,443,445	4,290,815	33,877,047	27,596,040
Noncurrent assets:					
Restricted cash & cash equivalents	2,909,578	-	-	2,909,578	-
Special assessments-non-current	85,925	-	-	85,925	-
Advances to other funds	101,646	-	-	101,646	1,204,401
Capital assets (net)	240,863,870	-	21,237,604	262,101,474	9,999,682
Intangible assets (net)	823,530	-	-	823,530	263,235
Deferred charges and other assets	386,148	-	-	386,148	-
Total noncurrent assets	245,170,697	-	21,237,604	266,408,301	11,467,318
TOTAL ASSETS	\$ 270,313,484	\$ 4,443,445	\$ 25,528,419	\$ 300,285,348	\$ 39,063,358
DEFERRED OUTFLOWS OF RESOURCES					
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -	\$ -	\$ -	\$ -

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

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 December 31, 2012  
 Page 2 of 2

	BUSINESS-TYPE ACTIVITIES				
	ENTERPRISE FUNDS				GOVERNMENTAL
	WATERWORKS	SOLID	OTHER	TOTAL	ACTIVITIES
	UTILITY	WASTE	ENTERPRISE	ENTERPRISE	INTERNAL SERVICE
			FUNDS	FUNDS	FUNDS
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 630,140	\$ 1,147,269	\$ 516,437	\$ 2,293,846	\$ 1,044,012
Claims incurred but not reported	-	-	-	-	2,754,118
Retainage payable	95,621	-	-	95,621	4,550
Due to other funds	51,304	2,218	-	53,522	47,845
Interfund loans payable	-	-	473,024	473,024	-
Due to other governments	878,648	4,574	-	883,222	-
Accrued interest payable	124,427	-	3,903	128,330	-
Accrued employee wages and benefits payable	402,947	22,385	100,368	525,700	362,877
Accrued taxes payable	76,019	61,651	74,793	212,463	87
Custodial accounts	17,970	-	172,177	190,147	-
Unearned revenue	204,374	-	148,989	353,363	-
Revenue bonds payable	1,290,000	-	-	1,290,000	-
Total current liabilities	3,771,450	1,238,097	1,489,691	6,499,238	4,213,489
Long-term liabilities:					
Revenue bonds payable	31,305,000	-	-	31,305,000	-
Unamortized premium on revenue bonds	1,014,981	-	-	1,014,981	-
Unamortized discount on revenue bonds	(12,496)	-	-	(12,496)	-
Deferred amount on revenue bond refunding	(1,104,682)	-	-	(1,104,682)	-
Interfund loans payable	-	-	876,738	876,738	-
Accrued employee wages and benefits payable	448,120	17,147	86,147	551,414	342,994
Public works trust fund loan payable	4,660,282	-	-	4,660,282	-
Total long-term liabilities	36,311,205	17,147	962,885	37,291,237	342,994
TOTAL LIABILITIES	40,082,655	1,255,244	2,452,576	43,790,475	4,556,483
DEFERRED INFLOWS OF RESOURCES					
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ -	\$ -	\$ -	\$ -	\$ -
NET POSITION					
Net investment in capital assets	203,655,667	-	21,237,604	224,893,271	10,262,917
Restricted -Waterworks utility debt	2,909,578	-	-	2,909,578	-
Unrestricted	23,665,584	3,188,201	1,838,239	28,692,024	24,243,958
TOTAL NET POSITION	\$ 230,230,829	\$ 3,188,201	\$ 23,075,843	\$ 256,494,873	\$ 34,506,875

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 For the Year Ended December 31, 2012

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	WATERWORKS UTILITY	SOLID WASTE	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
OPERATING REVENUES:					
Charges for services	\$ 45,624,741	\$ 14,825,876	\$ 4,564,995	\$ 65,015,612	\$ 15,744,205
Interdepartmental services	1,152,443	5,624	-	1,158,067	-
Other services	564,976	74,432	-	639,408	13,264,339
TOTAL OPERATING REVENUES	<u>47,342,160</u>	<u>14,905,932</u>	<u>4,564,995</u>	<u>66,813,087</u>	<u>29,008,544</u>
OPERATING EXPENSES:					
Operations and maintenance	22,675,008	12,300,303	2,985,028	37,960,339	25,401,229
Administrative and general	4,550,949	376,658	512,530	5,440,137	652,261
Taxes	3,871,845	2,103,686	13,078	5,988,609	4,658
Depreciation	7,018,925	-	837,761	7,856,686	1,691,035
TOTAL OPERATING EXPENSES	<u>38,116,727</u>	<u>14,780,647</u>	<u>4,348,397</u>	<u>57,245,771</u>	<u>27,749,183</u>
OPERATING INCOME (LOSS)	<u>9,225,433</u>	<u>125,285</u>	<u>216,598</u>	<u>9,567,316</u>	<u>1,259,361</u>
NON-OPERATING REVENUES(EXPENSES):					
Intergovernmental revenues	18,197	133,875	13,092	165,164	46,313
Investment earnings	84,517	8,742	11,871	105,130	95,101
Gain (loss) on sale of capital assets	-	-	-	-	(587)
Other non-operating revenues (expenses)	8,701	6,696	1,675	17,072	773,808
Interest expense	(1,211,107)	-	(42,884)	(1,253,991)	-
Amortization of debt discount and expense	(92,030)	-	-	(92,030)	-
NON-OPERATING REVENUE NET OF EXPENSE	<u>(1,191,722)</u>	<u>149,313</u>	<u>(16,246)</u>	<u>(1,058,655)</u>	<u>914,635</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>8,033,711</u>	<u>274,598</u>	<u>200,352</u>	<u>8,508,661</u>	<u>2,173,996</u>
Capital contributions	6,788,184	-	880,374	7,668,558	8,799
Transfers in	-	-	-	-	313,573
Transfers out	(125,094)	-	(108,867)	(233,961)	(269,000)
CHANGE IN NET POSITION	<u>14,696,801</u>	<u>274,598</u>	<u>971,859</u>	<u>15,943,258</u>	<u>2,227,368</u>
NET POSITION, JANUARY 1	215,408,719	2,913,603	22,122,310	240,444,632	32,354,507
Prior Year Adjustment	125,309	-	(18,326)	106,983	(75,000)
NET POSITION, JANUARY 1 RESTATED	<u>215,534,028</u>	<u>2,913,603</u>	<u>22,103,984</u>	<u>240,551,615</u>	<u>32,279,507</u>
NET POSITION, DECEMBER 31	<u>\$ 230,230,829</u>	<u>\$ 3,188,201</u>	<u>\$ 23,075,843</u>	<u>\$ 256,494,873</u>	<u>\$ 34,506,875</u>

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

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For the Year Ended December 31, 2012  
 Page 1 of 2

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	WATERWORKS UTILITY	SOLID WASTE	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received for services	\$ 46,022,880	\$ 14,804,841	\$ 4,576,110	\$ 65,403,831	\$ -
Cash received from other funds for services	2,695,135	35,807	-	2,730,942	29,037,259
Cash paid to suppliers for goods & services	(31,441,442)	(14,772,155)	(3,154,693)	(49,368,290)	(23,613,753)
Cash paid to other funds for goods & services	(1,480,619)	2,218	-	(1,478,401)	-
Cash paid to employees	32,993	3,118	2,381	38,492	50,835
Other operating receipts	-	(134,027)	(415,392)	(549,419)	(2,455,814)
Other non-operating receipts	8,701	-	(31,723)	(23,022)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	15,837,648	(60,198)	976,683	16,754,133	3,018,527
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to/from other funds	(125,094)	-	(108,867)	(233,961)	44,573
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(125,094)	\$ -	(108,867)	(233,961)	44,573
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Acquisition & construction of capital assets	(4,661,972)	-	129,344	(4,532,628)	(3,308,904)
Capital contributions	-	-	-	-	8,799
Capital grants	18,197	-	-	18,197	-
Principal payments on debt	(3,208,647)	-	(461,463)	(3,670,110)	-
Interest payments on debt	(1,322,502)	-	(686)	(1,323,188)	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(9,174,924)	-	(332,805)	(9,507,729)	(3,300,105)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of investments	208,132	-	-	208,132	-
Payments for investments	-	307,162	248,850	556,012	3,388,094
Interest on investments	72,232	11,628	5,940	89,800	139,174
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	280,364	318,790	254,790	853,944	3,527,268
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	6,817,994	258,592	789,801	7,866,387	3,290,263
CASH & CASH EQUIVALENTS, JANUARY 1	9,207,083	1,482,310	1,917,477	12,606,870	16,891,126
TOTAL CASH, RESTRICTED CASH, & CASH EQUIVALENTS, DECEMBER 31	\$ 16,025,077	\$ 1,740,902	\$ 2,707,278	\$ 20,473,257	\$ 20,181,389

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

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For the Year Ended December 31, 2012  
 Page 2 of 2

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	WATERWORKS UTILITY	SOLID WASTE	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 9,225,433	\$ 125,285	\$ 216,598	\$ 9,567,316	\$ 1,259,361
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation & amortization of deferred charges	7,018,925	-	837,761	7,856,686	1,691,035
Other non-operating revenue	8,701	140,571	(18,631)	130,641	819,534
(Increase) decrease in accounts receivable	(166,837)	(101,091)	5,259	(262,669)	(14,408)
(Increase) decrease in due from other funds/governmental units	1,539,371	38,658	(428,484)	1,149,545	(1,630,910)
(Increase) decrease in inventory & prepaid items	95	(358,598)	(8,055)	(366,558)	24,758
Increase (decrease) in vouchers retainage payable	(96,246)	-	362,734	266,488	399,701
Increase (decrease) in due to other funds/governmental units	(1,477,298)	6,792	-	(1,470,506)	-
Increase (decrease) in payables & other short-term liabilities	(283,943)	85,067	1,079	(197,797)	443,379
Increase (decrease) in customer deposits	-	-	5,410	5,410	-
Increase (decrease) in deferred revenues	36,454	-	631	37,085	-
Increase (decrease) in accrued employee leave benefits	32,993	3,118	2,381	38,492	26,077
Total adjustments	6,612,215	(185,483)	760,085	7,186,817	1,759,166
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 15,837,648	\$ (60,198)	\$ 976,683	\$ 16,754,133	\$ 3,018,527
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Prior Period Adjustment	\$ 125,309	\$ -	\$ (18,326)	\$ 106,983	\$ (75,000)
Contributions of capital assets	6,788,184	-	880,374	7,668,558	-
Net amort. bond prem. discount & bond issue costs	92,030	-	-	92,030	-
Depreciation	7,018,925	-	837,761	7,856,686	1,691,035

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
December 31, 2012

	PENSION TRUST FIREFIGHTER'S PENSION	AGENCY SPECIAL DEPOSITS
ASSETS		
Cash and cash equivalents	\$ 1,686,053	\$ 587,913
Investments, at fair value:		
Federal National Mortgage Association	271,123	-
US Treasury Strips	4,001,333	-
Certificates of deposit	437,118	-
Receivables (net of allowances)		
Interest on investments	3,108,961	-
TOTAL ASSETS	<u>9,504,588</u>	<u>587,913</u>
LIABILITIES		
Deposits	-	587,913
TOTAL LIABILITIES	<u>-</u>	<u>587,913</u>
NET POSITION		
Net position held in trust for pension benefits and other purposes	<u>\$ 9,504,588</u>	<u>\$ -</u>

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIREMEN'S PENSION FUND  
For the Year Ended December 31, 2012

	<u>PENSION TRUST</u> <u>FIREMEN'S</u> <u>PENSION</u>
ADDITIONS:	
Other contributions:	
Fire insurance premiums transferred in	\$ <u>119,668</u>
Investment earnings:	
Investment interest	347,672
Net increase / (decrease) in the fair value of investments	<u>(57,676)</u>
Total Investment earnings	<u>289,996</u>
TOTAL ADDITIONS	<u>409,664</u>
DEDUCTIONS:	
Benefits	225,506
Administrative expenses	<u>893</u>
TOTAL DEDUCTIONS	<u>226,399</u>
Change in net position	183,265
NET POSITION - JANUARY 1	<u>9,321,323</u>
Prior Period Adjustment	<u>-</u>
NET POSITION - DECEMBER 31	<u>\$ <u>9,504,588</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
January 1, 2012 through December 31, 2012

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Renton was incorporated on September 6, 1901, and operates under the laws of the State of Washington applicable to a Non-Charter code city with a Mayor/Council form of government. A full-time Mayor and seven part-time Council members serve the City, all elected at large to four-year terms. The City provides the full range of municipal services authorized by state statutes, together with a Municipal Airport, a Waterworks Utility, a Solid Waste Utility, and a Municipal Golf Course.

The financial statements of the City have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Effective for fiscal year 2012 reporting, the City implemented the following new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB):

*GASB Statement No. 62- Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,*

The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement also supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting.

*GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows

of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

## **A. REPORTING ENTITY**

As required by GAAP the City's financial statements present the City of Renton – the primary government.

The City of Renton's Mayor appoints the Governing Board for the Renton Housing Authority, which is not considered a component unit of the City. The City is under no obligation to subsidize, nor does it exercise any other prerequisite for inclusion.

The City of Renton has no component units (either blended or discretely presented) included in these statements.

## **B. BASIC FINANCIAL STATEMENTS – GASB 34 PRESENTATION**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either government or business-type.

### **GOVERNMENT-WIDE STATEMENTS**

In the Government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – investment in capital assets, net of related debt; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The Government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (general government, judicial, public safety, physical environment, transportation, economic environment, health and human services, culture and recreation, waterworks utility, airport, solid waste utility, and golf course). General government revenues (property taxes, retail sales and use taxes, business taxes, excise taxes, and other taxes) also support the functions. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and contributions. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital specific grants.

General revenues normally cover the net cost, by function or business-type activity.

The Government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

The City's fiduciary funds are presented in the fund financial statements. Since the assets are being held for the benefit of a third party and cannot be used for obligations of the City, they are not included in the Government-wide statements.

## **FUND FINANCIAL STATEMENTS**

In the fund financial statements, the financial transactions are recorded in individual funds, each accounted for by a separate set of self-balancing accounts that comprise assets, liabilities, reserves, fund equity, revenues, and expenditures or expenses. The presentation is by major funds in either the governmental or business-type categories. GASB Statement 34 sets forth the minimum criteria for the determination of a major fund. The non-major funds are combined in the fund financial statements and are detailed in the combining section.

The governmental major fund statements in the fund financial statement are presented on current financial resources and modified accrual basis of accounting. Since governmental fund statements are presented on a different measurement focus and basis of accounting than the Government-wide statements' governmental column, reconciliation is presented at the end of the statement, which briefly explains the adjustments necessary to transform the fund statements into the Government-wide presentation.

Internal service funds of a government are presented in summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements for internal service funds are consolidated into the governmental column when presented at the governmental level. These services are reflected in the appropriate functional activity (general government, judicial, public safety, physical environment, transportation, economic environment, health and human services, culture and recreation).

Interfund fund activity has been eliminated from the Government-wide financial statements. Exceptions are payments in lieu of taxes, external type transactions within the internal service funds (revenue and expenses for interest or services provided to other governmental organizations), and other charges for utilities. Elimination of these charges would distort the direct cost and program revenues for these functions.

The following describes each fund as presented in the fund financial statements.

## **MAJOR FUNDS**

### **GOVERNMENTAL FUNDS**

#### **GENERAL FUND**

The General Fund is the primary operating fund of the city. It is used to account for the resources and disbursements of ordinary City operations that are not required to be accounted for in another fund. These include the costs of legislative and executive departments, court services, finance and legal departments, development services, police and fire departments,

human resources and technical services, community services, parks, economic development, streets, property management for City owned leased facilities, library and museum, fire memorial, and fire department's health and wellness programs. The major sources of revenue are property taxes, utility taxes, and sales taxes. Licenses and permits, charges for services, and fines and forfeits provide additional support. Community development block grant activities are accounted for within this fund, which is federally funded.

#### **MUNICIPAL FACILITIES CIP FUND**

The Municipal Facilities CIP fund accounts for facility improvements and renovations, property acquisitions for parks and City space needs, parks development and equipment, and major capital requirements. Resources include general and special revenue taxes, grants, and Council-approved general obligation bonds.

#### **CAPITAL IMPROVEMENT FUND**

This fund supports the City of Renton transportation projects and projects linked with various State and Federal funding programs. Many of the projects are dependent on grants, formation of LIDs, and mitigation revenue.

### **ENTERPRISE FUNDS**

#### **WATERWORKS UTILITY FUND**

The Waterworks Utility Fund accounts for all operation and capital improvement programs for water, wastewater, and storm water services within the City. The activities primarily supported by user fees include: administration, billings and collections, debt service, engineering and operation, maintenance and repairs. The primary resources for the capital improvement programs are revenue bond proceeds, grants (as available), and utility connection charges.

#### **SOLID WASTE FUND**

Solid waste, recycling, and yard waste collection services for the City are accounted for in this fund, supported entirely by service fees. The expenses include payment to the City's garbage contractor and other service charges.

### **NON-MAJOR FUNDS**

### **SPECIAL REVENUE FUNDS**

#### **ARTERIAL STREET FUND**

The Arterial Street Fund was established pursuant to state law allocating the one-half cent State Gasoline Tax revenue to cities and towns for construction, improvements, and major repair of streets.

#### **HOTEL/MOTEL TAX FUND**

Accounts for monies collected through an increase of one percent in hotel/motel taxes for the purpose of increasing tourism in the City of Renton.

**PATHS AND TRAILS RESERVE FUND**

The Paths and Trails Reserve Fund was created for the purpose of planning, accommodating, and establishing and maintaining certain paths and trails within the City of Renton.

**1% FOR ART FUND**

The City of Renton established this fund to account for one percent of construction project actual costs to be used for the selection, acquisition and/or installation of works of art to be placed in, on, or about City public facilities.

**CABLE COMMUNICATIONS DEVELOPMENT FUND**

The Cable Communications Development Fund accounts for funding for promotion and development of cable communications as established by City ordinance.

**SPRINGBROOK WETLANDS BANK FUND**

The City of Renton established this fund in 2007 for the purpose of providing accounting for the Springbrook Creek Wetland and Habitat Mitigation Bank project. The fund will receive revenue by selling Wetlands Credits to third parties and to the City's internal departments.

**DEBT SERVICE FUNDS****GENERAL GOVERNMENTAL MISCELLANEOUS DEBT SERVICE FUND**

This debt service fund accounts for the following outstanding debt issues:

- 2006 limited tax general obligation bonds which provided funding for the construction of South Lake Washington infrastructure improvements.
- 2009 intergovernmental debt related to the Fire District #40 asset transfer as a result of the Benson Hill annexation.
- 2010 intergovernmental refunding debt which refunded a portion of the 2000 intergovernmental debt for the construction of a new facility for Valley Communications Center.
- 2010 limited tax general obligation refunding bonds which refunded a portion of the 2001 limited tax general obligation bonds for the construction of a downtown parking facility.
- 2011 limited tax general obligation bonds which funded the development and construction of 2 new libraries.

## **CAPITAL PROJECT FUNDS**

### **COMMUNITY DEVELOPMENT IMPACT MITIGATION FUND**

Accounts for monies collected from developers to offset impacts created by their developments to City facilities.

### **FIRE IMPACT MITIGATION FUND**

Accounts for monies collected from developers to offset impacts created by their developments to City facilities.

### **TRANSPORTATION IMPACT MITIGATION FUND**

Accounts for monies collected from developers to offset impacts created by their developments to City facilities

### **SOUTH LAKE WASHINGTON INFRASTRUCTURE PROJECT FUND**

The South Lake Washington Infrastructure Project Fund accounts for the infrastructure improvements at the south end of Lake Washington. Primary resources include: REET, sales tax, grants, and GO Bonds which provide for the design, construction, labor wages and benefits, and equipment required to implement the project.

## **ENTERPRISE FUNDS**

### **AIRPORT FUND**

Provides accounting for revenues and expenses, which provides administration, debt services, operation, capital improvements, and maintenance of the Renton Municipal Airport and Will Rodger-Wily Post Memorial Seaplane Base. Sources of support to the fund are leases, fuel charges, investment interest, and grant funding as available.

### **GOLF COURSE FUND**

The Golf Course Fund was created after the City acquired the Maplewood Golf Course. The fund accounts for the operation, maintenance, debt service, and capital improvements of the facility.

## **OTHER FUND TYPES**

### **INTERNAL SERVICE FUNDS**

#### **EQUIPMENT RENTAL**

The Equipment Rental Fund accounts for the costs of maintaining and replacing all City vehicles and auxiliary equipment, except for fire apparatus and replacement of police patrol vehicles. In addition, this fund accounts for the City's information technology, facilities and communications costs. All costs, including depreciation, are factors in calculating the rates that are charged to each user department.

## **INSURANCE FUND**

The Insurance Fund provides accounting for self-insurance services to all City departments, including provisions for losses on property, liability, worker's compensation, unemployment compensation, and the health care program. The Insurance Fund pays expenses and rates are charged to departments based on use and/or coverage requirements.

## **FIDUCIARY FUNDS**

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City has one Pension Trust Fund and one Agency Fund.

## **PENSION TRUST FUND**

### **FIREMEN'S PENSION FUND**

The Firemen's Pension Fund accounts for the payment of administrative costs and benefits for retired firefighters and their beneficiaries, who were employed prior to March 1, 1970. Primary revenues sources are general property tax allocations in accordance with actuarial calculations, the fire premium tax, and investment income.

## **AGENCY FUND**

### **SPECIAL DEPOSIT FUND**

The Special Deposit Fund was established for the purpose of holding or retaining cash deposits or other securities pending fulfillment of certain conditions and/or requirements by the depositor. Refunds are made when all obligations have been met and only upon authorization from the transmitting department.

## **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Basis of Accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made regardless of the measurement focus applied:

### **1. Accrual**

Both governmental and business-type activities in the Government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement 33. In applying GASB Statement 33 to grant revenues, the

provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, are reported as advances by the provider and deferred revenue by the recipient.

## 2. Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenue reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

## D. ASSETS, LIABILITIES, AND NET POSITION

### 1. Cash and Cash Equivalents

The City has defined cash and cash equivalents as cash on hand, demand deposits, and all highly liquid investments (including restricted assets) with maturity of three months or less when purchased. These amounts are classified on the balance sheet or in the statement of net position as cash and cash equivalents or investments in the various funds. The interest on these investments is prorated to the applicable funds. Included in this category are all funds invested in the Local Government Investment Pool and Municipal Investor Account. Excluded from this category are cash balances held by Fiscal Agents since the City does not have discretionary use of these funds.

### 2. Investments (refer to Note 3B.)

### 3. Receivables and Payables – Amounts owed/payable to/by the City at year-end.

*Taxes receivable* consists of property taxes and related *interest and penalties* (refer to Note 4). *Accrued interest receivable* consists of amounts earned on investments, notes, and contracts. *Accrued interest payable* consists of amounts owed on notes, loans, and contracts.

*Customer accounts receivable/payable* consists of amounts owed from/to private individuals or organizations for goods and services. If the transactions are with another governmental unit, it is accounted for within "*due from/to other governments.*"

*Special assessments* are recorded when levied and are liens against the property benefited. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. *Deferred assessments* consist of special assessments not due within one year.

Receivables have been reported net of estimated uncollectible accounts. Because property taxes, special assessments, and utility billings are considered liens on property, no estimated uncollectible amounts are established.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund loans receivable/payable. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. (Refer to Note 10).

Noncurrent portions of long-term interfund loans receivable are equally offset by a fund balance amount which indicates that they do not constitute "available spendable resources" since they are not a component of net position. Current portions of long-term interfund loans receivable are considered "available spendable resources" and are subject to elimination upon consolidation.

In the Government-wide financial statements, and proprietary fund types in the fund financial statements, *long-term liabilities* are reported in applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

*Unamortized Premium* – the unamortized portion of the excess of bonds proceeds over their face value (excluding accrued interest and issuance costs).

*Deferred Amount on Refunding* – the difference between the carrying amount of redeemed and/or defeased debt and its reacquisition price. This amount is deferred and amortized over the remaining life of the debt, or the life of the new debt, whichever is shorter.

#### 4. Inventories and prepaid items

All City inventories are maintained on a consumption basis of accounting where items are purchased for inventory and charged to the budgetary accounts as the items are consumed. Any material inventories at year-end are included in the balance sheet of the appropriate fund. All inventories are carried at cost on the first in, first out – FIFO basis, with the exception of the Public Works Maintenance shops inventory. The value of this inventory is calculated using the average cost method. Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both the Government-wide and fund statements.

#### 5. Capital Assets and Depreciation (refer to Note 5).

#### 6. Unearned Revenues

This account includes amounts recognized as receivables but not revenues in the governmental funds because the revenue recognition criterion has not been met.

## 7. Custodial Accounts

This account reflects the liability for net monetary assets being held by the City in its agency capacity.

## 8. Compensated Absences

The City accrues accumulated unpaid vacation and other leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and Government-wide presentations.

## 9. Fund Balance

Fund balance is presented in the governmental fund financial statements and represents the difference between assets and liabilities reported within the governmental fund. Fund Balance is classified into the following categories:

*Nonspendable* – items that cannot be spent due to form; inventories, prepaid amounts, long-term loan receivables, or amounts that must be maintained intact legally.

*Restricted* – amounts constrained for specific purposes imposed by external parties or imposed through the judicial process and enabling legislation.

*Committed* – amounts constrained by the City Council. The Council can, by ordinance or resolution, establish, modify, or rescind constraints on committed fund balances.

*Assigned* – constraints imposed by the City Council for amounts intended for specific purposes. In governmental funds, excluding the General Fund, assigned fund balance is intended to be used, at a minimum, for the purpose of that fund. In the General Fund a maximum of 12% and minimum of 8% is assigned per the City's financial policies and adopted by the City Council in the biennial budget ordinance.

*Unassigned* – any remaining fund balance in the general fund not classified as nonspendable, restricted, committed or assigned.

When multiple categories of fund balance are available for incurred expenditures, the City will consider the most restricted category of fund balance available first.

## 10. Net Position (refer to Note 11).

# E. REVENUES, EXPENDITURES, AND EXPENSES

## 1. Program Revenues

Program revenues include charges for services to customers for goods and services provided, operating grants and contributions, and non-operating grants and contributions within the

Government-wide Statement of Activities. Charges for services include business licenses, construction permits, and weapon permits.

## 2. General Revenues

Property taxes, retail taxes, business taxes, excise taxes, and associated penalties and interest, and interest and investment earnings are classified as general revenues within the Government-wide Statement of Activities.

## 3. Interfund Transfers

Permanent reallocations of resources between funds are classified as interfund transfers. For purposes of the Government-wide Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

## 4. Expenditures/Expenses

Expenses in the Government-wide Statement of Activities are reported by function as a governmental activity (general government, judicial, public safety, physical environment, transportation, economic environment, health and human services, culture and recreation), interest on long-term debt, or business-type activity (waterworks utility, airport, solid waste utility, or golf course). In the fund financial statements, expenditures of governmental funds are classified by: function, debt service principal and interest payments, or purchases of capital items. Proprietary expenditures are classified as operating or non-operating. In 2010, operating expenses were consolidated to Operations and maintenance, Administrative and general, Taxes and Depreciation. The other categories reported previously (Benefit payments, Professional services, and Insurance) were assigned to Operations and maintenance and Administrative and general as appropriate.

## 5. Operating and Non-operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services in connection to the proprietary fund's principle ongoing operations. All revenue and expenses not related to capital and related financing, non-capital financing, or investing activities are included. Those revenues and expenses not meeting this definition are non-operating revenues and expenses.

### **NOTE 2. COMPLIANCE AND ACCOUNTABILITY**

The City of Renton budgets its funds under Generally Accepted Accounting Principles (GAAP) at the fund level. Annual appropriated budgets are adopted for governmental funds on a biennial basis. Budgets for proprietary funds are "management budgets" and are not legally required to be reported. Included in the Required Supplemental and Combining sections of the CAFR are Schedules of Revenues, Expenditures, and Changes in Fund Balances (Budget to Actual) reporting the Actual Budgetary GAAP Basis versus Actual GAAP Basis of Accounting for all legally adopted budgets. There have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations in any of the funds of the City.

#### **A. PROCEDURES FOR ADOPTING THE ORIGINAL BUDGET**

The City of Renton's biennial budget procedures are mandated by the Chapter 35A.33 of the Revised Code of Washington (RCW). The steps in the budget process are as follows:

1. Prior to November 1, the Mayor submits a proposed budget to the City Council. This budget is based on priorities established by the Council; estimates provided by the City departments during the preceding months; balanced by revenue estimates made by the Mayor.
2. The City Council conducts public hearings on the proposed budget in November and December.
3. The Council makes their adjustments to the proposed budget and adopts, by ordinance, a final balanced budget no later than December 31.
4. The final operating budget, as adopted, is published and distributed within the first four months of the following year.

#### **B. AMENDING THE BUDGET**

The budget, as adopted, constitutes the legal authority for expenditures. Budgets are adopted on the GAAP basis of accounting. Any comparisons between budget and actual revenues and expenditures are reported under the GAAP basis. The biennial budget is adopted with budgetary control at the fund level, so expenditures may not legally exceed appropriations at that level of detail. Transfers or revisions within funds are allowed, but only the City Council has the legal authority to increase or decrease a given fund's annual budget. This is accomplished by City ordinance. The budget was amended five times during 2011 and 2012.

Original budgeted inflows as compared to the final budgeted inflows are as follows:

<b>Fund</b>	<b>Original Budgeted Inflows</b>	<b>Final Budgeted Inflows</b>	<b>Increase (Decrease) Budgeted Inflows</b>
General Fund	\$ 95,303,230	\$ 97,205,695	\$ 1,902,466
Arterial Street Fund	630,000	600,000	(30,000)
Hotel/Motel Tax Fund	265,000	265,000	-
1% for Art Fund	15,000	21,813	6,813
Cable Communications Development Fund	85,000	85,000	-
General Government Miscellaneous Debt Service Fund	5,731,373	9,871,084	4,139,711
Community Development Impact Mitigation Fund	60,000	60,000	-
Fire Impact Mitigation Fund	100,000	263,602	163,602
Transportation Impact Mitigation Fund	150,000	30,000	(120,000)
Municipal Facilities CIP Fund	8,560,000	3,893,599	(4,666,401)
General Government Capital Improvement Fund	9,711,400	23,568,336	13,856,936
South Lake Washington Infrastructure Project Fund	-	40,000	40,000
Airport Fund	5,137,171	8,399,200	3,262,029
Solid Waste Utility Fund	15,004,692	15,021,811	17,119
Golf Course Fund	2,583,545	2,533,545	(50,000)
Waterworks Utility Fund	47,588,644	62,748,465	15,159,821
Equipment Repair and Replacement / Information Technology / Facilities / Communications Fund	12,497,360	12,726,795	229,435
Insurance Fund	17,437,501	17,437,501	-
Firemen's Pension	300,000	300,000	-
<b>TOTAL</b>	<b>\$ 221,159,916</b>	<b>\$ 255,071,446</b>	<b>\$ 33,911,531</b>

Original budgeted outflows as compared to the final budgeted outflows are as follows:

<b>Fund</b>	<b>Original Budgeted Outflows</b>	<b>Final Budgeted Outflows</b>	<b>Increase (Decrease) Budgeted Outflows</b>
General Fund	\$ 94,493,188	\$ 97,596,600	\$ 3,103,413
Arterial Street Fund	630,000	600,000	(30,000)
Hotel/Motel Tax Fund	265,000	447,050	182,050
Paths and Trails Reserve Fund	-	3,314	3,314
1% for Art Fund	50,000	50,000	-
Cable Communications Development Fund	85,674	235,674	150,000
General Government Miscellaneous Debt Service Fund	5,731,373	9,871,084	4,139,711
Community Development Impact Mitigation Fund	-	400,000	400,000
Fire Impact Mitigation Fund	536,926	936,926	400,000
Transportation Impact Mitigation Fund	400,000	450,000	50,000
Municipal Facilities CIP Fund	8,970,000	26,072,253	17,102,253
General Government Capital Improvement Fund	9,761,400	26,945,419	17,184,019
South Lake Washington Infrastructure Project Fund	-	92,024	92,024
Airport Fund	6,118,049	10,125,047	4,006,998
Solid Waste Utility Fund	14,972,362	15,486,501	514,139
Golf Course Fund	2,642,204	2,637,204	(5,000)
Waterworks Utility Fund	45,221,126	66,838,018	21,616,892
Equipment Repair and Replacement / IT / Facilities / Communications Fund	12,314,832	15,444,123	3,129,291
Insurance Fund	17,189,391	19,109,458	1,920,067
Firemen's Pension	550,475	550,475	-
<b>TOTAL</b>	<b>\$ 219,932,000</b>	<b>\$ 293,891,170</b>	<b>\$ 73,959,170</b>

At year-end 2012, the City of Renton noted the General Government Miscellaneous Debt Service Fund exceeded its final adopted budget by \$600,743.

### NOTE 3. DEPOSITS AND INVESTMENTS

#### A. Deposits

The City's deposits and certificates of deposit are insured by the Federal Depository Insurance Corporation (FDIC) and the State of Washington Public Deposit Protection Commission (WPDPC) Act of 1969.

The City's deposits with the Local Government Investment Pool (LGIP) are managed by the Washington State Office of the Treasurer. The LGIP is comparable to a Rule 2a7-pool recognized by the Securities and Exchange Commission. A 2a7-like-pool is an external investment pool that is not registered with the SEC as an investment company but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost, which approximates fair value, to report net assets and compute share prices.

Reconciliation to Statements of Net Position			
	Governmental	Fiduciary	Total
Cash	\$ 60,328,971	\$ 2,273,966	\$ 62,602,937
Restricted Cash	2,909,578	-	2,909,578
Cash Equivalents (LGIP)	9,912,292	-	9,912,292
<b>Total Cash &amp; Cash Equivalents</b>	<b>73,150,841</b>	<b>2,273,966</b>	<b>75,424,808</b>
Investments	23,849,194	4,709,574	28,558,768
<b>Total Investments</b>	<b>23,849,194</b>	<b>4,709,574</b>	<b>28,558,768</b>
<b>Total Cash &amp; Investments</b>	<b>\$ 97,000,035</b>	<b>\$ 6,983,541</b>	<b>\$ 103,983,576</b>

#### B. Investments

The City invests excess and inactive funds in accordance with the City's Investment Policy (last updated and approved on February 23, 2009), which complies with the guidelines within Chapter 35A.40.050 of the Revised Code of Washington (RCW). This allows for investment of excess cash and inactive cash, directs that the responsibility for determining available cash for investment is placed upon the department administering the funds, and allows for pooling of the cash provided that the allocation of income is proportionate to the investment of each fund. Currently, the City invests in obligations of the U.S. Government, U.S. agency issues, and Certificates of Deposit with Washington State banks and savings and loan institutions as allowed by RCW.

Investments are shown on the entity-wide Statement of Net Position at fair value. Investments are reported within Cash and Investments of Governmental Activities and within Cash and Cash Equivalents or Investments of Business-type Activities.

*Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All security*

transactions, including collateral for repurchase agreements, entered into by the City are conducted on a delivery-versus-payment (DVP) basis and are held in our safekeeping trust account with Bank of New York with terms negotiated by the State of Washington.

### C. Investment Schedule

As of December 31, 2012, the City of Renton had the following investments:

Security Type	Cost	Fair Value	Weighted Ave Maturity	Moody's	S&P
Certificates of Deposit (within WPDPC)	19,394,197	19,394,197	1.15	unrated	unrated
FNMA	4,997,500	5,004,875	0.56	Aaa	AA+
FNMA ZERO COUPON	99,556	158,363	0.32	unrated	unrated
US TREASURY ZERO COUPON	2,217,524	4,001,333	6.95	Aaa	AAA
<b>TOTAL INVESTMENTS</b>	<b>\$ 26,708,777</b>	<b>\$ 28,558,768</b>			

*Credit risk. Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.* Of the bonds held by the City, 44% are rated "Aaa" by Moody's Investors Service and "AAA" by Standard & Poor and 55% are rated "Aaa" by Moody's Investors Service and "AA+" by Standard & Poor. All certificates of deposit are insured by the FDIC up to \$250,000 and, additionally, are 100% collateralized in the multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (WPDPC).

The City's Investment Policy directs that the standard of prudence for investment activities shall be the *Prudent Investor Standard* that states: "Investments shall be made with judgment and care, under circumstances then prevailing, which person of prudence, discretion, and intelligence would use in the management of their own affairs, not for speculation, but for investment purposes, considering the probable safety of their capital as well as the probable income to be derived."

*Interest Rate Risk. Interest rate risk is the risk that changes in interest rates over time, adversely affecting the fair value of an investment.* The City's portfolio is managed within the parameters established by the Investment Policy, which limits the weighted average maturity of the portfolio to five years. The City's FNMA bonds have call provisions with call dates falling in the first six months of 2013.

Security Type	6 months - 1 year	1-3 years	3+ years	Totals
Certificates of Deposit (within WPDPC)	\$ 5,600,192	\$ 11,778,606	\$ 2,015,400	\$ 19,394,197
FNMA	-	2,504,050	2,500,825	5,004,875
FNMA ZERO COUPON	-	-	158,363	158,363
US TREASURY ZERO COUPON	202,809	447,584	3,350,939.98	4,001,333
<b>TOTAL INVESTMENTS</b>	<b>\$ 5,803,001</b>	<b>\$ 14,730,240</b>	<b>\$ 8,025,528</b>	<b>\$ 28,558,768</b>

*Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.* The City diversifies its investment instruments to avoid incurring unreasonable risk inherent with the over-investment of instruments and issuers using the following target distribution as a guide during normal economic times. The City has certificate of deposits equal to 18% of its total investments with Umpqua Bank and 17% with Columbia Bank. As stated earlier these are 100% collateralized and guaranteed by the State of Washington Public Deposit Protection Commission. The remaining individual issuers are less than 5% of total investments or are otherwise excluded from this disclosure due to the low risk nature of the investment.

<b>Maximum's per Policy</b>	<b>Instrument Maximum</b>	<b>Issuer Maximum</b>
U.S. Treasuries	100%	100%
U.S. Agencies	75%	50%
Certificates of Deposit (within WPDPC)	75%	20%
Local Governmental Investment Pool (LGIP)	75%	75%
Commercial Paper	25%	5%

#### **NOTE 4. PROPERTY TAXES**

The King County Finance Director acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually, January 1, on property value listed as of the prior August 31. Assessed values are established by the King County Assessor at 100 percent of fair market value. A revaluation of all property is required every two years; however, King County has the ability to revalue annually.

Property taxes levied by the King County Assessor and collected by the King County Finance Director become a lien on the first day of the levy year and may be paid in two equal installments if the total amount exceeds \$30. The first half of real property taxes is due on April 30 and the balance is due October 31. Delinquent taxes bear interest at the rate of 12 percent and are subject to additional penalties if not paid as scheduled. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

At year-end, property taxes are recorded as a receivable with the portion not expected to be collected within 60 days offset by unearned revenue. During the year, property tax revenues are recognized when cash is received.

The tax rate for general City operations is limited to \$3.10 per \$1,000 of assessed value (RCW 84.52.043). This reflects a reduction of \$0.50 per \$1,000 as a result of the annexation to the King County Library System. In addition to this amount, up to \$0.225 (22.5 cents) per \$1,000 may be designated for contribution to the Firemen's Pension Fund. If a report by a qualified actuary on the condition of the Firemen's Pension Fund establishes that this amount (or portion of) is not necessary to maintain the actuarial soundness of the fund, the amount can be used for any other municipal purpose (RCW 41.16.060).

The tax rate limit may be reduced for any of the following reasons:

1. The Levy Limit: the levy limit calculation applies to a taxing district's budget, and not to increases in the assessed value or tax bill of individual properties. Initiative 747 which restricted individual taxing districts from collecting, in any year, more than a one percent increase in their regular, non-voted, levy over the highest levy amount since 1985 was overturned by the courts. However during 2007, the state legislature reinstated this limit with the passage of HB2416. New construction, annexations, and excess levies approved by the voters are not included in the levy limit calculation. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.
2. The One Percent Constitution Limit: The Washington State Constitution limits the regular (non-voted) combined property tax rate applied to an individual's property to one percent (\$10 per \$1,000) on the market valuation. Voters may approve special levies that are added to this figure. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.
3. The City may voluntarily levy taxes below the legal limit.

Special levies approved by the voters are not subject to the above limitations. There is currently no excess levy for General Obligation Bond debt. The City's regular levy per the King County Assessor's 2012 Annual Report is \$3.1000.

## **NOTE 5. CAPITAL ASSETS AND DEPRECIATION**

### **A. GENERAL POLICIES**

Major expenditures for capital assets, including capital leases and major repairs that increase the useful life, are capitalized. The capitalization threshold applied to the City's assets is \$5,000. Maintenance, repairs, and minor renewals are accounted for as expenditures or expenses when incurred.

All capital assets are valued at historical cost (or estimated cost, where historical cost is not known/or estimated market value for donated assets/or the original historical cost when transferred between proprietary and governmental funds.)

Intangible assets, either purchased or internally developed, with a cost of \$5,000 or more that are identifiable by meeting one of the following conditions:

- The asset is capable of being separate or divided and sold, transferred, licensed, rented, exchanged; or
- The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable.

The City has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an interest in these assets. However, the City has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets within the applicable statements.

The City capitalizes art and historical treasures. Art and historical treasures are expected to be maintained or enhanced over time and thus, are not depreciated.

## **B. GOVERNMENTAL CAPITAL ASSETS**

Governmental long-lived assets of the City purchased, leased, or constructed are recorded as expenditures in the governmental funds and are capitalized, net of depreciation, in the Government-wide statements. The infrastructure component of GASB 34 for assets acquired after January 1, 1980 was implemented retroactively in 2004. Donated capital assets are capitalized at estimated fair value of the item at the date of the donation.

## **C. PROPRIETARY FUND CAPITAL ASSETS**

Capital assets of proprietary funds are capitalized in their respective statement of net position, net of depreciation. Any gain on the sale of capital assets is recorded in the Statement of Activities as General revenues, Miscellaneous.

## **D. DEPRECIATION AND AMORTIZATION**

Depreciation on all depreciable assets is provided on the straight-line basis over the following useful lives:

Type of Asset	Estimated Service Life
Buildings and structures, except utility plant	10-50 years
Other improvements	10-80 years
Utility plant	25-75 years
Machinery and equipment	3-40 years
Infrastructure	25-50 years

Amortization on all intangible assets is provided on the straight-line basis over the following useful lives:

Type of Asset	Estimated Service Life
Computer Software	3-15 years
Land Use Rights	3-12 years
Patents, Trademarks, Copyrights	3-50 years
Other Intangibles with definite useful lives	3-12 years

Depreciation and Amortization Expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities</b>	<b>Depreciation</b>	<b>Amortization</b>	<b>Total</b>
General Government	\$ 3,011,926	\$ 22,804	\$ 3,034,729
Public Safety	981,386	116,690	1,098,076
Physical Environment	-	35,561	35,561
Transportation	3,419,948	2,979	3,422,927
Economic Development	43,989	-	43,989
Culture and Recreation	1,369,743	4,411	1,374,155
Health and Human Services	304,225	-	304,225
Internal Service Funds (General Governmental)	1,535,475	155,559	1,691,034
<b>Total-Governmental Activities</b>	<b>\$ 10,666,692</b>	<b>\$ 338,003</b>	<b>\$ 11,004,695</b>
<b>Business-Type Activities</b>			
Waterworks	7,014,629	\$ 4,296	\$ 7,018,925
Airport	542,897	-	\$ 542,897
Golf Course	294,864	-	\$ 294,864
<b>Total-Business-Type Activities</b>	<b>\$ 7,852,390</b>	<b>\$ 4,296</b>	<b>\$ 7,856,686</b>

## E. SUMMARY OF CHANGES

Capital asset activity for the year ended December 31, 2012 was as follows:

Primary Government						
	Beginning Balance	Prior Period Adjustment	Adjusted Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities :</b>						
Capital assets, not being depreciated:						
Land and land improvements	\$ 182,417,081	\$ (34,044)	\$ 182,383,037	\$ 8,926,490	\$ 15,032	\$ 191,294,494
Construction in progress	32,803,660	(194,151)	32,609,509	24,800,201	1,152,438	56,257,272
Total capital assets, not being depreciated	215,220,741	(228,196)	214,992,545	33,726,691	1,167,470	247,551,766
Capital assets, being depreciated:						
Buildings and structures	95,800,251	-	95,800,251	102,966	220,224	95,682,992
Other improvements	202,077,404	533,633	202,611,037	3,379,219	-	205,990,256
Machinery and equipment	31,944,027	-	31,944,027	3,490,552	314,932	35,119,647
Total capital assets being depreciated	329,821,682	533,633	330,355,315	6,972,737	535,157	336,792,895
Less accumulated depreciation for:						
Buildings and structures	31,141,324	-	31,141,324	2,534,051	172,509	33,502,866
Other improvements	59,320,482	1,927	59,322,409	6,080,804	-	65,403,214
Machinery and equipment	22,431,919	-	22,431,919	2,051,837	158,624	24,325,132
Total accumulated depreciation	112,893,725	1,927	112,895,652	10,666,692	331,133	123,231,212
Total capital assets, being depreciated, net	216,927,957	531,706	217,459,663	(3,693,956)	204,024	213,561,683
Intangible Assets:						
Intangible assets, being amortized	4,936,342	-	4,936,342	122,800	-	5,059,142
Less accumulated amortization	4,288,753	-	4,288,753	338,003	-	4,626,756
Total intangible asset, being amortized, net	647,589	-	647,589	(215,203)	-	432,386
Total Intangible assets	647,589	-	647,589	(215,203)	-	432,386
<b>Governmental activities capital assets, net</b>	<b>\$ 432,796,287</b>	<b>\$ 303,510</b>	<b>\$ 433,099,797</b>	<b>\$ 29,817,532</b>	<b>\$ 1,371,494</b>	<b>\$ 461,545,836</b>
<b>Business-type activities:</b>						
Capital assets, not being depreciated:						
Land and land improvements	\$ 6,165,321	\$ -	\$ 6,165,321	\$ 1,777,905	\$ -	\$ 7,943,225
Construction in progress	8,992,098	(280,910)	8,711,188	6,033,992	3,564,563	11,180,617
Total capital assets, not being depreciated	15,157,419	(280,910)	14,876,509	7,811,897	3,564,563	19,123,842
Capital assets, being depreciated:						
Buildings and structures	17,195,908	-	17,195,908	-	-	17,195,908
Other improvements	334,894,058	389,417	335,283,475	7,953,851	66,790	343,170,536
Machinery and equipment	6,208,708	-	6,208,708	-	-	6,208,708
Total capital assets being depreciated	358,298,674	389,417	358,688,091	7,953,851	66,790	366,575,152
Less accumulated depreciation for:						
Buildings and structures	6,002,915	-	6,002,915	448,841	-	6,451,756
Other improvements	104,239,267	1,523	104,240,790	7,307,575	66,790	111,481,576
Machinery and equipment	5,568,215	-	5,568,215	95,974	-	5,664,189
Total accumulated depreciation	115,810,397	1,523	115,811,920	7,852,390	66,790	123,597,521
Total capital assets, being depreciated, net	242,488,277	387,894	242,876,171	101,461	-	242,977,631
Intangible Assets:						
Intangible assets, not being amortized	811,000	-	811,000	-	-	811,000
Intangible assets, being amortized	70,088	-	70,088	-	-	70,088
Less accumulated amortization	53,261	-	53,261	4,296	-	57,557
Total intangible asset, being amortized, net	16,827	-	16,827	(4,296)	-	12,531
Total Intangible assets	827,827	-	827,827	(4,296)	-	823,531
<b>Business-type activities capital assets, net</b>	<b>\$ 258,473,522</b>	<b>\$ 106,984</b>	<b>\$ 258,580,507</b>	<b>\$ 7,909,061</b>	<b>\$ 3,564,563</b>	<b>\$ 262,925,004</b>

At the end of 2012, a total of 48 projects comprise the Construction in Progress. Upon completion, the projects will be capitalized in the Government-wide statements in their appropriate categories and in the fund statements for proprietary funds, if applicable.

Construction commitments as of December 31, 2012, are as follows:

	Construction in progress	Remaining Commitment
<b>Governmental Activities Projects:</b>		
MAY CREEK/HAWKS LANDING ACQUISITION	532,930	44,217
ENERGOV PERMIT SOFTWARE AND IMPLEMENTATION	445,379	50,000
GARDEN AVE N WIDENING	2,243,363	763,892
HIGHLANDS LIBRARY	242,505	9,884,426
HIGHLANDS TO LANDING	349,923	21,517
NE 31ST ST CULVERT	11,407	144,423
NE 3RD/NE 4TH CORRIDOR	1,551,397	1,818,986
PAPERLESS IMAGING SYSTEM	71,930	7,000
RAINIER AV GRDY WY TO 2ND	33,527,693	8,847,068
RAINIER AVE PUBLIC ART WORK	15,650	34,350
RECORDS MGMT SYSTEM-LASERFICHE CITYWIDE	18,037	100,000
STRANDER BLVD - SW 27TH ST CONNECT	16,934,724	7,318,317
2013 KENWORTH T-470 5YD DUMP D127	116,350	-
CEDAR RIVER LIBRARY	65,558	8,975,813
CITY WIDE SECURITY SYSTEM UPGRADES	129,330	6,225
LANDING WATER QUALITY GRATES	1,096	-
<b>Total governmental activities</b>	<b>\$ 56,257,272</b>	<b>\$ 38,016,236</b>
<b>Business-Type Activities Projects:</b>		
PRESIDENT PARK WATER MAIN PROJECT	57,855	-
AUTOMATIC METER READING CONVERSION	654,659	1,293,192
EMERGENCY RESPONSE PROJECT	8,372	-
HIGHLANDS 435 RESERVOIR REPLACEMENT	2,767	-
EAST RENTON LIFT STATION ELIMINATION	344,995	45,511
ELLIOT SPAWNING CHANNEL 06 FEMA REPAIR	523,057	-
EMERGENCY POWER TO PUMP STATION	183,374	20,418
GROUND WATER UNDER INFLUENCE CT	146,256	76,543
HARDIE AVE UNDERPASS STORM SYSTEM IMPROVEMENT	347,042	695,816
LAKE AVE S - RAINIER AVE S STORM IMPROVEMENTS	2,144,105	-
MISC SEWER PROJECTS/LIBERTY HIGH LIFT STATION	80,005	-
LK WA BLVD-HAWKS LAND WATER IMPROVEMENTS	301,011	-
LK WA BLV-HAWKS LAND STORM SYSTEM IMPROVEMENTS	906,744	-
LK WASH BEACH LS ELIM/REHAB	623,192	-
MAPLEWOOD EQUIPMENT ACCESS & H2S MITIGATION	22,192	14,360
PRESIDENT PARK SEWER REPLACEMENT	540,541	-
EARLINGTON SEWER REPLACEMENT	666,570	-
RAINIER AVE S ROAD & UTILITIES IMPROVEMENT	814,284	698,284
RENTON AEROSPACE TRAINING CENTER	96,849	636,670
LIND AVE LIFT STATION REHAB	87,949	25,685
SE 5TH STREET MAIN REPLACEMENT	384,343	-
TAXIWAY BRAVO REHAB	834,827	2,729,231
AIRPORT LIFT STATION REHAB	77,760	46,936
MISTY COVE LIFT STATION REPLACEMENT	29,511	89,402
WESTVIEW LIFTSTATION REHAB	303,846	-
LIBERTY LIFT STATION REHAB	381,577	82,796
STEVENS AVE NW	183,820	-
HARRINGTON AVE NE GREEN CONNECTIONS	100,380	-
RAINIER AVE STORM WATER RETROFIT PROJECT	276,776	350,750
SUNSET TERRACE REGIONAL STORMWATER FACILITY	3,324	-
NE 10TH ST & ANACORTES AVE NE DETENTION	2,134	-
WATER QUALITY MONITORING	50,498	-
<b>Total business-type activities</b>	<b>\$ 11,180,617</b>	<b>\$ 6,805,595</b>

## NOTE 6. PENSION PLANS

With the exception of firefighters employed prior to March 1, 1970, substantially all City's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

The City is the administrator of the Firefighter Pension Plan for all firefighters employed prior to March 1, 1970. The Firefighter Pension Plan is included within the City of Renton's statements as a pension trust fund. There is no separate GAAP-based audited report. A schedule of employer contributions, prepared by Healthcare Actuaries, is included in the Required Supplemental Information section. Additional information from the actuarial report prepared for the Firefighter Pension Plan, by Healthcare Actuaries, may be obtained by contacting the City of Renton, Finance Division, 1055 South Grady Way, Renton, WA 98057.

The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, and Amendment of GASB No. 25 and No. 27*.

### **Public Employees' Retirement System (PERS) Plans 1, 2, and 3**

#### **Plan Description**

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS participants, who joined the PERS system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977; and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees, have the irrevocable option

of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at age 60 with five years of service, or at age 55 with 25 years of service. The annual benefit is two percent of the average final compensation (AFC) per year of service, capped at 60 percent. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.) Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance (COLA) is granted at age 66 based on years of service credit times the COLA amount, increased by three percent annually. Plan 1 members may also elect to receive an additional COLA amount that provides an automatic annual adjustment based on the Consumer Price Index. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after completion of five years of eligible service. Plan 2 members may retire at age 65 with five years of service with an allowance of two percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 members who retire prior to the age of 65 receive reduced benefits. If retirement is at 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculation at one percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years if twelve months were earned after age 44; or after five service credit years earned in PERS 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or at age 55 with 10 years of service. Plan 3 members who retire prior to age 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the

choice of a survivor option. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

#### *Judicial Benefit Multiplier*

Beginning January 1, 2007 through December 31, 2007 judicial members of PERS were given the choice to participate in the Judicial Benefit Program (JBM). Justices and judges in PERS 1 and 2 may make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5% multiplier. The benefit would be capped at 75% of AFC. Judges in PERS Plan 3 can elect a 1.6% of pay per year of service benefit, capped at 37.5% of average compensation.

Members who choose to participate in JBM will accrue service credit at a higher multiplier beginning with the date of their election, be subject to the benefit cap of 75% of AFC, pay higher contributions, stop contributing to the Judicial Retirement Account (JRA), and be given the option to increase the multiplier on past judicial service. Members who do not choose to participate will: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who have not previously opted into PERS membership, were required to participate in the JBM Program. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2011:

Retirees and beneficiaries receiving benefits	79,363
Terminated plan members entitled to but not yet receiving benefits	29,925
Active plan members vested	105,578
Active plan members non-vested	46,839
Total	261,705

Following is a summary of the number of government employers participating in PERS as of June 30, 2012.

Plan	Number of Participating Employers				Total Members
	State Agencies	School Districts	Counties/ Municipalities	Other Political Subdivisions	
PERS 1	129	220	155	174	678
PERS 2	169	-	274	494	937
PERS 3	157	-	206	300	663
Total	455	220	635	968	2,278

### Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contributions rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent for state agencies and local government unit employees, and 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2012, were as follows:

Members not participating in JBM:

Contributor	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.21%	7.21%	7.21%
Employee	6.00%	4.64%	***

\* The employer rates include the employer administrative expense fee currently set at 0.16%.

\*\* Plan 3 defined benefit portion only.

\*\*\* Variable from 5% to 15% based on rate selected by the member.

Members participating in JBM:

Contributor	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	9.71%	9.71%	9.71%**
Employer-Local Govt.*	7.21%	7.21%	7.21%**
Employee-State Agency	9.76%	9.10%	7.50%***
Employee-Local Govt.	12.26%	11.60%	7.50%***

\* The employer rates include the employer administrative expense fee currently set at 0.16%.

\*\* Plan 3 defined benefit portion only.

\*\*\* Minimum rate.

Both the City and the employees made the required contributions. The City's required contributions for years ended December 31, were as follows:

Year	PERS Plan 1	PERS Plan 2	PERS Plan 3
2012	\$ 42,163	\$ 1,773,371	\$ 313,631
2011	44,457	1,496,892	261,528
2010	47,133	1,318,045	225,748

## **Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) Plans 1 and 2**

### **Plan Description**

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, are Plan 2 members. Membership in the system includes all full-time, fully compensated; local law enforcement officers, firefighters and as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. LEOFF membership is comprised primarily of non-state employees, with the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended by the State Legislature.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

<b>Term of Service</b>	<b>Percent of Final Average Salary</b>
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. A cost-of-living allowance is granted (indexed to the Consumer Price Index).

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at age 53 with five years of service, with an allowance of two percent of the FAS per year of service. The FAS is based on the highest consecutive 60 months. Plan 2 members who retire prior to age 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service credit and is age 50, the reduction is three percent for each year prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Consumer Price Index), capped at three percent annually.

Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2011:

Retirees and beneficiaries receiving benefits	9,947
Terminated plan members entitled to but not yet receiving benefits	656
Active plan members vested	13,942
Active plan members non-vested	3,113
<b>Total</b>	<b>27,658</b>

Following is a summary of the number of government employers participating in LEOFF as of June 30, 2012.

<b>Plan</b>	<b>Number of Participating Employers</b>				<b>Total Members</b>
	<b>State Agencies</b>	<b>School Districts</b>	<b>Counties/ Municipalities</b>	<b>Other Political Subdivisions</b>	
LEOFF 1	-	-	42	12	54
LEOFF 2	8	-	212	153	373
<b>Total</b>	<b>8</b>	<b>-</b>	<b>254</b>	<b>165</b>	<b>427</b>

#### Funding Policy

Starting on July 1, 2000, LEOFF Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employer and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by

means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service cost of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change in statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2012, were as follows:

Contributor	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.24%
Employee	0.00%	8.46%

\* The employer rates include the employer administrative expense fee currently set at 0.16%.

Both the City and the employees made the required contributions. The City's required contributions for years ended December 31, were as follows:

Year	LEOFF Plan 1	LEOFF Plan 2
2012	\$ 395	\$ 1,364,670
2011	494	1,334,049
2010	394	1,278,378

## **Public Safety Employee's Retirement System (PSERS) Plan 2**

### **Plan Description**

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS was created by the 2004 legislature and became effective July 1, 2006.

PSERS Plan 2 membership includes full-time employees of a covered employer on or before July 1, 2006, who met at least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2006 to September 30, 2006; and those full-time employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

A "covered employer" is one that participates in PSERS. Covered employers include: State of Washington agencies: Department of Corrections, Department of Natural Resources, Parks and Recreation Commission, Gambling Commission, Washington State Patrol, Liquor Control Board; Washington state counties; and Washington state cities except for Seattle, Tacoma and Spokane.

To be eligible for PSERS, an employee must work on a full-time basis and:

- have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce that criminal laws of Washington, and carry a firearm as part of the job; or
- have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- have primary responsibility to supervise eligible members who meet the above criteria.

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PSERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PSERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least ten years of PSERS service credit, with an allowance of two percent of the average final compensation (AFC) per year of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 retirees who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2011:

Retirees and beneficiaries receiving benefits	15
Terminated plan members entitled to but not yet receiving benefits	1
Active plan members vested	167
Active plan members non-vested	4,020
Total	4,203

Following is a summary of the number of government employers participating in PSERS as of June 30, 2012.

Plan	Number of Participating Employers				Total Members
	State Agencies	School Districts	Counties/ Municipalities	Other Political Subdivisions	
PSERS	10	-	65	1	76

#### Funding Policy

Each biennium, the state Pension Funding Council adopts PSERS Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by

the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2012 were as follows:

Contributor	PSERS Plan 2
Employer*	8.87%
Employee	6.36%
* The employer rates include the employer administrative expense fee currently set at 0.16%.	

Both the City and the employees made the required contributions. The City's required contributions for years ended December 31, were as follows:

Year	PSERS Plan 2
2012	\$ 16,854
2011	21,518
2010	64,909

## **Firefighter's Pension**

### **Summary of Significant Accounting Policies**

Investments are reported at fair value.

### **Plan Description**

The Firefighter's Pension Plan (Plan) is a closed, single-employer defined benefit pension plan administered by the City of Renton through the firefighter's pension board. The plan provides pensions for firefighters that were employed prior to March 1, 1970, when the LEOFF retirement system was established.

The firefighters' pension board consists of five members: the Mayor who serve as chair the board, the chairperson of the Council Finance Committee, and three members elected by secret ballot of the retired firefighters.

*Benefits.* All benefit terms are in statutes RCW 41.16, 41.18, and 41.26. FPF provides retirement, disability, and death benefits. Each firefighter in service on March 1, 1970 receives the greater of the benefit payable under the Washington Law Enforcement Officers' and Firefighters' Retirement (LEOFF) System and the benefits available under the provisions of prior law. Where benefits under the old law exceed those under the new law for any firefighter, the excess benefits are paid from the FPF of the city employing the member on March 1, 1970.

All members are retired and drawing benefits. Benefit terms provide for cost-of-living adjustments to each member's retirement benefit. There are two types of increases: escalation by salary in proportion to current salary of rank from which the firefighter retired or increase proportionate to the increase in the Seattle-area consumer price index, with the change computed annually. Regardless of the change in the consumer price index, such increase shall be at least two percent each year. The former applies to firefighters who retired from service after 1969, their survivors, and to firefighters who retired for duty disability (but not their survivors) after 1961. The latter applies to all other types of monthly benefits.

At December 31, 2012 FPF membership consisted of the following:

Retirees and beneficiaries receiving benefits	28
Retirees and beneficiaries currently receiving full retirement through LEOFF	4
Total	32

Monthly pension amounts as of December 2012 are: \$17,233 paid by the city and \$120,695 paid by LEOFF.

*Contributions.* As long as the FPF provides for benefits to covered members, the City will be eligible to receive a share of the State's distribution of the fire insurance premium taxes. The amount the City receives is 25% of all monies received by the State from taxes on fire insurance premiums. Contributions can also come from taxes paid pursuant to the provisions of RCW 41.16.060. This statute requires that each municipality levy up to \$0.45 (only \$0.225 of which can be in excess of the property tax limit pursuant to RCW84.52.043) per \$1,000 of assessed valuation, based on reports by a qualified actuary, to maintain the fund.

#### Investments

*Investment Policy.* The pension fund holds laddered treasury-strip investments with annual maturities to meet cash-flow requirements. The City is currently assessing options to deploy the growing cash balance.

*Rate of Return.* For the year ended December 31, 2012, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.13%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

#### Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2012, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.75%
Salary increases:	3.00%
Investment rate of return:	4.00%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvement based on 50% of Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed. We used the weighted expected returns of the City's portfolio of cash, US Treasuries (to be held to maturity), and receivables to develop the long-term expected rate of return.

*Discount rate.* The discount rate used to measure the total pension liability was 4.00%. The projection of cash flows used to determine the discount rate assumed City contributions were equal to revenue received from Fire Insurance premiums and the amount received would increase at the inflation rate of 2.75%. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payment of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the City, calculated using the discount rate of 4.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower, 3.0%, or one percentage point higher, 5.0%, than the current rate:

City's net pension liability	1% Decrease	Current Discount	1% Increase
	Rate		
	\$ 3,039,213	\$ 2,787,814	\$ 2,569,559

An actuarial valuation is done every two years and was completed as of January 1, 2013. The Actuarial Valuation of Firefighters' Pension Fund table is reported in the Required Supplemental Information section, and a recap of the Schedule of Funding Progress for the last five valuations is as follows:

(\$ in thousands)

Valuation Date January 1	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2005	7,777	6,254	(1,523)	124%	-	n/a
2007	7,847	6,364	(1,483)	123%	-	n/a
2009	8,941	6,517	(2,424)	137%	-	n/a
2011	8,940	3,914 *	(4,576)	217%	-	n/a
2013	9,501	2,788 **	(6,713)	341%	-	n/a

\* The reduction in Actuarial Accrued Liability in 2011 is made up of a 10% decrease in demographic experience (higher mortality rate) and a 25% decrease in actual benefit amounts compared to expectations. Changes in economic assumptions had minimal impact on the liabilities.

The following Annual Pension Cost and Net Pension Obligation table presents the Annual Required Contribution (ARC) as of December 31, 2012.

The Annual Required Contribution (ARC) is the sum of the Normal Cost for the year plus amortization of the Unfunded Actuarial Accrued Liability (UAAL). The Normal Cost is the portion of the Actuarial Present Value (APV) of benefits attributable to current year services rendered, and Actuarial Accrued Liability (AAL) is the APV of future benefit costs, including projected benefit cost increase caused by projected future pay increases, attributable to prior services. The Unfunded Actuarial Accrued Liability (UAAL) is the portion of Actuarial Accrued Liability minus the actuarial value of the Plan's assets.

Since all members have already retired, the Plan has no Normal Cost. The UAAL is amortized over a closed 30-year period beginning January 1, 2000 using the level dollar amortization method.

Calculation of Annual Required Pension Contribution and Net Pension Obligation

	Fiscal Year Ending		
	12/31/2010	12/31/2011	12/31/2012
Annual required contribution (ARC)			
1. Annual Normal Cost	\$ -	\$ -	\$ -
2. + Amortization of UAAL Beginning of Year *	(166,142)	(335,034)	(509,887)
3. + Interest on UAAL to End of Year*	(6,646)	(13,401)	(20,395)
4. = ARC at End of Year [1+2+3]	\$ (172,788)	\$ (348,435)	\$ (530,282)
5. + Interest on Net Pension Obligation	(51,780)	(61,382)	(77,375)
6. - Adjustment to ARC	(91,589)	(112,345)	(159,003)
7. = Annual pension cost (APC) [4+5-6]	(132,979)	(297,472)	(448,654)
8. - Employer Contributions**	107,068	102,354	118,775
9. = Change in Net Pension Obligation [7-8]	(240,047)	(399,826)	(567,429)
10. + Net Pension Obligation at Beginning of Year	(1,294,508)	(1,534,555)	(1,934,381)
11. = Net Pension Obligation at End of Year [9+10]	(1,534,555)	(1,934,381)	(2,501,810)

\* Assumed interest/discount rate of 4.0%, amortized with level dollar method.

\*\* Employer contributions for pensions are total contributions to the fund net of disbursements for medical and administrative expenses.

### Annual Development of Pension Cost (1 of 2)

Fiscal Year Ending	ARC at EOY	Interest on NPO	ARC Adjustment	Annual Pension Cost	Total Employer Contributions	Change in NPO
	[1]	[2]	[3=pyr7/9]	[4=1+2-3]	[5]	[6=4-5]
12/31/2006	\$ (113,541)	\$ (33,604)	(44,035)	\$ (103,110)	\$ 59,068	\$ (162,178)
12/31/2007	(109,968)	(38,658)	(54,591)	(94,035)	59,777	(153,812)
12/31/2008	(109,968)	(46,349)	(67,070)	(89,247)	66,055	(155,302)
12/31/2009	(172,788)	(43,291)	(74,178)	(141,901)	70,327	(212,228)
12/31/2010	(172,788)	(51,780)	(91,589)	(132,979)	107,068	(240,047)
12/31/2011	(348,435)	(61,382)	(112,345)	(297,472)	102,354	(399,826)
12/31/2012	(530,282)	(77,375)	(159,003)	(448,654)	118,775	(567,429)

### Annual Development of Pension Cost (2 of 2)

Fiscal Year Ending	NPO Balance	(Gain)/Loss	Amort. Factor**	Amort. Of (Gain)/Loss	Ending Balance
	[7=6+pryr7]	[8=1-5]	[9]	[10=pyr11/9]	[11=7]
12/31/2006	\$ (773,166)	\$ (172,609)	13.87500	\$ (44,035)	\$ (773,166)
12/31/2007	(926,978)	(169,745)	14.16300	(54,591)	(926,978)
12/31/2008	(1,082,280)	(176,023)	13.82120	(67,069)	(1,082,280)
12/31/2009	(1,294,508)	(243,115)	14.59030	(74,178)	(1,294,508)
12/31/2010	(1,534,555)	(279,856)	14.13390	(91,589)	(1,534,555)
12/31/2011	(1,934,381)	(450,789)	13.65930	(112,345)	(1,934,381)
12/31/2012	(2,501,810)	(649,057)	12.16567	(159,003)	(2,501,810)

\*\* Level Dollar amortization method.

Three year trend information is recapped as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution as a Percentage of APC	Net Pension Obligation (NPO)
December 31, 2010	(132,979)	N/A	(1,534,555)
December 31, 2011	(297,472)	N/A	(1,934,381)
December 31, 2012	(448,654)	N/A	(2,501,810)

Employees are not required to make contributions under this Plan. The employer contributions to the Plan for 2012 include \$119,668 from fire insurance premiums and \$347,672 in investment income from Plan assets. Benefits and refunds of the Plan are recognized when due and payable in accordance with the terms of the Plan. For 2012, \$225,506 was paid for pension benefit payments and \$566 for medical payments.

The Net Pension Obligation decreased by \$567,429 to (\$2,501,810) and is included as a non-current asset in the City of Renton's Government-wide Statement of Net Position.

## **NOTE 7. OTHER POST EMPLOYMENT BENEFITS**

During the year ended December 31, 2008, the City elected to adopt the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB No. 45), which required the City to accrue other postemployment benefits (OPEB) expense related to its postretirement healthcare plan based on a computed annual required contribution (ARC) that includes the current period's service cost and an amount to amortize unfunded actuarial accrued liabilities. Instead of recording expense on a "pay-as-you-go" basis, the City, under GASB No. 45, has recorded a liability of \$3,744,023 for the difference between the actuarially calculated ARC and the contributions made since the adoption of GASB No. 45. This liability is included in noncurrent liabilities in the accompanying December 31, 2012 Government-wide Statement of Net Position. The effect of GASB No. 45 for the current fiscal year was to decrease the City's excess of revenue over expenses before capital contributions and the City's increase in net OPEB obligation for the year ended December 31, 2012 by \$618,529.

### **Plan Description**

The City of Renton's LEOFF Plan 1 (the Health Plan) is a single-employer defined benefit healthcare plan administered by the City. The Health Plan provides medical, prescription drug, dental, Medicare Part B premiums, long-term care, and vision expenses for LEOFF Plan 1 retirees. Dependent spouses and children are not covered. The Health Plan's actuary is Healthcare Actuaries. The Health Plan does not issue a separate standalone financial report.

### **Funding Policy**

The City does not require retiree contributions. All benefits are paid in full by the City.

For the fiscal year ended December 31, 2012, the City contributed \$1,254,795 to the Health Plan. There were no retiree contributions.

### **Annual OPEB Cost and Net OPEB Obligation**

The basis for the City's annual other postemployment benefit (OPEB) cost (expense) is the annual required contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed ten years. The following displays the components of the City's annual OPEB cost, the estimated amount contributed to the Health Plan, and changes in the City's net OPEB obligation to the Health Plan.

	Fiscal Year Ending		
	12/31/2010	12/31/2011	12/31/2012
Annual required contribution (ARC)			
Annual Normal Cost	\$ 54,262	\$ 54,262	\$ -
Amortization of UAAL	1,679,491	1,704,544	1,972,502
Interest to End of Year			
ARC at end of year	\$ 1,733,753	\$ 1,758,806	\$ 1,972,502
Interest on Net OPEB Obligation	\$ 62,627	\$ 78,799	\$ 46,882
Adjustment to ARC	(93,961)	(120,635)	(146,060)
Annual OPEB cost	1,702,419	1,716,970	1,873,324
Employer Contributions	(983,868)	(875,699)	(1,254,795)
Change in Net OPEB Obligation	718,551	841,271	618,529
Net OPEB Obligation-beginning of year	\$ 1,565,672	\$ 2,284,223	\$ 3,125,494
Net OPEB Obligation-end of year	\$ 2,284,223	\$ 3,125,494	\$ 3,744,023

\* Unfunded Actuarial Accrued Liability (UAAL)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Health Plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Year	Annual OPEB Cost	Employer Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 1,702,419	\$ 983,868	57.79%	\$ 2,284,223
2011	1,716,970	875,699	51.00%	3,125,494
2012	1,873,324	1,254,795	66.98%	3,744,023

### Funded Status and Funding Progress

The funded status of the Health Plan as of December 31, 2012:

Actuarial accrued liability (AAL) - Unit Credit	\$ 41,633,198
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 41,633,198</u>
Funded ratio (actuarial value of plan assets ÷ AAL)	0.0%
Covered payroll	304,951
UAAL as a percentage of covered payroll	13652.42%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts 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. Net Assets of \$6,360,269 is reported as unrestricted in

the insurance fund, however the City intends to utilize net position for the purpose of funding a portion of the UAAL.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of Health Plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

#### 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 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 and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The December 31, 2012 valuation used the unit credit actuarial cost methods. The actuarial assumptions included a 1.5% investment rate of return (net of administrative expenses) and an initial annual healthcare cost trend rate of 10.0% for pre-Medicare expenses, to an ultimate rate of 4.2% after 72 years. The Medicare trend assumption is 6.5%, to an ultimate rate of 4.2% after 8 years. The dental trend assumption is 5.5%, to an ultimate rate of 4.0% after 4 years. The Medicare premium trend rate is 8.5% for all years, except for the first year, which has a 0% trend rate. The long-term care trend rate is 5.0% for all years. The trend for the Excise Tax threshold is 0% until 2018, when a trend rate of 4.24% is used. The trend for all future years is 3.24%. All trend rates include a 3.0% inflation assumption. The UAAL at transition is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2012 was 25.0 years. The UAAL is recalculated each year and amortized as a level dollar amount over 26 years.

Trend Rates							
Year	Pre-Medicare	Medicare	Dental	Vision	Part B Premiums	Long-Term Care	Excise Tax Threshold
2014	10.0%	6.5%	5.5%	4.0%	8.5%	5.0%	0.00%
2015	9.5%	6.5%	5.0%	4.0%	8.5%	5.0%	0.00%
2016	9.0%	6.0%	4.5%	4.0%	8.5%	5.0%	0.00%
2017	8.5%	6.0%	4.0%	4.0%	8.5%	5.0%	0.00%
2018	8.0%	5.5%	4.0%	4.0%	8.5%	5.0%	4.24%
2019	7.5%	5.0%	4.0%	4.0%	8.5%	5.0%	3.24%
2020	7.0%	4.5%	4.0%	4.0%	8.5%	5.0%	3.24%
2021	6.4%	4.2%	4.0%	4.0%	8.5%	5.0%	3.24%
2022-2084	...	...	4.0%	4.0%	8.5%	5.0%	3.24%
2085 +	4.2%	4.2%	4.0%	4.0%	8.5%	5.0%	3.24%

Note: The trend rates include assumed inflation of 3.0% for all future years.

## **NOTE 8. CONTINGENCIES**

### **Litigation**

The City has recorded in its financial statements all material liabilities, including an estimate for situations that are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the City's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

### **Contingencies under Grant Provisions**

The City participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. The City's management believes that such disallowances, if any, will be immaterial.

### **Bond Indentures**

The City is in compliance with all significant bond indentures and restrictions.

### **Leases**

The City also leases office facilities for the City Attorney's office. The total annual cost is \$90,000 per year with the lease term ended December 31, 2011. The City has extended the lease terms through mid-2013, with monthly payments of \$7,500. Beginning mid-2013, the City Attorney's Office will move into a City-owned building and the current lease will be terminated.

### **Construction Commitments**

Refer to Note 5.

## **NOTE 9. RISK MANAGEMENT**

The City of Renton is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Renton protects itself against unforeseen losses by utilizing a three-pronged risk management approach. First, the City self-funds first level losses through its Insurance Fund. Second, excess insurance is purchased to cover medium and large losses. Third, the City reserves the right to utilize the provisions of Chapter 35A.31.060 RCW to fund catastrophic or uninsured losses. This State statute allows cities to levy a non-voted property tax increase to pay for uninsured claims.

An analysis of the self-insurance retention levels, limits of insurance, and claims administrator for the major types of coverage are as follows:

Type of Coverage	Risk Retention Occurrence	Aggregate Amount	Carrier
Property – Expires 01/01/2013	\$25,000	\$500,000,000 (per occurrence subject to annual aggregate & sub-limits)	WA Cities Ins Authority
Liability – Expires 01/01/2013	\$250,000	\$20,000,000 (per occurrence)	WA Cities Ins Authority
Auto Physical Damage – Expires 01/01/2013	\$25,000	ACV or Replacement Cost; per Occurrence	WA Cities Ins Authority
Public Officials (E&O) – Expires 01/01/2013	\$250,000	\$15,000,000	WA Cities Ins Authority
Equipment breakdown – Expires 1/01/2013	\$5,000*	\$50,000,000	Zurich
Crime – Expires 12/31/2013	\$10,000	\$2,500,000	National Union Fire
Airport liability – Expires 1/01/2013	0	\$100,000,000	Ace Property & Casualty
Underground storage tank – Expires 1/01/2013	\$2,500	\$1,000,000	Colony
Excess Workers' comp – Expires 1/01/2013	\$450,000	Statutory	Safety National
Excess Employee health – Expires 1/01/2013	\$175,000	N/A	Symetra

\* There is a 4-hour utility interruption clause, prior to the deductible becoming applicable.

For policy term January 1, 2012 to January 1, 2013, there were no reductions in insurance coverage and an increase in premiums; however, settlements for the last three years have not exceeded insurance coverage.

The City of Renton is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 153 members.

New members initially contract for a three-year term and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of

reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, and inland marine are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000 for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis; as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

The City's Risk Management Program is administered by the Human Resources and Risk Management Administrator, with claims being processed by the independent claims administrators noted above.

As of December 31, 2012, the City had accrued the following amounts for outstanding claims:

Coverage	Total Claims Payable	
	12/31/2012	
Property & liability	\$	537,571
Workers' compensation		827,147
Employee health		1,389,400
<b>TOTAL</b>	<b>\$</b>	<b>2,754,118</b>

<b>2012</b>	<b>Property &amp; Liability</b>	<b>Workers' Compensation</b>	<b>Employee Health</b>	<b>Totals</b>
IBNR claims at beginning of the year	\$ 641,640	\$ 613,655	\$ 1,186,900	\$ 2,442,195
Current year and changes in estimates	946,936	1,362,079	11,898,851	14,207,866
Claims payments	(1,051,005)	(1,148,587)	(11,696,351)	(13,895,943)
<b>IBNR claims at end of the year</b>	<b>\$ 537,571</b>	<b>\$ 827,147</b>	<b>\$ 1,389,400</b>	<b>\$ 2,754,118</b>

<b>2011</b>	<b>Property &amp; Liability</b>	<b>Workers' Compensation</b>	<b>Employee Health</b>	<b>Totals</b>
IBNR claims at beginning of the year	\$ 697,531	\$ 696,880	\$ 1,899,079	\$ 3,293,490
Current year and changes in estimates	1,375,182	664,764	8,961,050	11,000,996
Claims payments	(1,431,073)	(747,989)	(9,673,229)	(11,852,291)
<b>IBNR claims at end of the year</b>	<b>\$ 641,640</b>	<b>\$ 613,655</b>	<b>\$ 1,186,900</b>	<b>\$ 2,442,195</b>

#### **NOTE 10. INTERFUND TRANSACTIONS**

Interfund transactions are classified as follows:

1. Services Provided – Transactions that would be treated as revenues, expenditures, or expenses if they involve external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City of Renton.
2. Transfers – Transactions to support the operations of other funds are recorded as “Transfers” and classified with “Other Financing Sources or Uses” in the fund statements. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the Government-wide financial statements.
3. Contributions – Contributions to the capital of enterprise or internal service funds, transfers of capital assets between proprietary and governmental funds, transfers to establish or reduce working capital in other funds, and transfers remaining balances when funds are closed are classified non-operating revenue.
4. Loans– Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund loans receivable/payable. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

The following is a summary of interfund balances at the fund level, as of December 31, 2012, for the purpose of reclassifying revenue/expenditures between funds:

<b>Fund</b>	<b>Due From Other Funds</b>	<b>Due To Other Funds</b>
General Fund	\$ 136,367	\$ 36,742
Municipal Facilities Fund	26,482	902
Capital Improvement Fund	-	65,171
<b>Subtotal Governmental Funds</b>	<b>\$ 162,848</b>	<b>\$ 102,815</b>
Waterworks Utility Fund	25,937	51,304
Solid Waste	2,218	2,218
<b>Subtotal Enterprise Funds</b>	<b>\$ 28,155</b>	<b>\$ 53,522</b>
Equipment Repair and Replacement	12,276	3,388
Information Technology	-	44,457
Facilities	902	-
<b>Subtotal Internal Service Funds</b>	<b>\$ 13,177</b>	<b>\$ 47,845</b>
<b>TOTAL</b>	<b>\$ 204,181</b>	<b>\$ 204,181</b>

At the government-wide level, the following interfund balances occurred for the purpose of reclassifying revenue/expenditures between governmental-type and business-type activities:

<b>Fund</b>	<b>Due From Other Funds</b>	<b>Due To Other Funds</b>
General Fund	\$ 26,334	\$ 25,172
Municipal Facilities Fund	26,482	-
Airport	-	-
Solid Waste	2,218	2,218
Waterworks Utility Fund	25,937	51,304
Equipment Repair and Replacement	706	2,983
<b>TOTAL</b>	<b>\$ 81,677</b>	<b>\$ 81,677</b>

The following is a summary of interfund loans made for capital improvement purposes, at the fund level, as of December 31, 2012:

<b>Fund</b>	<b>Interfund Loans Receivable</b>	<b>Interfund Loans Payable</b>
General Fund	\$ 461,810	\$ -
Capital Improvement Fund	-	1,027,970
<b>Subtotal Governmental Funds</b>	<b>461,810</b>	<b>1,027,970</b>
Airport Fund	-	199,855
Golf Course Fund	-	1,149,907
Waterworks Utility Fund	199,855	-
<b>Subtotal Enterprise Funds</b>	<b>199,855</b>	<b>1,349,762</b>
Insurance Fund	1,716,067	-
<b>Subtotal Internal Service Funds</b>	<b>1,716,067</b>	<b>-</b>
<b>TOTAL</b>	<b>\$ 2,377,732</b>	<b>\$ 2,377,732</b>

At the government-wide level, only one interfund loan occurred for capital improvement:

<b>Fund</b>	<b>Interfund Loans Receivable</b>	<b>Interfund Loans Payable</b>
Golf Course Fund		\$ 1,149,907
Insurance Fund	\$ 1,149,907	
<b>TOTAL</b>	<b>\$ 1,149,907</b>	<b>\$ 1,149,907</b>

The following is a summary of interfund transfers that took place during 2012 at the fund level:

<b>Fund</b>	<b>Transfer In</b>	<b>Transfer Out</b>
General Fund	\$ 204,000	\$ 2,085,347
Arterial Street Fund	-	600,000
Paths and Trails Fund	-	3,315
One Percent for Art Fund	7,877	-
General Debt Service Fund	2,652,993	-
Fire Impact Mitigation Fund	-	936,926
Transportation Impact Mitigation Fund	-	450,000
Municipal Facilities CIP Fund	265,000	30,813
Capital Improvement Fund	1,053,315	7,064
<b>Subtotal Governmental Funds</b>	<b>4,183,185</b>	<b>4,113,464</b>
Aiport Fund	-	107,449
Golf Course Fund	-	1,418
Waterworks Utility Fund	-	125,094
<b>Subtotal Enterprise Funds</b>	<b>-</b>	<b>233,961</b>
Equipment Rental Fund	228,043	65,000
Insurance Fund	-	204,000
Information Services Fund	73,590	-
Facilities Fund	11,940	-
<b>Subtotal Internal Service Funds</b>	<b>313,573</b>	<b>269,000</b>
Firemen's Pension Trust Fund	119,668	-
<b>TOTAL</b>	<b>\$ 4,616,425</b>	<b>\$ 4,616,425</b>

At the government-wide level, the following transfers occurred:

Fund	Transfer In	Transfer Out
Airport fund	-	107,449
Golf Course Fund	-	1,418
Waterworks Utility Fund	-	125,094
Equipment Rental Fund	228,043	-
Information Services Fund	5,918	-
<b>TOTAL</b>	<b>\$ 233,961</b>	<b>\$ 233,961</b>

#### **NOTE 11. NET POSITION**

The Government-wide and business type fund financial statements utilize a net position presentation. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is categorized as investments in capital assets (net of related debt), restricted, and unrestricted.

- A. Investment in Capital Assets (net of related debt) is intended to reflect the portion of net position associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized costs.
- B. Restricted net position is comprised of liquid assets which have third party (statutory, bond covenant, or granting agency) limitations on their use. The restricted component of net position is reduced by liabilities and deferred inflows related to those assets. The restricted component of net position of governmental activities may not equal to restricted fund balances in the governmental funds due to a different measurement focus and different basis of accounting.  
The City would typically use restricted net position first, as appropriated opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

- C. Unrestricted net position represents unrestricted liquid assets. Unrestricted Governmental Activities have committed and assigned designations that reflect the City Council and management's plans and commitments to expend resources for certain purposes in future periods. Funds with committed designations reflect amounts constrained by the City Council, either through formal budget adoption or other purposes formally approved by the Council. Amounts with assigned designations reflect all amounts remaining in governmental funds, other than the general fund, not classified as nonspendable, restricted or committed. Assigned amounts also include year-end encumbrances that have received approval from the City Council and re-appropriated in the following year's carry forward budget. The City's financial policies require a maximum amount of 12% and minimum of 8% fund balance to remain in the general fund for cash flow purposes.

## **NOTE 12. PRIOR PERIOD ADJUSTMENTS**

### **Governmental Activities**

Developer contributions from 2011 in the amount of \$497,662 (net of depreciation) were not properly recorded as such and the related assets were not recorded in the full amount. A prior period adjustment was necessary in 2012 to properly record these capital assets.

Additionally, prior period adjustments in the amount of \$(194,151) were required to dispose of construction-in-progress assets improperly capitalized in prior years.

### **Business-Type Activities**

Developer contributions from 2011 in the amount of \$387,893 (net of depreciation) were not properly recorded as such and the related assets were not recorded in the full amount. A prior period adjustment was necessary in 2012 to properly record these capital assets.

Additionally, prior period adjustments in the amount of \$(280,910) were required to dispose of construction-in-progress assets improperly capitalized in prior years.

## **NOTE 13. LONG TERM DEBT**

The City of Renton's long-term debt consists of General Obligation Debt, repaid mainly from general governmental revenue sources, Proprietary Debt, repaid from proprietary revenues and compensated absences/other post-employment benefits. These debts are accounted for in the following areas: 1) The outstanding general obligation debt is reported in the Government-wide financial statements; 2) The repayment, or debt service of the same, is recorded in the Debt Service Funds; and, 3) The proprietary debt liability and repayment of the same are reported in individual Proprietary Funds. Compensated absences and other post-employment benefits are generally liquidated mainly from the general fund and to a lesser extent, the internal service funds.

Outstanding debt issues as of December 31, 2012 are as follows:

Type of Debt	Interest Rates	Issued Date	Maturity Date	Original Issued Amount
<b>GOVERNMENTAL DEBT:</b>				
<b>General Obligation Bonds:</b>				
<b>Limited:</b>				
2006 GO Bonds	4.25%-5.00%	08/08/2006	12/01/2028	17,980,000
2010 GO Refunding Bonds	3.00%-4.50%	05/11/2010	12/01/2021	6,170,000
2011 GO Library Bonds	2.00%-5.00%	08/02/2011	12/01/2022	16,715,000
2011 GO Refunding Bonds	2.00%-5.00%	09/21/2011	12/01/2017	9,425,000
<b>SUBTOTAL LIMITED GO</b>				<b>50,290,000</b>
<b>Other Miscellaneous debt - Intergovernmental, Backed by full faith and credit of the City:</b>				
2009 FD 40 Loan for acquisition of FS13	3.75%	03/01/2009	09/01/2028	6,798,085
2009 (A) SCORE Tax Exempt	4.00%-5.00%	11/04/2009	01/01/2022	2,953,800
2009 (B) SCORE BABS	3.00%-6.62%	11/04/2009	01/01/2039	28,090,800
2010 GO Valley Comm Refunding Bonds	3.00%-4.00%	04/05/2010	12/01/2015	1,065,000
<b>SUBTOTAL MISCELLANEOUS</b>				<b>38,907,685</b>
<b>TOTAL GOVERNMENTAL-TYPE DEBT ISSUANCE</b>				<b>89,197,685</b>
<b>BUSINESS-TYPE DEBT:</b>				
<b>Revenue Bonds:</b>				
2003 Water/Sewer Refunding	3.20%	09/15/2003	06/01/2013	8,035,000
2004 Water/Sewer	4.33%	11/01/2004	12/01/2027	10,335,000
2007 Water/Sewer	4.00%-5.00%	11/06/2007	12/01/2022	1,430,000
2007 Water/Sewer Refunding (02)	4.00%-5.00%	11/06/2007	12/01/2022	8,320,000
2008 Water/Sewer (a)	4.17%	01/04/2008	12/01/2027	9,975,000
2008 Water/Sewer (b)	4.17%	01/04/2008	12/01/2016	2,035,000
2012 Water/Sewer Refunding	2.00%-3.00%	12/07/2012	12/01/2027	9,190,000
<b>TOTAL REVENUE BONDS</b>				<b>49,320,000</b>
<b>Public Works Trust Fund Loans:</b>				
Central Renton Sewer Replacement	1.00%	05/04/1993	07/01/2015	1,631,800
East Renton Interceptor	1.00%	06/07/1993	07/01/2013	2,542,704
Dayton Avenue NE	2.00%	05/12/1994	07/01/2014	96,958
NE 27 <sup>th</sup> /Aberdeen Drainage Improvements	1.00%	05/15/1995	07/01/2015	731,000
East Kennydale Interceptor	2.00%	01/24/1998	07/01/2016	2,093,740
Honeycreek Interceptor	2.00%	12/04/1995	07/01/2016	1,840,568
Corrosion Control Treatment Facilities	1.00%	01/06/1997	07/01/2017	1,106,000
Maplewood Water Treatment Improvement	0.50%	01/22/2002	07/01/2021	567,831
Construct CT Pipeline for Wells	0.50%	11/05/2002	07/01/2022	814,527
Maplewood Water Treatment Improvement	0.50%	06/03/2004	07/01/2024	5,150,000
<b>TOTAL PUBLIC WORKS TRUST FUND LOANS</b>				<b>16,575,128</b>
<b>TOTAL BUSINESS-TYPE DEBT ISSUANCE</b>				<b>65,895,128</b>
<b>TOTAL AMOUNT ISSUED ON OUTSTANDING DEBT AS OF DECEMBER 31, 2012</b>				<b>\$ 155,092,813</b>

Outstanding debt additions and retirements are summarized as follows:

	Beginning Balance				Ending Balance	Due Within One
General Governmental Debt	01/01/2012	Additions	Deductions	12/31/2012	Year	
<b>Limited General Obligation Debt</b>						
2002 GO Bonds	\$ 2,515,000	\$ -	\$ 2,515,000	\$ -	\$ -	-
2006 GO Bonds	15,770,000	-	610,000	15,160,000		640,000
2010 GO Refunding Bonds	6,025,000	-	5,000	6,020,000		5,000
2011 GO Library Bonds	16,715,000	-	1,375,000	15,340,000		1,420,000
2011 GO Refunding Bonds	9,265,000	-	1,450,000	7,815,000		1,480,000
Unamortized (discount)/premium/refunding	2,703,407	-	294,731	2,408,675		-
<b>Total Limited GO Bonds</b>	<b>52,993,407</b>	<b>-</b>	<b>6,249,731</b>	<b>46,743,675</b>		<b>3,545,000</b>
<b>Other Miscellaneous debt - Intergovernmental, Backed with full faith and credit of the City</b>						
2009 FD 40 Loan for acquisition of FS13	6,161,039	-	271,517	5,889,522		282,439
2009 (A) SCORE Tax Exempt	2,953,800	-	-	2,953,800		-
2009 (B) SCORE BABS	28,090,800	-	689,400	27,401,400		702,000
2010 GO Valley Comm. Refunding Bonds	848,000	-	201,000	647,000		215,000
<b>Total Miscellaneous</b>	<b>38,053,639</b>	<b>-</b>	<b>1,161,917</b>	<b>36,891,722</b>		<b>1,199,439</b>
<b>Total General Obligation Debt</b>	<b>91,047,046</b>	<b>-</b>	<b>7,411,648</b>	<b>83,635,398</b>		<b>4,744,439</b>
<b>Other:</b>						
Employee Leave Benefits (Comp. Absences)	5,277,306	2,962,404	3,008,064	5,231,645		2,982,038
Other post-employment benefits payable	3,125,494	1,873,324	1,254,795	3,744,023		-
<b>Total Governmental Obligation</b>	<b>\$ 99,449,846</b>	<b>\$ 4,835,728</b>	<b>\$ 11,674,508</b>	<b>\$ 92,611,066</b>	<b>\$</b>	<b>7,726,477</b>

Outstanding debt additions and retirements are summarized as follows (continued):

	Beginning Balance			Ending Balance	Due Within One
Business-Type Debt	01/01/2012	Additions	Deductions	12/31/2012	Year
Revenue Bonds:					
1998 Water/Sewer Refunding Bond	\$ 1,045,000	\$ -	\$ 1,045,000	\$ -	\$ -
2002 Water/Sewer Bond	1,025,000	-	1,025,000	-	-
2003 Water/Sewer Refunding Bond	805,000	-	390,000	415,000	415,000
2004 Water/Sewer Bond	10,335,000	-	9,045,000	1,290,000	205,000
2007 Water/Sewer Bond	1,430,000	-	-	1,430,000	-
2007 Water/Sewer Refunding Bond (02)	8,275,000	-	15,000	8,260,000	20,000
2008 Water/Sewer Bond (a)	9,975,000	-	-	9,975,000	-
2008 Water/Sewer Bond (b)	2,035,000	-	-	2,035,000	610,000
2012 Water/Sewer Refunding Bond	-	9,190,000	-	9,190,000	40,000
Unamortized (discount)/premium/refunding	1,581	(137,450)	(33,671)	(102,198)	-
Total Revenue Bonds	34,926,581	9,052,550	11,486,329	32,492,802	1,290,000
Public Works Trust Fund Loans:					
Sierra Heights Sewer Improvements	25,641	-	25,641	-	-
Central Renton Sewer Replacement	279,001	-	87,483	191,518	87,483
East Renton Interceptor	269,140	-	134,570	134,570	134,570
Dayton Avenue NE	15,309	-	5,103	10,206	5,103
NE 27th/Aberdeen Drainage Improvement	170,359	-	42,590	127,769	42,590
East Kennydale Interceptor	584,276	-	116,855	467,422	116,855
Honeycreek Interceptor	484,360	-	96,872	387,488	96,872
Corrosion Control Treatment Facilities	296,141	-	49,357	246,785	49,357
Maplewood Water Improvement	303,009	-	30,301	272,709	30,301
Const. CT Pipeline for Wells	471,568	-	42,870	428,699	42,870
Maplewood Water Improvements	3,544,412	-	272,647	3,271,765	272,647
Total Public Work Trust Fund Loan	6,443,218	-	904,289	5,538,929	878,648
Other:					
Employee Leave Benefits (Comp.Absences)	699,664	186,562	160,834	725,392	173,978
Total Business-Type Debt	42,069,463	9,239,112	12,551,452	38,757,123	2,342,625
GRAND TOTALS	\$ 141,519,309	\$ 14,074,840	\$ 24,225,960	\$ 131,368,189	\$ 10,069,102

#### DEEP DISCOUNT DEBT

As of December 31, 2012, the City of Renton has no deep discount debt outstanding.

#### SPECIAL ASSESSMENT DEBT WITH GOVERNMENTAL COMMITMENT

As of December 31, 2012, the City of Renton has no special assessment debt outstanding.

#### DEBT LIMIT CAPACITIES

State law provides that debt cannot be incurred in excess of the following percentages of the value of the taxable property of the City: 1.5 percent without a vote of the people provided the indebtedness with a vote is 1 percent or less; 2.5 percent with a vote of the people; 5.0 percent

with a vote of the people, provided the indebtedness in excess of 2.5 percent is for utilities; and 7.5 percent with a vote of the people provided the indebtedness in excess of 5.0 percent is for open space development and parks facilities. Table 12 in the Statistical Section shows the computation of legal debt margin for general and special purpose capacities for the City of Renton.

#### **ARBITRAGE**

The City engages an outside agency to calculate its' arbitrage rebate liability on outstanding tax-exempt bonds and certificates of participation under Section 148(f) of the Internal Revenue Code. No additional rebate was found due for any revenue or general obligation bonds for 2012.

#### **ISSUED/REFUNDED DEBT**

On December 7, 2012 the City issued \$9,190,000 in tax-exempt Water and Sewer Revenue Refunding Bonds with an average interest rate of 2.65% to advance refund a portion, \$9,045,000, of outstanding 2004 Water and Sewer Revenue Bonds. The net proceeds were used to purchase U.S. government securities which were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, this portion of the original bond is considered defeased.

On December 1, 2012 the City redeemed and retired the outstanding \$2,315,000 in 2002 Limited Tax General Obligation bonds. The early redemption will save the City approximately \$650,000 in interest over the remaining ten years.

On December 1, 2012 the City transferred \$1,149,907 in Golf Course interfund loans and \$566,160 in Capital Improvement Fund loans from the General Fund to the City's Health Insurance Fund. The interfund loans will be fully repaid on December 1, 2015 and May 30, 2016, respectively.

The City defeases certain bond issues by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The schedules of assets, liabilities, and net assets of the City's escrow accounts as of December 31, 2012 are provided in the following table.

	US Bank Corporate Trust (2012 Revenue Bonds)	
<b>Assets</b>		
Cash with Trustee	\$	2
Investments with Trustee		9,904,340
Estimated Interest Receivable		-
<b>Total Assets</b>		<u>9,904,342</u>
<b>Liabilities</b>		
Refunded Bonds Payable		<u>9,904,340</u>
<b>Total Liabilities</b>		<u>9,904,340</u>
<b>Net Assets</b>		
Earnings with Trustee		<u>2</u>
<b>Total Net Assets</b>	\$	<u><u>2</u></u>

## ANNUAL DEBT SERVICE REQUIREMENTS

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of December 31, 2012, are as follows:

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2013	4,744,439	3,363,084	2,168,648	1,292,497
2014	4,866,530	3,227,809	2,403,612	1,243,751
2015	5,037,625	3,055,153	2,468,509	1,165,996
2016	4,992,416	2,888,667	2,453,901	1,083,517
2017	5,179,072	2,690,812	2,325,175	991,301
2018-2022	24,625,250	10,125,877	12,638,788	3,639,599
2023-2027	13,404,733	5,810,539	13,675,294	1,415,515
2028-2032	8,311,055	3,118,973	-	-
2033-2037	8,206,200	1,488,076	-	-
2038+	1,859,400	79,962	-	-
<b>Totals</b>	<b>81,226,722</b>	<b>35,848,951</b>	<b>38,133,927</b>	<b>10,832,175</b>

## AMOUNT AVAILABLE FOR DEBT SERVICE

Fund balances that have been reserved for debt repayment are \$1,159,999, reported other non-major governmental funds.

## OPERATING LEASES

As of December 31, 2012, the City of Renton has no operating leases outstanding.

## NOTE 14 - DEFERRED CHARGES IN PROPRIETARY FUNDS

As of December 31, 2012, the total amount of deferred charges and other assets reported in the proprietary funds is \$386,148. 100% of this amount is reported in the Waterworks Utility Fund and is for debt issuance costs related to the 2003-2012 Revenue Bonds. This amount will be fully amortized by 2027.

#### **NOTE 15. SEGMENT INFORMATION**

An identifiable activity (or grouping of activities) required to be accounted for separately, which (a) is reported as or within an enterprise fund; (b) for which one or more revenue bonds are outstanding; and, (c) where the revenue stream is pledged for payment of, are required to disclose segment information. The City of Renton has no required segment information to disclose for 2012.

#### **NOTE 16. JOINT VENTURES**

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an on-going financial interest or (b) an on-going financial responsibility. The City participates in two joint ventures.

#### **VALLEY COMMUNICATIONS CENTER**

The Valley Communications Center (Valley Com) was established August 20, 1976, when an Interlocal Agreement was entered into by four original participating municipal corporations, including the cities of Renton, Kent, Auburn, and Tukwila. Federal Way was formally admitted in 2000. The agreement is sanctioned by the provisions and terms of the Interlocal Cooperation Act pursuant to Chapter 39.34 RCW. The initial duration of the agreement was five years, and thereafter is automatically extended for consecutive five-year periods.

The purpose of the joint operation, hereafter referred to as Valley Com, is to provide improved consolidated emergency communications (dispatch) services for police, fire, and medical aid, to the five participating cities and to several subscribing agencies that include: King County Fire Districts 2, 17 (Black Diamond), 20, 26, 40, 43, 44, 47; City of Pacific Police and Fire Departments; City of Black Diamond Police Department; City of Des Moines Police Department; SeaTac Fire Department; North Highline Fire Department; King County EMS Units; and Vashon Island Fire Department. Separate agreements between Valley Com and the subscribing agencies have been executed, which set forth conditions of services and rates charged.

The City of Renton reports its share of equity interest in the Governmental Activities column within the Government-wide financial statements under non-current assets. The following is condensed financial information as of December 31, 2012 related to Valley Communications Center:

Valley Communications Center 2012 Owner Cities Equity Allocation					
Member City	Percent of Equity	2011 Equity Balance	2012 Distribution	2012 Equity Balance	
Auburn	19.43%	\$ 4,723,727	\$ 59,850	\$	4,783,577
Federal Way	22.00%	3,258,408	66,176	\$	3,324,584
Kent	27.57%	7,052,092	87,685	\$	7,139,777
Renton	21.39%	4,996,753	65,681	\$	5,062,434
Tukwila	9.61%	2,812,717	30,690	\$	2,843,407
<b>Grand Totals</b>	<b>100.00%</b>	<b>\$ 22,843,697</b>	<b>\$ 310,082</b>	<b>\$</b>	<b>23,153,779</b>

Completed Financial Statements for Valley Com can be obtained from the Valley Communications Center, 23807 – 98<sup>th</sup> Avenue South, Kent, WA 98031.

### **SOUTH CORRECTIONAL ENTITY (SCORE)**

The South Correctional Entity (SCORE) consolidated correctional facility was established February 25, 2009, when an Interlocal Agreement (the “Original Interlocal Agreement”) was entered into by seven participating municipal governments, the “Member Cities” of Auburn, Burien, Des Moines, Federal Way, Renton, SeaTac and Tukwila, under the authority of the “Interlocal Cooperation Act” (RCW 39.34). This “Original Interlocal Agreement” was amended and restated October 1, 2009 and named the City of Des Moines as the “Host City” and the remaining Member Cities as “Owner Cities”. This interlocal agreement is known as the “Formation Interlocal Agreement”. Pursuant to a separate “Host City Agreement” dated October 1, 2009, the Host City will not enjoy the same equity position as the Owner Cities until all debts issued are paid and the Host City fulfills all of its obligations as outlined in the Agreement.

SCORE, a governmental administrative agency pursuant to RCW 39.34.030 (3), has the power to acquire, construct, own, operate, maintain, equip, and improve a correctional facility known as the “SCORE Facility” and to provide correctional services and functions incidental thereto, for the purpose of detaining arrestees and sentenced offenders in the furtherance of public safety and emergencies within the jurisdiction of the Member Cities. The SCORE Facility may serve the Member Cities and Subscribing Agencies which are in need of correctional facilities. Any agreement with a Subscribing Agency shall be in writing and approved by SCORE as provided within the SCORE Formation Interlocal Agreement.

Financing for the acquisition, construction, equipping, and improvement of the SCORE Facility will be provided by bonds issued by the South Correctional Entity Facility Public Development Authority (the “SCORE PDA”), a public development authority chartered by the City of Renton pursuant to RCW 35.21.730 through 35.21.755 and secured by the full faith and credit of the Cities of Auburn, Burien Federal Way, Renton, SeaTac, and Tukwila (the “Owner Cities”). The SCORE PDA issued \$86 million in special obligation bonds in 2009 to carry out the facility development project

The following is a summary of the debt service requirements for the bond issue:

Debt Service Schedule					
Year	35% BABs				
	Principal	Interest	Subsidy	Total	
2013	\$ 1,915,000	\$ 5,126,998	\$ (1,675,089)	\$ 5,366,909	
2014	1,950,000	5,066,566	(1,654,975)	5,361,591	
2015	1,990,000	4,995,069	(1,632,787)	5,352,282	
2016	2,065,000	4,911,886	(1,632,787)	5,344,099	
2017	2,145,000	4,820,241	(1,621,980)	5,343,261	
2018-2022	11,990,000	22,399,915	(7,748,350)	26,641,565	
2023-2027	14,485,000	18,727,798	(6,710,481)	26,502,317	
2028-2032	17,725,000	13,590,870	(4,959,695)	26,356,175	
2033-2037	21,855,000	7,082,263	(2,731,829)	26,205,434	
2038-2039	10,115,000	676,321	(353,824)	10,437,497	
Totals	\$ 86,235,000	\$ 87,397,927	\$ (30,721,797)	\$ 142,911,130	

The following is the debt service allocation to each Owner City:

Debt Service Allocation to Owner Cities							
Year	Auburn 31%	Burien 4%	Federal Way 18%	Renton 36%	SeaTac 3%	Tukwila 8%	
2013	\$ 1,663,742	\$ 214,676	\$ 966,044	\$ 1,932,087	\$ 161,007	\$ 429,353	
2014	1,662,093	214,464	965,086	1,930,173	160,848	428,927	
2015	1,659,207	214,091	963,411	1,926,822	160,568	428,183	
2016	1,656,671	213,764	961,938	1,923,876	160,323	427,528	
2017	1,656,411	213,730	961,787	1,923,574	160,298	427,461	
2018-2022	8,258,885	1,065,663	4,795,482	9,590,963	799,247	2,131,325	
2023-2027	8,215,718	1,060,093	4,770,417	9,540,834	795,070	2,120,185	
2028-2032	8,170,414	1,054,247	4,744,112	9,488,223	790,685	2,108,494	
2033-2037	8,123,685	1,048,217	4,716,978	9,433,956	786,163	2,096,435	
2038-2039	3,235,624	417,500	1,878,749	3,757,499	313,125	835,000	
Totals	\$ 44,302,450	\$ 5,716,445	\$ 25,724,004	\$ 51,448,007	\$ 4,287,334	\$ 11,432,891	

The City of Renton reports its share of equity interest in the Governmental Activities column within the Government-wide financial statements under non-current assets. The following is condensed financial information as of December 31, 2012 related to SCORE:

South Correctional Entity (SCORE)					
2012 Owner Cities Equity Allocation					
Member City	Percent of Equity	2011 Equity Balance		2012 Distribution	2012 Equity Balance
Auburn	31.00%	\$	3,189,320	\$ (1,820,461)	\$ 1,368,859
Burien	4.00%		411,525	(234,898)	\$ 176,627
Federal Way	18.00%		1,851,863	(1,057,043)	\$ 794,820
Renton	36.00%		3,703,728	(2,114,084)	\$ 1,589,644
SeaTac	3.00%		308,643	(176,174)	\$ 132,469
Tukwila	8.00%		823,050	(469,796)	\$ 353,254
<b>Grand Totals</b>	<b>100.00%</b>	<b>\$</b>	<b>10,288,129</b>	<b>\$ (5,872,456)</b>	<b>\$ 4,415,673</b>

Completed financial statements for SCORE and SCORE PDA can be obtained at SCORE, 20817 17th Avenue South, Des Moines, WA 98198.

#### **NOTE 17. SUBSEQUENT EVENTS**

There were no significant subsequent events that occurred after the end of the reporting period and before the issuance of the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL - GENERAL FUND  
For the Year Ended December 31, 2012

	BUDGETED AMOUNTS		ACTUAL AMOUNTS		ACTUAL AMOUNTS		BUDGETARY TO GAAP	
	ORIGINAL	FINAL	BUDGETARY BASIS	VARIANCE	GAAP BASIS	DIFFERENCES	OVER (UNDER)	
REVENUES								
Taxes	\$ 77,571,259	\$ 77,134,650	\$ 78,474,928	\$ 1,340,278	\$ 71,537,019	\$ 6,937,909	(1)	
Licenses and permits	2,710,077	2,433,331	3,002,481	569,150	3,002,481	-		
Intergovernmental revenues	8,174,351	10,583,889	11,983,310	1,399,421	10,982,766	1,000,544	(1), (2)	
Charges for services	3,235,991	3,207,475	3,657,158	449,683	4,280,901	(623,743)	(2)	
Fines and forfeits	3,212,156	3,212,156	3,053,938	(158,218)	3,053,938	-		
Interfund revenues	3,414,200	5,834,078	3,324,852	(2,509,226)	3,324,852	-		
Contributions	105,000	84,060	120,207	36,147	120,207	-	(2)	
Interest	477,730	175,235	390,676	215,441	383,909	6,767	(1), (2)	
Miscellaneous revenues	625,864	695,864	942,445	246,581	942,680	(235)	(2)	
TOTAL REVENUES	99,526,628	103,360,738	104,949,995	1,589,257	97,628,753	7,321,242		
EXPENDITURES								
Current:								
General government	9,984,197	10,052,668	7,640,988	(2,411,680)	8,223,191	(582,203)	(2)	
Judicial	2,546,539	2,517,043	2,610,481	93,438	2,610,481	-		
Public safety	51,260,904	53,402,153	54,378,422	976,269	54,378,422	-		
Physical environment	2,570,394	2,733,330	2,608,369	(124,961)	2,608,369	-		
Transportation	8,526,236	8,482,717	8,376,509	(106,208)	8,376,509	-		
Economic environment	6,086,546	6,107,555	5,804,336	(303,219)	5,804,336	-		
Health and human services	543,818	551,525	523,577	(27,948)	523,577	-		
Culture and recreation	10,830,762	10,927,288	10,471,784	(455,504)	10,471,784	-		
Capital outlay	267,559	85,559	26,506	(59,053)	26,506	-	(2)	
Debt service:								
Principal payment	2,743,517	5,058,517	7,116,917	2,058,400	-	7,116,917	(1)	
Interest payment	2,987,856	4,812,567	3,354,910	(1,457,657)	-	3,354,910	(1)	
TOTAL EXPENDITURES	98,348,328	104,730,922	102,912,799	(1,818,123)	93,023,175	9,889,624		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,178,300	(1,370,184)	2,037,196	3,407,380	4,605,578	(2,568,382)		
OTHER FINANCING SOURCES (USES)								
Transfer in	536,926	2,856,993	2,856,993	-	204,000	2,652,993	(1)	
Transfer (out)	(1,000,000)	(1,987,530)	(2,085,347)	97,817	(2,085,347)	-	(2)	
Sale of capital assets	-	15,000	211,437	196,437	211,437	-		
TOTAL OTHER FINANCE SOURCES (USES)	(463,074)	884,463	983,083	294,254	(1,669,910)	2,652,993		
NET CHANGE IN FUND BALANCE	715,226	(485,721)	3,020,279	3,701,634	2,935,668	84,611		
FUND BALANCE JANUARY 1	9,338,707	16,294,029	16,294,029	-	15,748,776	545,253	(1), (2)	
FUND BALANCE DECEMBER 31	\$ 10,053,933	\$ 15,808,308	\$ 19,314,308	\$ 3,506,000	\$ 18,684,444	\$ 629,864	(1), (2)	

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

(1) General Governmental Debt Fund is included in the Actual Amounts Budgetary Basis column.

(2) Lease City Property Fund is included in the Actual Amounts GAAP Basis column

REQUIRED SUPPLEMENTARY INFORMATION  
FIREFIGHTERS' PENSION FUND  
SCHEDULE OF EMPLOYER CONTRIBUTION  
December 31, 2012

<u>YEAR ENDING 12/31</u>	<u>EMPLOYER CONTRIBUTIONS*</u>	<u>FIRE INSURANCE PREMIUMS</u>	<u>TOTAL EMPLOYER CONTRIBUTIONS</u>	<u>ANNUAL REQUIRED CONTRIBUTION (ARC)</u>	<u>PERCENTAGE OF ARC CONTRIBUTED</u>
2006	\$ (18,753)	\$ 77,821	\$ 59,068	\$ (113,541)	N/A
2007	(25,285)	85,062	59,777	(109,968)	N/A
2008	(19,894)	85,949	66,055	(109,968)	N/A
2009	(36,296)	106,623	70,327	(172,788)	N/A
2010	(5,618)	112,686	107,068	(172,788)	N/A
2011	(12,700)	115,054	102,354	(348,435)	N/A
2012	(893)	119,668	118,775	(530,282)	N/A

\* Negative Employer Contributions represent disbursements from the Fund for administrative and non-pension medical benefit expenses as allowed by RCW 41.26.150.

REQUIRED SUPPLEMENTARY INFORMATION  
LEOFF 1 RETIREE MEDICAL BENEFITS  
SCHEDULE OF FUNDING PROGRESS  
December 31, 2012

YEAR ENDING 12/31	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITIES	UNFUNDED ACTUARIAL ACCRUED LIABILITIES	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
2008	\$ -	\$ 32,331,107	\$ 32,331,107	0%	\$ 471,470	6857.51%
2009	-	27,985,358	27,985,358	0%	411,952	6793.35%
2010	-	27,835,211	27,835,211	0%	414,264	6719.20%
2011	-	27,835,211	27,835,211	0%	434,132	6411.70%
2012	-	41,633,198	41,633,198	0%	304,951	13652.42%

LEOFF 1 RETIREE MEDICAL BENEFITS  
SCHEDULE OF EMPLOYER CONTRIBUTION  
December 31, 2012

YEAR ENDING 12/31	Annual OPEB Cost	Employer Contributions	% of OPEB Cost	Net OPEB Obligation
2008	\$ 2,024,068	\$ 1,266,192	63%	\$ 757,876
2009	1,912,147	1,104,351	58%	1,565,672
2010	1,702,419	983,868	58%	2,284,223
2011	1,716,970	875,699	51%	3,125,494
2012	1,873,324	1,254,795	67%	3,744,023

**CITY OF RENTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

FEDERAL AGENCY NAME/PASS-THROUGH AGENCY NAME	FEDERAL PROGRAM NAME	CFDA NUMBER	OTHER I.D. NUMBER	EXPENDITURES			FOOT NOTE REF.
				FROM PASS-THROUGH AWARDS	FROM DIRECT AWARDS	TOTAL	
U.S. DEPT OF AGRICULTURE FOREST SERVICE/PASS-THROUGH FROM WA STATE DEPT OF NATURAL RESOURCES	COOPERATIVE FORESTRY ASSISTANCE	10.664	360-902-1704 IAA-11-34 K244-07-DG-599	10,000		10,000	
<b>TOTAL US DEPT OF AGRICULTURE FOREST SERVICE</b>				<b>\$ 10,000</b>		<b>\$ 10,000</b>	
U.S. DEPT OF HOUSING AND URBAN DEVELOPMENT/PASS-THROUGH FROM KING COUNTY	CDBG RENTON MINOR HOME REPAIR		C11-751	46,859		46,859	
	CDBG RENTON MINOR HOME REPAIR		C12-751	177,109		177,109	
	CDBG PLANNING AND ADMIN		C12-507	45,777		45,777	
	CDBG MULTI SERVICE CENTER		C12-174	32,502		32,502	
	CDBG PARENTS & CHILDREN TOGETHER (PACT)		C12-113	13,275		13,275	
	COMMUNITY DEVELOPMENT BLOCK GRANT	14.218	SUBTOTAL	315,522		315,522	
<b>TOTAL US DEPT OF HOUSING AND URBAN DEVELOPMENT</b>				<b>\$ 315,522</b>		<b>\$ 315,522</b>	
U.S. DEPT OF JUSTICE DIRECT PROGRAM	ARRA - PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS	16.710	2009-RK-WX-0883		488,282	488,282	3
U.S. DEPT OF JUSTICE/DIRECT	EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT	16.738	2011-DJ-BX-2524		2,628	2,628	
U.S. DEPT OF JUSTICE/PASS-THROUGH FROM CITY OF SEATTLE	EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT	16.738	2009-DJ-BX-0336	4,701		4,701	
U.S. DEPT OF JUSTICE/PASS-THROUGH FROM CITY OF SEATTLE	ARRA - EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT	16.804	2009-SB-B9-0769	20,501		20,501	3
<b>TOTAL US DEPT OF JUSTICE</b>				<b>\$ 25,203</b>	<b>\$ 490,911</b>	<b>\$ 516,113</b>	
U.S. DEPT OF TRANSPORTATION	AIRPORT IMPROVEMENT PROGRAM - TAXIWAY BRAVO REPAVING PROJECT	20.106	3-53-0055-020		29,427	29,427	
U.S. DEPT OF TRANSPORTATION	AIRPORT IMPROVEMENT PROGRAM - TAXIWAY BRAVO REPAVING PROJECT	20.106	3-53-0055-022		150,000	150,000	
U.S. DEPT OF TRANSPORTATION	AIRPORT IMPROVEMENT PROGRAM - TAXIWAY BRAVO REPAVING PROJECT	20.106	3-53-0055-023		401,811	401,811	
U.S. DEPT OF TRANSPORTATION	AIRPORT IMPROVEMENT PROGRAM - AIRPORT SUSTAINABILITY STUDY	20.106	3-53-0055-21		84,122	84,122	
U.S. DEPARTMENT OF TRANSPORTATION/PASS-THROUGH WA DEPT OF TRANSPORTATION	- STRANDER BLVD / SW 27TH ST		STPUL-1276(004)	4,600,000		4,600,000	
	-LAKE WASHINGTON BLVD		STPKP-1171(004)	42,926		42,926	
	-RAINIER AVE SOUTH (SR167)		STPUL-CM-0167(048)	3,472,131		3,472,131	
	- HIGHLANDS TO LANDING PED CONN		CM-1070(007)	112,374		112,374	
	HIGHWAY PLANNING AND CONSTRUCTION	20.205	SUBTOTAL	8,227,431		8,227,431	
U.S. DEPT OF TRANSPORTATION/PASS-THROUGH FROM WA TRAFFIC SAFETY COMM.	WTSC TARGET ZERO DUI TASK FORCE TEAMS	20.601		16,259		16,259	
	WTSC DUI MOBILIZATION	20.601		8,584		8,584	
	WTSC OCCUPANT PROTECTION - SEAT BELT MOBILIZATION	20.602		1,114		1,114	
	STATE AND COMMUNITY HIGHWAY SAFETY		SUBTOTAL	25,957		25,957	
<b>TOTAL US DEPT OF TRANSPORTATION</b>				<b>\$ 8,253,388</b>	<b>\$ 665,360</b>	<b>\$ 8,918,748</b>	
U.S. DEPT OF HOMELAND SECURITY/ PASS-THROUGH FROM WA STATE MILITARY	DISASTER GRANT - PUBLIC ASSISTANCE (JAN 2012 STORM ASSISTANCE)	97.036	FEMA 4056-DR-WA D12-048	189,857		189,857	4
U.S. DEPT OF HOMELAND SECURITY/ PASS-THROUGH FROM WA STATE MILITARY	DISASTER GRANTS - PUBLIC ASSISTANCE (ELLIOT SPAWNING CHANNEL/FLOOD DISASTER REPAIR)	97.036	FEMA 033-57745-00 D09-044 1817-DR-WA	267,604		267,604	
U.S. DEPT OF HOMELAND SECURITY/ PASS-THROUGH FROM WA STATE MILITARY	DISASTER GRANT - PUBLIC ASSISTANCE (GABION BASKETS)	97.036	FEMA 033-57745-00 D09-044 1817-DR-WA	27,745		27,745	
U.S. DEPT OF HOMELAND SECURITY/PASS-THROUGH FROM WA STATE MILITARY DEPT	EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042	2011-E12-043	70,064		70,064	
U.S. DEPT OF HOMELAND SECURITY/PASS-THROUGH FROM WA STATE MILITARY DEPT	EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042	2012-E12-342	10,665		10,665	
U.S. DEPT OF HOMELAND SECURITY	ASSISTANCE TO FIREFIGHTERS (SAFER) GRANT	97.044	EMW-2010-FH-00026		849,692	849,692	
U.S. DEPT OF HOMELAND SECURITY/PASS-THROUGH FROM PIERCE COUNTY	NATIONAL URBAN SEARCH AND RESCUE (US&R) RESPONSE SYSTEM	97.025	CAG-08-174	2,717		2,717	5
U.S. DEPT OF HOMELAND SECURITY/ PASS-THROUGH FROM KING COUNTY OFFICE OF EMERGENCY MANAGEMENT	EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.067	FFY09-SHSP-EQ-009	102,944		102,944	
U.S. DEPT OF HOMELAND SECURITY/PASS-THROUGH FROM SEATTLE FIRE DEPT	HOMELAND SEC PRG - ACTIVE SHOOTER		FUASI09	1,334		1,334	
	HOMELAND SEC PRG - UASI STRUCTURAL COLLAPSE		FUASI10	3,465		3,465	
	HOMELAND SEC PRG - HAZMAT SUPPORT		FSHSPTE10	2,449		2,449	
	HOMELAND SECURITY	97.067	SUBTOTAL	7,248		7,248	
<b>TOTAL US DEPT OF HOMELAND SECURITY</b>				<b>\$ 678,843</b>	<b>\$ 849,692</b>	<b>\$ 1,528,536</b>	
<b>TOTAL FEDERAL AWARDS EXPENDED</b>				<b>\$ 9,282,957</b>	<b>\$ 2,005,963</b>	<b>\$ 11,288,919</b>	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

CITY OF RENTON  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDSa ge 2 of 4  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 1 - BASIS OF ACCOUNTING**

The schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the modified accrual basis of accounting for governmental funds and agency funds. The accrual basis of accounting is followed in all Proprietary Funds and Pension Trust Funds.

**NOTE 2 - PROGRAM COSTS**

The amounts shown as current year expenditures represent only federal grant portion of the program costs. Entire program costs, including the City's portion may be more than shown.

**NOTE 3 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009**

Expenditures for this program were funded by ARRA.

**Note 4 - INDIRECT COST RATE**

The amount expended includes \$7,129.27 claimed as an indirect cost recovery using an approved indirect cost rate of 51.69 percent on straight time hours and 17.05 percent on overtime hours.

**Note 5 - INDIRECT COST RATE**

The amount expended includes \$258.87 claimed as an indirect cost recovery using an approved indirect cost rate of 28 percent.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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

Our mission is to work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

**State Auditor**  
**Chief of Staff**  
**Director of State and Local Audit**  
**Deputy Director of State and Local Audit**  
**Deputy Director of State and Local Audit**  
**Deputy Director of State and Local Audit**  
**Deputy Director of Quality Assurance**  
**Deputy Director of Communications**  
**Local Government Liaison**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

**Troy Kelley**  
**Doug Cochran**  
**Chuck Pfeil, CPA**  
**Kelly Collins, CPA**  
**Jan M. Jutte, CPA, CGFM**  
**Sadie Armijo**  
**Barb Hinton**  
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