

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

Renton School District No. 403
King County

Audit Period
September 1, 2012 through August 31, 2013

Report No. 1011596

Issue Date
April 10, 2014



Washington State Auditor
Troy Kelley

Independence • Respect • Integrity



Washington State Auditor Troy Kelley

April 10, 2014

Board of Directors
Renton School District No. 403
Renton, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Renton School District No. 403's financial statements and compliance with federal laws and regulations.

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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King County
September 1, 2012 through August 31, 2013

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Federal Summary

Renton School District No. 403 King County September 1, 2012 through August 31, 2013

The results of our audit of Renton School District No. 403 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, 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 District.

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

We reported no findings that are required to be disclosed 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>
10.553	Child Nutrition Cluster - School Breakfast Program
10.555	Child Nutrition Cluster - National School Lunch Program
10.559	Child Nutrition Cluster - Summer Food Service Program
84.027	Special Education Cluster (IDEA) - Special Education - Grants to States (IDEA, Part B)
84.173	Special Education Cluster (IDEA) - Special Education - Preschool Grants (IDEA Preschool)
84.365	English Language Acquisition Grants
93.600	Head Start Cluster - Head Start

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$378,531.

The District did not qualify as a low-risk auditee under OMB Circular A-133.

Schedule of Prior Federal Audit Findings

Renton School District No. 403 King County September 1, 2012 through August 31, 2013

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of Renton School District No. 403. The State Auditor's Office has reviewed the status as presented by the District.

Audit Period: 2012	Report Ref. No: 1009890	Finding Ref. No: 1	CFDA Number(s): 93.600
Federal Program Name and Granting Agency: Head Start – U.S. Department of Education		Pass-Through Agency Name: Puget Sound Educational Service District No. 121	
Finding Caption: The District failed to adequately support payroll charges reimbursed by federal grant money.			
Background: Federal regulations allow payroll costs claimed for reimbursement to be supported by a semi-annual certification signed by the employee or their supervisor, indicating that the time charged was spent on allowable activities under the grant. The District did not complete these certifications until October 2012, after the District's fiscal year was over.			
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The District has taken action to fully correct the finding of failing to adequately support payroll charges reimbursed by federal grant money for CFDA Number 93.600; (1) The District has added a 1.0 FTE to the accounting staff with primary duties of monitoring and reconciling time and effort certifications, (2) The District provides staff training on certification and reporting requirements.</i>			

Audit Period: 2012	Report Ref. No: 1009890	Finding Ref. No: 2	CFDA Number(s): 84.365
Federal Program Name and Granting Agency: English Language Acquisition State Grants – Department of Education		Pass-Through Agency Name: Office of Superintendent of Public Instruction	
Finding Caption: The District failed to adequately support payroll charges reimbursed by federal grant money.			
Background: Federal regulations allow payroll costs claimed for reimbursement to be supported by a semi-annual certification signed by the employee or their supervisor, indicating that the time charged was spent on allowable activities under the grant. This District did not obtain these certifications.			

Status of Corrective Action: (check one)☒ Fully
Corrected☐ Partially
Corrected☐ No Corrective
Action Taken☐ Finding is considered no
longer valid**Corrective Action Taken:**

The District has taken action to fully correct the finding of failing to adequately support payroll charges reimbursed by federal grant money for CFDA Number 84.010; (1) The District has added a 1.0 FTE to the accounting staff with primary duties of monitoring and reconciling time and effort certifications, (2) The District provides staff training on certification and reporting requirements.

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*

**Renton School District No. 403
King County
September 1, 2012 through August 31, 2013**

Board of Directors
Renton School District No. 403
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, each major fund and the aggregate remaining fund information of Renton School District No. 403, King County, Washington, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2014. As discussed in Note 1 to the financial statements, during the year ended August 31, 2013, the District implemented Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

In addition, we noted certain matters that we will report to the management of the District in a separate letter dated April 2, 2014.

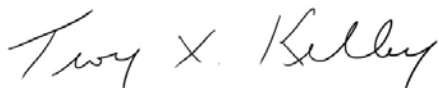
COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



TROY KELLEY
STATE AUDITOR

March 24, 2014

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

**Renton School District No. 403
King County
September 1, 2012 through August 31, 2013**

Board of Directors
Renton School District No. 403
Renton, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Renton School District No. 403, 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 August 31, 2013. The District'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 District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 District's internal control over compliance.

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

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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 cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

March 24, 2014

Independent Auditor's Report on Financial Statements

Renton School District No. 403 King County September 1, 2012 through August 31, 2013

Board of Directors
Renton School District No. 403
Renton, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Renton School District No. 403, King County, Washington, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 13.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting

estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Renton School District No. 403, as of August 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2013, the District 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* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 14 through 26, budgetary comparison information on pages 59 through 61 and information on postemployment benefits other than pensions on page 62 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.

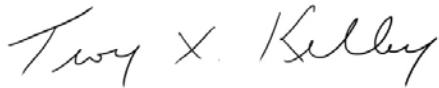
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District'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 March 24, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR

March 24, 2014

Financial Section

**Renton School District No. 403
King County
September 1, 2012 through August 31, 2013**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2013

Statement of Activities – 2013

Balance Sheets – Governmental Funds – 2013

Reconciliation – Balance Sheet/Statement of Net Position – 2013

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental
Funds – 2013

Reconciliation – Statement of Revenues, Expenditures, and Changes in Fund
Balance/Statement of Activities – 2013

Statement of Fiduciary Net Position – Fiduciary Funds – 2013

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2013

Notes to the Financial Statements – 2013

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
– General Fund – 2013

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
– Special Revenue Fund (Associated Student Body Fund) – 2013

Actuarial Valuation of Retiree Medical Benefits – GASB Statement No. 45 Schedule of
Funding Progress – 2013

Notes to the Required Supplemental Information – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2013

Notes to the Schedule of Expenditures of Federal Awards – 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Renton School District No.403 (District), we offer readers of the District's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2013.

FINANCIAL HIGHLIGHTS

- The District's net position for governmental activities as of August 31, 2013 was \$214,570,849.
- During the year, the District revenues exceeded expenses by \$10,835,718 for all governmental activities, resulting in a corresponding increase in the District's net position.
- The general fund expenditures exceeded revenues by \$2,932,992.
- For 2012-2013 the General Fund reported total fund balance of \$11,730,334.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

All of the remaining statements are *fund financial statements* that report District operations in more detail by providing information about the District's most significant funds. Information is also provided about activities for which the District acts solely as a trustee for the benefit of those outside of the government.

DISTRICT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

The District is the trustee or fiduciary, for individuals, private organizations, and other governments for scholarships. All of the District's fiduciary activities are reported in a separate *Statement of Fiduciary Net Position and Changes in Fiduciary Net Position* under the fiduciary financial statement section. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the District. The District adopts an annual appropriated budget for all funds, except fiduciary funds. A budgetary comparison schedule has been provided for the General and Special Purpose funds to demonstrate compliance with this budget.

SUPPLEMENTARY DATA

Supplemental data includes financial statements and schedules not required by the Governmental Accounting Standards Board (GASB), nor a part of the basic financial statements, but are presented for purposes of additional analysis. The combining statements for all governmental funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

STATEMENT OF NET POSITON

Net position may serve as a useful indicator of the District's financial position. Renton School District's assets exceed liabilities by \$214,570,849 at the end of fiscal year, August 31, 2013.

Approximately 74.75% of the District's net position is invested in capital assets such as land, buildings, and equipment less any related outstanding debt used to acquire those assets. The District continues to modernize various schools to meet student needs. These assets are not available for future spending. The remainder consists of amounts restricted for capital projects, debt service, and other purposes in the amount of \$39.1 million, leaving \$15 million unrestricted.

Restricted net position in the amount of \$39,145,038 are subject to constraints either imposed externally by creditors (such as through debt covenants) or by law through constitutional provisions or enabling legislation.

The balance of the net position can be used to finance normal District operations without constraints established by debt practices, enabling legislation, or other legal requirements, and fund ongoing construction and technology improvements projects.

Renton School District's Net Position			
August 31, 2013 and 2012			
Government Activities			
	2013	2012	Change
Assets			
Current and Other Assets	\$ 53,727,933	\$ 53,952,455	\$ (224,522)
Restricted Assets	98,148,292	76,675,744	21,472,548
Capital Assets	432,085,177	413,243,277	18,841,900
Total Assets	583,961,402	543,871,476	40,089,926
Liabilities	34,352,184	34,717,930	(365,746)
Long-Term Debt Outstanding	326,105,737	295,056,000	31,049,737
Other Post-Employment Benefits Obligations	8,932,632	9,705,551	(772,919)
Total Liabilities	369,390,553	339,479,481	29,911,072
Net Position			
Invested in Capital Assets, Net of Related Debt	160,388,612	158,301,425	2,087,187
Restricted	39,145,038	21,149,945	17,995,093
Unrestricted	15,037,199	26,537,913	(11,500,714)
Total Net Position	\$ 214,570,849	\$ 205,989,283	\$ 8,581,566

STATEMENT OF ACTIVITIES

Governmental activities improved the District's overall financial position, increasing the District's net position by \$8,581,566. Key elements of the increase are as follows:

For the Fiscal Year Ended August 31, 2013 and 2012			
	2012-2013	2011-2012	
	Governmental	Governmental	
<u>Revenues</u>	<u>Activities</u>	<u>Activities</u>	<u>Changes</u>
Program Revenues			
Charges for services	\$ 5,387,493	\$ 5,284,984	\$ 102,509
Operating grants and contributions	32,385,283	31,200,107	1,185,176
Capital grants and contributions	101,661	151,996	(50,335)
General revenues			
Property taxes for levies for educational programs	43,617,138	35,825,480	7,791,658
Property taxes for levies for debt service	32,930,534	31,824,917	1,105,617
Unallocated State apportionment and other	72,093,191	74,618,427	(2,525,236)
Interest and investment earnings	1,295,381	1,091,456	203,925
Gain on Sale of Properties/Equipment	194,635	60,038	134,597
Total revenues	188,005,316	180,057,405	7,947,911
<u>Deferred Outflows of Resources</u>			
<u>Expenses</u>			
Regular instruction	78,491,821	81,164,381	(2,672,560)
Alternative Learning Experiences	553,167	471,797	81,370
Federal Stimulus	-	75,312	(75,312)
Special instruction	26,146,004	25,473,733	672,271
Vocational instruction	6,102,804	6,783,017	(680,213)
Compensatory Education	11,438,072	12,321,805	(883,733)
Other instructional programs	936,304	1,113,045	(176,741)
Community services	1,722,526	1,701,294	21,232
Support services	31,616,346	32,727,894	(1,111,548)
Extracurricular activities	1,742,287	1,635,457	106,830
Interest and Fiscal Charges	15,379,206	13,134,278	2,244,928
Unallocated Depreciation	17,432	32,443	(15,011)
Unamortized Premium	4,716,987	-	4,716,987
Issuance Costs	1,598,443	-	1,598,443
Pension Adjustment	(772,919)	-	(772,919)
Total Expenses	179,688,480	176,634,456	3,054,024
(Excess) Deficiency of Revenues over Expenditures	8,316,836	3,422,949	4,893,887
Beginning Net Position	205,989,283	202,566,334	3,422,949
Ending Net Position	\$214,306,119	\$205,989,283	\$ 8,316,836

Property tax levies for educational purposes increased by almost \$7.8 million. Collections during the 2013 fiscal year totaled \$43.6 million as compared to levy collections during the 2012 fiscal year in the amount of \$35.8 million. Timing differences between the calendar year levies and the fiscal years for accounting purposes recognizes part of each calendar year levy in each fiscal year. The calendar year 2013 levy authority percentage was increased 4 percent from the calendar year 2012 levy, from 24.93% to 28.93%. The allowable levies are based on a percentage of prior year expenditures and approved by District voters. The allowable levies and the timing differences between calendar years impacts collections.

Property tax levy collections for debt service increased by \$1.1 million due to the passage of a levy in 2012, and the increase to the District's levy authority.

In addition to pensions, many state and local governmental employers provide OPEB as part of the total compensation offered to attract and retain the services of qualified employees. OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of the school district.

Total expenditures increased by \$3.05 million during the 2013 fiscal year. The District's Bond Issuance cost obligations during the year totaled \$8.5 million, Instructional costs were reduced by \$3.7 million, Support Services were reduced by \$1.1 million, and the OPEB Pension reduction of \$.7 million.

During the 2011-2012 fiscal year, the District recognized over \$7 million of expenditures directly related to the full implementation of the District's OPEB obligations which increased the direct governmental activity expenditures of the District. The District is required to obtain an Actuarial Valuation to identify the District's Other Postemployment Benefit obligation every two years. The report provides a summary of the Annual OPEB Cost, or accounting cost determined under GASB Statement No. 45, and the Annual Required Contribution (ARC) for the fiscal year beginning September 1, 2012. According to the GASB 45 Actuarial Valuation report for fiscal year 2013, the District's OPEB obligation was reduced by \$772,919, from \$9.7 million in 2012 to \$8.9 million in 2013.

Operating grants and contributions increased by \$1.2 million due to various new grants and additional apportionment received during the 2012 school year.

Compensation for capital assets loss in the amount of \$2.3 million from building demolition and depreciation costs is reflected in the Unallocated State apportionment and other. The District did recognize \$194,635 in the sale of equipment during 2012-2013.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

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

At the end of the fiscal year, its governmental funds (as presented in the balance sheets in the Governmental Fund Financial Statement section) reported a combined fund balance of \$103,282,957, an increase of \$21,552,756.

GENERAL FUND

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

GENERAL FUND REVENUES

Revenues for the General Fund totaled \$140,677,508 in fiscal year 2012-2013. This was \$5,333,525 or a 3.94% increase from the prior year.

Revenue Source	FY 2012-2013 Actual	FY 2011-2012 Actual	Change	Percent of Change
Local Taxes & Non-taxes	\$ 38,191,123	\$ 34,427,054	\$ 3,764,069	10.93%
State	89,119,112	87,653,338	1,465,774	1.67%
Federal	12,994,006	12,945,866	48,140	0.37%
Miscellaneous	373,267	317,725	55,542	17.48%
Totals	\$ 140,677,508	\$ 135,343,983	\$ 5,333,525	3.94%

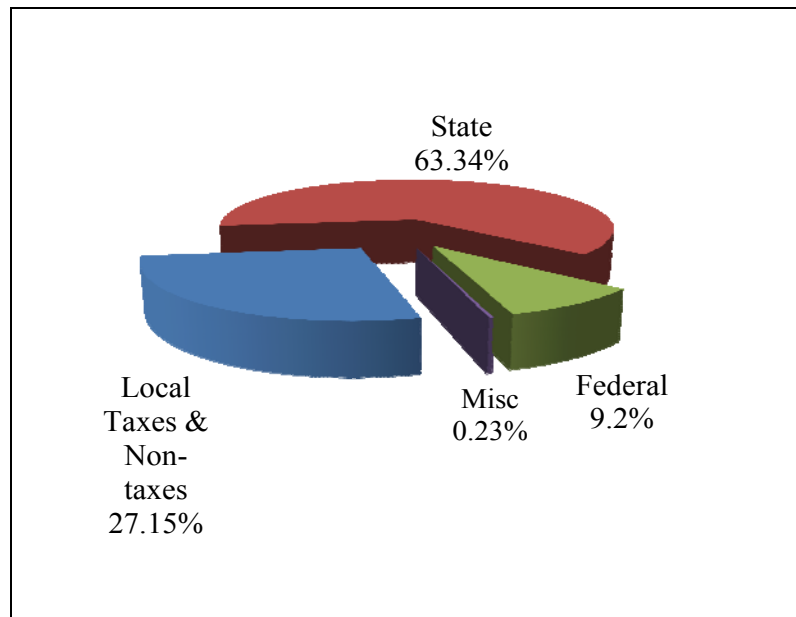
The increase of \$3,764,069 in local taxes and non-taxes was primarily due to the increase in the special property tax levies approved by voters. The calendar year 2012-2013 levy authority was \$35,782,592, compared to the 2012 levy authority of \$34,968,276, and 2011 levy authority of \$34,770,130 which contributed a net increase of 100% towards the variance with the remaining amount recognized as non-tax revenues.

State revenue increased by \$1,465,774 or 1.67% from the prior year primarily due to increased student enrollment of over 165 Student FTE. Additionally, as in the prior year, the revenue was not required to offset State Fiscal Stabilization funds through a reduction in basic education apportionment.

Federal revenues increased by \$48,140 or 0.37% due to increased Federal Food Service reimbursements, along with increases in Medicaid match, and Title 1 revenues. Other Federal programs experienced slight reductions in revenues due to the effects of Federal Sequestration.

Other miscellaneous revenues increased by 17.48% or \$55,542 primarily due to revenues received from community partnerships for educational programs.

The following graph illustrates revenues sources by major category.



GENERAL FUND EXPENDITURES

Expenditures in the General Fund totaled \$143,610,500 for the fiscal year 2012-2013. This represents a 7.11% increase or \$9,530,504 over the prior year from the \$134,079,996 expensed in fiscal year 2011-2012. The following table reflects the amount of funds expensed from various sources for fiscal years 2012-2013 and 2011-2012 using the GAAP basis of accounting.

<u>General Fund Expenditures</u>	FY 2012-2013 Actual	FY 2011-2012 Actual	Change	Percent of Change
CURRENT				
Regular Instruction	\$ 71,671,369	\$ 66,309,260	\$ 5,362,109	8.09%
Alternative Learning Experiences	506,169	396,124	110,045	27.78%
Federal Stimulus Stabilization	-	61,911	(61,911)	-100.00%
Special Education	23,882,495	20,999,164	2,883,331	13.73%
Vocational Instruction	5,572,850	5,585,254	(12,404)	-0.22%
Compensatory Education	10,447,674	10,202,314	245,360	2.40%
Other Instructional Programs	855,025	911,141	(56,116)	-6.16%
Community Services	1,574,318	1,421,261	153,057	10.77%
Support Services	28,909,844	27,854,276	1,055,568	3.79%
CAPITAL OUTLAY				
Other	190,756	339,291	(148,535)	-43.78%
Totals	\$ 143,610,500	\$ 134,079,996	\$ 9,530,504	7.11%

The increase of 8.09% or \$5,362,109 in regular instruction was due to an increase to instructional staff and support staff for all grade levels; maintenance of the reduction in elementary class sizes; salary increases for staff based on movement on the salary schedules due to great education, experience, and longevity; and backfill for 1.9% state salary reductions made on the "Washington State Salary Allocation Model".

The Alternative Learning Experiences (ALE) program has been in place in the District for three years. An increase in expenditures of \$110,045 or 27.78% represents an increased participation in the program of 22.34 student FTE from the prior year. Alternative Learning Experiences are primarily distinguished by off-campus instruction. The intent of this type of program is to give schools flexibility to serve a diverse student population.

The Federal Stimulus Stabilization grant to the District ended during the 2011-2012 fiscal year. The result is a reduction of expenditures in the amount of \$61,911 or 100% from the prior year expenditures.

Increased expenditures of \$2,883,331 or 13.73% in special education spending reflect an increase in costs to serve high needs students. Special education enrollment increased by 121 student FTE from the prior year.

Vocational instruction expenditures decreased by \$12,404 or 0.22%, which reflects the decrease in student FTE participation in both the Middle School Vocational and the High School Vocational programs.

The increase in expenditures for Compensatory Education of 2.40% in the amount of \$245,360 is summarized as follows: Increase in Special State Funded Pilot Programs in the amount of \$319,571. Special Programs consist of grants, stipends for national certification, and assessment programs; Increase in Title I funds in the amount of \$70,065; Increase of miscellaneous grant funded programs in the amount of \$87,485; Increase in Title II funds in the amount of \$14,042; Increased funding for the Head Start Program in the amount of \$10,476; Increased funding for the Indian Education Program in the amount of \$905; Reduction in funding for Transitional bilingual program in the amount of \$132,054; Reduction in funds for the Limited English Proficiency program in the amount of \$123,055; and finally, a reduction in funds for the Somali Refugee School Impact Grant program in the amount of \$2,075.

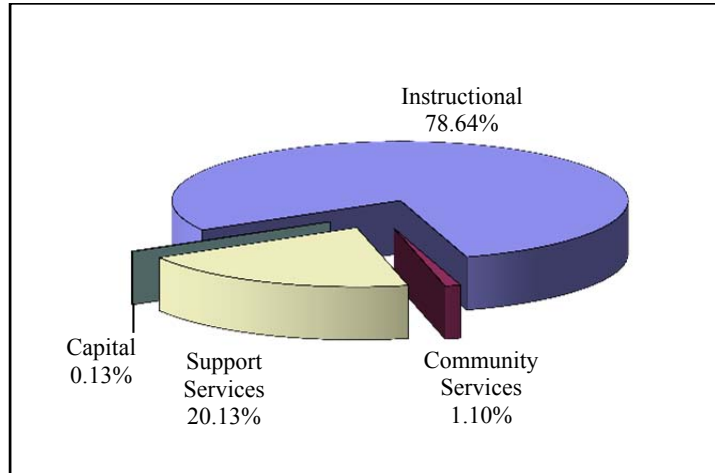
The decrease in expenditures for Other Instructional Programs of 6.16% in the amount of \$56,116 from the prior year was primarily due to the reduction of professional development costs.

The increase in expenditures for Community Services of 10.77% in the amount of \$153,057 was due to overhead reductions related to community facility use, along with increased partnering with community organizations.

The increase in expenditures for Support Services of 3.79% in the amount of \$1,055,568 was due to the addition of approximately 12.5 classified support staff to support school counseling departments, central office support, and maintenance custodial support.

The decrease of \$148,535 or 43.78% in capital outlay expenditures is primarily due to one-time equipment purchases throughout the District during the 2011-2012 year.

The following graph illustrates expenditure uses by major category.



SPECIAL REVENUE FUND

The Special Revenue Fund, like the General Fund, is considered a major fund for fiscal year 2012-2013 reporting purposes. Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. In the state of Washington, the only fund designated as a special revenue fund is Associated Student Body (ASB). This fund is financed, in part, by the establishment and collection of fees from students and non-students as a condition of their attendance at any optional noncredit extracurricular event of the District.

Special Revenue (ASB) Fund Actual vs. Actual				
	FY 2012-2013 Actual	FY 2011-2012 Actual	Change	Percent of Change
Beginning Fund Balance	\$ 1,184,741	\$ 1,165,307	\$ 19,434	1.67%
Revenues	1,609,823	1,654,891	(45,068)	-2.72%
Expenditures	1,596,403	1,635,457	(39,054)	-2.39%
Ending Fund Balance	<u>\$ 1,198,161</u>	<u>\$ 1,184,741</u>	<u>\$ 13,420</u>	<u>1.13%</u>

DEBT SERVICE FUND

The Debt Service Fund is used to account for the payment of principal, interest, and related expenditures related to the redemption of outstanding bonds. The District's fiscal agent, the County Treasurer, makes principal and interest payments on behalf of the District. Non-voted bonds are serviced in the Debt Service Fund rather than in the fund that received the debt proceeds. In order to provide the resources to retire the debt, a transfer is used by the General Fund, Capital Projects Fund or the Transportation Vehicle Fund to transfer resources to the Debt Service Fund. The bond redemption and interest payments made during the 2012-13 school year were in the amount of \$31,796,587 versus \$31,242,694 in redemption and interest payments made during 2011-12 school year. This reflects an increase in expenditures of \$553,893. The 2012-2013 fund balance reflects an increase of \$1,497,605. The variance is attributed to an increase in local tax revenues. See Note 7, Changes in Long-Term Debt, for more information.

Debt Service Fund Actual vs. Actual				
	FY 2012-2013	FY 2011-2012		Percent of
	Actual	Actual	Change	Change
Beginning Fund Balance	\$ 1,429,883	\$ 2,111,956	\$ (682,073)	-32.30%
Revenue	32,570,548	30,560,621	2,009,927	6.58%
Expenditure	31,796,587	31,242,694	553,893	1.77%
Special Item	723,644	-	723,644	0.00%
Ending Fund Balance	<u>\$ 2,927,488</u>	<u>\$ 1,429,883</u>	<u>\$ 1,497,605</u>	<u>104.74%</u>

CAPITAL PROJECTS FUND

The Capital Projects Fund is also a major fund for the fiscal 2012-2013 reporting period. Capital project funds account for financial resources to be used for the acquisition or construction of major capital facilities. The Capital Projects fund can be used for the acquisition of land or existing facilities, construction of buildings, purchase of equipment, conducting energy audits, remodeling buildings, and making other capital improvements to locations. The 2012-2013 balance reflects an increase of \$23,226,578 as compared to the 2011-2012 fund balance. The variance is attributed to a new bond issuance that occurred during the month of September 2012.

Capital Projects Fund Actual vs. Actual				
	FY 2012 -2013	FY 2011 -2012		Percent of
	Actual	Actual	Change	Changee
Beginning Fund Balance	\$ 62,538,873	\$ 101,071,188	\$ (38,532,315)	-38.12%
Revenues	10,745,783	9,623,440	1,122,343	11.66%
Expenditures	36,694,074	49,355,755	(12,661,681)	-25.65%
Special Item	49,174,869	1,200,000	47,974,869	3997.91%
Ending Fund Balance	<u>\$ 85,765,451</u>	<u>\$ 62,538,873</u>	<u>\$ 23,226,578</u>	<u>37.14%</u>

TRANSPORTATION VEHICLE FUND

The Transportation Vehicle Fund is also a major fund for fiscal 2012-2013 reporting purposes. The Transportation Vehicle Fund is provided to account for the state reimbursement for depreciation of approved pupil transportation equipment and for the purchase and major repair of such equipment. The Transportation Vehicle Fund is generally financed from the proceeds from the sale of voted and/or non-voted bonds, interest earnings, and special levies.

Transportation Vehicle Fund Actual vs. Actual				
	FY 2012-2013	FY 2011-2012		Percent of
	Actual	Actual	Change	Change
Beginning Fund Balance	\$ 1,919,721	\$ 1,206,015	\$ 713,706	59.18%
Revenues	782,638	844,217	(61,579)	-7.29%
Expenditures	1,041,036	131,811	909,225	689.79%
Other	200	1,300	(1,100)	-84.62%
Ending Fund Balance	<u>\$ 1,661,523</u>	<u>\$ 1,919,721</u>	<u>\$ (258,198)</u>	<u>-13.45%</u>

FIDUCIARY FUNDS

Fiduciary funds are not reported in the district-wide financial statements. Fiduciary funds are reported in the *Fiduciary Statement of Net Position* and *Statement of Changes in Fiduciary Net Position*. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. Trust and agency funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Private Purpose Trust Funds.

PRIVATE PURPOSE TRUST FUND

The Private Purpose Trust fund was created to act as a custodian for funds, such as scholarships, held for the benefit of private individuals and organizations. These funds are not used for the benefit of the District. The District does not budget for the Private Purpose Trust Fund. During the fiscal 2012-2013 reporting period, the Private-Purpose Trust Fund received donations of \$11,985, earned \$2,085 on investments, and incurred disbursements of \$9,499. The Net position at the end of the 2012-2013 totaled \$51,886.

MAJOR FUND BUDGETARY HIGHLIGHTS

Appropriations are a prerequisite to expenditures in the governmental funds. Appropriations lapse at the end of the fiscal year. The fiscal year 2012-13 budget adopted by the Board of Directors for the District totaled \$246,876,895 including General Fund appropriations of \$145,959,914, Special Revenue Fund (ASB) appropriations of \$2,079,804, Debt Service appropriations of \$33,151,627, Capital Projects appropriations of \$63,435,550, and Transportation Vehicle Fund appropriations of \$2,250,000.

Reasons for the significant variances in the General Fund between the budget and actual results include:

- Actual General Fund revenues were \$2,548,901 less than budgeted mostly due to anticipated un-used budget capacity contingencies. In addition, the District received higher than expected revenues in local taxes in the amount of \$151,895 and lower than expected revenues in local non-tax support funds in the amount of \$769,329.
- State special purpose revenues were in excess of the anticipated budget by \$1,499,467 while state apportionment revenues were less than anticipated in the amount of \$576,742.
- Total federal revenues received were less than anticipated in the amount of \$2,796,968.
- Revenues from other entities were less than anticipated in the amount of \$53,567 and other financing sources were less than anticipated in the amount of \$3,657.
- Expenditures of \$143,610,500 were \$2,349,414 less than the budgeted \$145,959,914 mostly due to un-anticipated un-used budget capacity contingencies.

HIGHLIGHTS

On July 17, 2013, Dr. Merri Rieger was officially sworn in as Renton School District's new superintendent. Dr. Rieger brings a depth of experience and sense of vision that make her a perfect fit for the Renton School District. Dr. Rieger was previously the Chief Student Achievement Officer in the Kent School District. She has also served as Assistant Superintendent for Learning and School Improvement in the Kent School District. She was a former high school principal in the Bremerton School District and Dean of Students and high school teacher in the Auburn School District.

The District has also adopted a continuous improvement plan (2012-2015). The District's Mission Statement is "To be in partnership with the community, provide a safe and respectful learning environment for all students to realize academic, social and personal achievement." The District's Vision Statement is "High quality instruction and learning for EVERY child, EVERY day in EVERY classroom and environment". The District has established the following five goals to support the mission statement and vision:

- Pre-K-12 Achievement – Each student will meet or exceed state and District standards.
- College and Career Ready – Each student will graduate with the necessary skills and an appropriate plan to continue to post-secondary options.

- Equity and Access – Each student will be valued, connected, and achieving.
- Business Operations will support the educational process, increase student achievement, and provide value through efficient and effective allocation of operational resources.
- Human Resources will use exemplary practices to recruit and train diverse, high quality staff members for schools and departments across the District.

The District continues with an initiative known as the Renton School District Vision of Instruction (VoI) as the result of District-wide needs assessment. This assessment was conducted at the onset of a three-year partnership with the Office of Superintendent of Public Instruction on a District improvement initiative from 2008 through 2011. The District continues to follow the VoI plan and supports the challenging work of teaching and leading. The District has created a range of tools that, together with the VoI, make up Renton School District's Instructional framework. The VoI initiative was developed to identify exemplary instructional practices and to use common language in professional conversations. Systematically, the District has a focused commitment to VoI and has aligned work toward high standards and drive significant improvements in student achievement. An associated suite of tools have been developed which support the Vision of Instruction and the Renton School District Instructional Framework.

- Renton's Vision of Instruction (VoI) maps the way, describing agreed upon exemplary instruction practices.
- The VoI Personal Reflection Protocol supports the collaborative work of teachers and the opportunity for the individual reflection teachers need to improve their practice.
- The VoI Classroom Walkthrough Tool provides data so that teams of teachers can reflect on the impact of their selected teaching practices on academic achievement, a process embedded in the Lesson Design Protocol.
- The VoI Professional Development Extension for new teachers supports ongoing professional development to guide them towards exemplary teaching.
- The VoI Lesson Design Protocol allows Instructional Staff to plan together for instruction and later collaboratively reflect on how to improve the instruction as well as how to respond to learners who need additional support and learners who are ready for new challenges.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The District's investment in capital assets for its governmental type activities as of August 31, 2013 totaled \$432,085,177 (net of accumulated depreciation of \$137,052,977). As of August 31, 2012 the investment in capital assets amounted to \$413,243,277 (net of accumulated depreciation of \$124,877,006). These investments in capital assets include land, buildings, improvements, machinery, and equipment. Major capital asset events during the current fiscal year include; \$21,380,988 spent for building improvements and overall renovations, and major purchases that included equipment and school bus purchases of \$1,086,436. The Early Childhood Learning Center, Meadow Crest, was under continued planning and construction during the 2012-2013 school year with the intention of opening the building for the 2013-2014 school year. Construction in progress costs for 2012-2013 totaled \$33,480,039. See Note 4, Changes in Capital Assets and Note 5, Construction in Progress for more information.

Capital Assets			
	<u>Capital Assets</u>	<u>Accum. Depreciation</u>	<u>Net</u>
Land	\$ 7,221,907	\$ -	\$ 7,221,907
Building & Improvements	424,733,388	125,169,412	299,563,976
Equipment	15,971,565	11,883,565	4,088,000
Construction In Progress	121,211,294	-	121,211,294
Total	<u>\$ 569,138,154</u>	<u>\$ 137,052,977</u>	<u>\$ 432,085,177</u>

DEBT ADMINISTRATION

At the end of the 2012-2013 fiscal year, the District had total long-term debt outstanding of \$358,329,072, an increase of \$33,801,088. As of August 31, 2012, long-term debt outstanding totaled \$324,527,984. Of the debt outstanding as of August 31, 2013, \$317,600,000 was from limited general obligation bonds. See Note 7, Long Term Debt, for more information.

ECONOMIC FACTORS AFFECTING FINANCIAL CONDITION AND NEXT YEAR'S BUDGETS

The 2012-2013 appropriations for governmental funds of the District were approved at \$246,876,895. This is a \$17,672,698 increase from the \$229,204,197 appropriated for fiscal year 2011-2012. During 2012-2013 property tax rates within the District slightly increased to \$5.356 per thousand as compared to the 2011-2012 tax rates of \$4.069 per thousand dollars of assessed property value. Total assessed values are projected to continue to increase moderately over the next year.

Located on the south shore of Lake Washington, Renton's central location is at the heart of the vibrant Puget Sound region. Served by Interstate 405 and four state highways, access to Renton from other greater Seattle communities is quick and easy. The City is well served by mass transit, making commuting to and from easy and convenient. This allows employers to draw from a large talent pool and provides direct transportation connections for goods and services. Renton has an estimated 123,000 residents, with continued growth in both multi-family dwellings as well as single family homes.

Renton began as a coal-mining town. Incorporated in 1901, Renton was home to mining, logging, and brick making. In the 1920s and 30s Renton began manufacturing rail cars. Later, PAACAR began manufacturing tanks for World War II. PAACAR continues to build Kenworth trucks at its Renton plant. The war also brought The Boeing Company to Renton where it produced B-29s and later the 707, 727, and 757. Now the best-selling commercial airplane in history, the 737, is manufactured on Lake Washington and the Renton Municipal airport is the site of each plane's maiden flight.

As one of the fastest growing communities in the Puget Sound area, families are choosing Renton for its affordability, location, and tremendous quality of life. New urban apartments and condominiums downtown, beautiful multi-family developments along Lake Washington, and high-quality and affordable single-family subdivisions are among the wide variety of housing options attractive to all income levels.

Renton is now booming with the next generation of industry. Game-maker Wizards of the Coast, Providence Health and Services, and software publisher Topics Entertainment are leaders in the economy of the 21st century. There are approximately 2700 local employers in Renton with the largest being The Boeing Company, PACCAR, Valley Medical Center, the Federal Aviation Administration, and the Renton School District. New businesses are moving to Renton each year to provide an even greater variety of job opportunities and services. Office space and housing in this lakefront community are considerably less expensive than the two closest business centers of Seattle and Bellevue and numerous new developments provide a greater range of choices.

The City of Renton successfully recruited the Seattle Seahawks in the establishment of Renton as its corporate headquarters and fostered the development of a state of the art \$62 million team office and training facility. Located

on the northernmost 20 acres of the Port Quendall project area is the site of the privately funded complex that houses the headquarters and training facility for the Seattle Seahawks. The facility is approximately 200,000 square feet, with four outdoor practice fields. The Seattle Seahawks have also been involved with Renton School District Students by encouraging students to join “Play 60” which is the National Football League’s campaign to encourage kids to be active for 60 minutes a day in order to help reverse the trend of childhood obesity.

Renton also successfully completed “The Landing”, an exciting new \$300 million, 46-acre urban village style shopping center development at the south end of Lake Washington. The Landing includes 600,000 square feet of national and local retail stores, a 14-screen stadium seating Regal Cinema, and great restaurants and cafes, plus adjacent to The Landing are Fairfield’s Residential 880 attractive residential units at the “Sanctuary and Reserve Apartments”. It is a unique blend of residential neighborhood, retail, and entertainment district which serves local Renton residents and the greater regional community as a year-round destination. The Landing is located at the south end of Lake Washington. Renton continues to draw an exceptionally talented and extremely well-educated workforce from the region which is filled with world leaders in the high-tech, manufacturing, medical, biotech, and service industries.

REQUESTS FOR INFORMATION

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

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RENTON SCHOOL DISTRICT # 403
GOVERNMENT-WIDE
STATEMENT OF NET POSITION
AUGUST 31, 2013

			Primary Government Governmental Activities
	Note #		
ASSETS			
Cash and Cash Equivalents	1.E.2	\$	12,935,247
Property Tax Receivable	1.E.3		37,531,787
Receivables, net	1.E.4		280,566
Due From Other Governments	1.E.5		1,690,935
Inventories	1.E.7		215,374
Prepaid Items	1.E.7		1,074,024
Restricted assets:			
Cash and Cash Equivalents	1.E.2		98,148,292
Capital Assets, net of accumulated depreciation:			
Land	4	7,221,907	
Buildings and Improvements	4	299,563,976	
Equipment	4	4,088,000	
Construction In Progress	5	121,211,294	
Total Capital Assets, net of accumulated depreciation:			<u>432,085,177</u>
TOTAL ASSETS			<u>583,961,402</u>
LIABILITIES			
Accounts Payable	1.E.4		7,028,407
Accrued Wages and Benefits Payable	1.E.4		939,414
Industrial Insurance Payable			185,000
Warrants Payable	1.E.4		2,340,905
Due To Other Government Units			89,892
Unearned Revenue	1.E.9		477,863
Long-Term Liabilities Due within one Year	7.A		23,290,703
Long-Term Liabilities:			
Due in more than one year	7.A	326,105,737	
Other Post-Employment Benefits Obligations	6	<u>8,932,632</u>	
Total Long-Term Liabilities:			<u>335,038,369</u>
TOTAL LIABILITIES			<u>369,390,553</u>
NET POSITION			
Net Investment in Capital Assets	12		160,388,612
Restricted for:			
Educational Services		21,899,429	
Capital Projects	16	11,458,437	
Debt Service	13	2,927,488	
Student Activities	13	1,198,161	
Transportation	13	<u>1,661,523</u>	
Total Restricted			39,145,038
Unrestricted			15,037,199
TOTAL NET POSITION			<u>\$ 214,570,849</u>

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

Washington State Auditor's Office

RENTON SCHOOL DISTRICT # 403
GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
					PRIMARY GOVERNMENT
Functions/Programs	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
Regular Instruction	\$ 78,491,821	\$ 281,495	\$ 516,230	\$ -	\$ (77,694,096)
ALE	553,167	11,838	-	-	(541,329)
Special Instruction	26,146,004	-	13,938,883	-	(12,207,121)
Vocational Instruction	6,102,804	-	121,519	-	(5,981,285)
Compensatory Education	11,438,072	-	10,146,206	619	(1,291,247)
Other Instruction Programs	936,304	830,929	126,582	-	21,207
Community Services	1,722,526	1,363,483	-	-	(359,043)
Support Services	31,616,346	1,295,348	7,535,863	101,042	(22,684,093)
Extracurricular Activities (ASB)	1,742,287	1,604,400	-	-	(137,887)
Interest and Fiscal Charges	15,379,206	-	-	-	(15,379,206)
Unallocated Depreciation *	17,432	-	-	-	(17,432)
Unamortized Premium	4,716,987	-	-	-	(4,716,987)
Issuance Costs	1,598,443	-	-	-	(1,598,443)
Pension Adjustment	(772,919)	-	-	-	772,919
Total Governmental Activities	\$ 179,688,480	\$ 5,387,493	\$ 32,385,283	\$ 101,661	\$ (141,814,043)

General Revenues:

Taxes:

Property taxes, levies for maintenance and operations	43,617,138
Property taxes, levies for debt service	32,930,534
Unallocated State Apportionment and Others	72,357,921
Interest and Investment Earnings	1,295,381
Gain on Sale of Properties/Equipment	194,635

Total General**150,395,609****Change in Net Position****8,581,566****Net Position - Beginning**

205,989,283

Net Position - Ending**\$ 214,570,849**

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

*Unallocated Depreciation excludes all direct depreciation expenses of the various programs.

RENTON SCHOOL DISTRICT # 403**BALANCE SHEETS****GOVERNMENTAL FUNDS****AUGUST 31, 2013**

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TRANSPORTATION VEHICLE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and Cash Equivalents	\$ 12,935,247	\$ 1,232,522	\$ 2,927,488	\$ 92,326,759	\$ 1,661,523	\$ 111,083,539
Property Tax Receivable	17,555,783	-	16,269,259	3,908,051	-	37,733,093
Accounts Receivable, Net	261,049	19,517	-	-	-	280,566
Due From Other Funds	981,425	224,848	-	429,533	-	1,635,806
Due From Other Government Units	1,690,935	-	-	-	-	1,690,935
Inventories at Cost	215,374	-	-	-	-	215,374
Prepaid Items	945,323	5,509	-	123,192	-	1,074,024
TOTAL ASSETS	34,585,136	1,482,396	19,196,747	96,787,535	1,661,523	153,713,337
DEFERRED OUTFLOWS OF RESOURCES						
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	34,585,136	1,482,396	19,196,747	96,787,535	1,661,523	153,713,337
LIABILITIES						
Accounts Payable	1,320,245	77,471	-	5,027,740	-	6,425,456
Warrants Payable	2,179,360	23,594	-	137,951	-	2,340,905
Accrued Wages and Benefits Payable	939,414	-	-	-	-	939,414
Estimated Employee Benefits Payable	185,000	-	-	-	-	185,000
Contracts Payable	-	-	-	600,327	-	600,327
Due To Other Funds	284,191	10,866	-	1,343,373	-	1,638,430
Due To Other Government Units	85,250	-	-	4,642	-	89,892
TOTAL LIABILITIES	4,993,460	111,931	-	7,114,033	-	12,219,424
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues - Property Tax	17,555,783	-	16,269,259	3,908,051	-	37,733,093
Unavailable Revenues - Others	305,559	172,304	-	-	-	477,863
TOTAL DEFERRED INFLOWS OF RESOURCES	17,861,342	172,304	16,269,259	3,908,051	-	38,210,956
FUND BALANCES						
Nonspendable Fund Balance	352,874	-	-	-	-	352,874
Restricted Fund Balance	2,096,160	1,198,161	2,927,488	80,362,426	1,661,523	88,245,758
Committed Fund Balance	-	-	-	-	-	-
Assigned Fund Balance	2,040,606	-	-	5,403,025	-	7,443,631
Unassigned Fund Balance	7,240,694	-	-	-	-	7,240,694
TOTAL FUND BALANCES	11,730,334	1,198,161	2,927,488	85,765,451	1,661,523	103,282,957
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 34,585,136	\$ 1,482,396	\$19,196,747	\$ 96,787,535	\$ 1,661,523	\$ 153,713,337

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

RENTON SCHOOL DISTRICT # 403
RECONCILIATION
BALANCE SHEET/STATEMENT OF NET POSITION
AUGUST 31, 2013

	Total Governmental Funds	Long-Term Assets, Liabilities *	Reclassifications and Eliminations*	Statement of Net Position Totals
ASSETS				
Cash and Cash Equivalents	\$ 111,083,539	\$ -	\$ -	\$ 111,083,539
Property Tax Receivable	37,733,093	(201,306)	-	37,531,787
Receivables, Net	280,566	-	-	280,566
Due From other funds	1,635,806	-	(1,635,806)	-
Due From Other Governments	1,690,935	-	-	1,690,935
Inventories	215,374	-	-	215,374
Prepaid Items	1,074,024	-	-	1,074,024
Capital Assets, Net	-	432,085,177	-	432,085,177
TOTAL ASSETS	153,713,337	431,883,871	(1,635,806)	583,961,402
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charges	-	-	-	-
TOTAL DEFERRED OUTFLOWS	-	-	-	-
LIABILITIES				
Accounts Payable	6,425,456	-	602,951	7,028,407
Wages, Benefits, and Other Payables	939,414	-	-	939,414
Estimated Employee Benefits Payable	185,000	-	-	185,000
Retainage Payable	600,327	-	(600,327)	-
Warrants Payable	2,340,905	-	-	2,340,905
Due To Other funds	1,638,430	-	(1,638,430)	-
Due To Other Government Units	89,892	-	-	89,892
Matured Bonds & Interest Payable	-	-	-	-
Long-Term Liabilities	-	349,396,440	-	349,396,440
Other Post Employment Benefits Obligations	-	8,932,632	-	8,932,632
TOTAL LIABILITIES	12,219,424	358,329,072	(1,635,806)	368,912,690
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues - Property Tax	37,733,093	(37,733,093)	-	-
Unavailable Revenues - Others	477,863	-	-	477,863
TOTAL DEFERRED INFLOWS OF RESOURCES	38,210,956	(37,733,093)	-	477,863
FUND BALANCES/NET ASSETS				
Nonspendable Fund Balance	352,874	-	-	352,874
Restricted Fund Balance	88,245,758	111,287,892	-	199,533,650
Committed Fund Balance	-	-	-	-
Assigned Fund Balance	7,443,631	-	-	7,443,631
Unassigned Fund Balance	7,240,694	-	-	7,240,694
TOTAL FUND BALANCES/NET ASSETS	103,282,957	111,287,892	-	214,570,849
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES/NET POSITION	\$ 153,713,337	\$ 431,883,871	\$ (1,635,806)	\$ 583,961,402

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

* See Note 11A

RENTON SCHOOL DISTRICT # 403
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

	GENERAL FUND	SPECIAL REVENUE FUND (ASB)	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TRANSPORTATION VEHICLE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Local	\$ 38,191,123	-	\$ 32,570,548	\$ 8,732,706	\$ 30,667	\$ 79,525,044
State	89,119,112	-	-	2,013,077	751,971	91,884,160
Federal	12,994,006	-	-	-	-	12,994,006
Miscellaneous	373,267	1,609,823	-	-	-	1,983,090
TOTAL REVENUES	140,677,508	1,609,823	32,570,548	10,745,783	782,638	186,386,300
EXPENDITURES						
Current Operating:						
Regular Instruction	71,671,369	-	-	-	-	71,671,369
ALE	506,169	-	-	-	-	506,169
Special Instruction	23,882,495	-	-	-	-	23,882,495
Vocational Instruction	5,572,850	-	-	-	-	5,572,850
Compensatory Instruction	10,447,674	-	-	-	-	10,447,674
Other Instructional Programs	855,025	-	-	-	-	855,025
Community Services	1,574,318	-	-	-	-	1,574,318
Support Services	28,909,844	-	-	-	-	28,909,844
Student Activities	-	1,596,403	-	-	-	1,596,403
Debt Service:						
Principal	-	-	17,300,000	-	-	17,300,000
Interest and Other Charges	-	-	14,250,474	192,497	-	14,442,971
Underwriter's Fees	-	-	246,113	-	-	246,113
Capital Outlay:						
Sites	-	-	-	1,040,547	-	1,040,547
Building	-	-	-	29,504,664	-	29,504,664
Equipment	-	-	-	3,315,254	-	3,315,254
Energy	-	-	-	2,634,429	-	2,634,429
Transportation Equipment	-	-	-	6,683	1,041,036	1,047,719
Other	190,756	-	-	-	-	190,756
TOTAL EXPENDITURES	143,610,500	1,596,403	31,796,587	36,694,074	1,041,036	214,738,600
Excess (deficiency) of Revenues over (under) Expenditures	(2,932,992)	13,420	773,961	(25,948,291)	(258,398)	(28,352,300)
OTHER FINANCING SOURCES (USES)						
Bonds Issued	-	-	-	45,325,000	-	45,325,000
Bond Premium (Discount)	-	-	-	3,655,434	-	3,655,434
Sale of property	-	-	-	194,435	-	194,435
Sale of Refunding Bonds	-	-	78,583,084	-	-	78,583,084
Payments to Refunded Bond Escrow Agt	-	-	(77,859,440)	-	-	(77,859,440)
Sale of Buses	-	-	-	-	200	200
Compensated for Capital Assets Loss	6,343	-	-	-	-	6,343
TOTAL OTHER FINANCING SOURCES AND USES	6,343	-	723,644	49,174,869	200	49,905,056
NET CHANGE IN FUND BALANCE	(2,926,649)	13,420	1,497,605	23,226,578	(258,198)	21,552,756
Nonspendable Fund Balance	364,292	-	-	-	-	364,292
Restricted Fund Balance	833,266	1,184,741	1,429,883	59,530,228	1,919,721	64,897,839
Committed Fund Balance	6,707,358	-	-	-	-	6,707,358
Assigned Fund Balance	3,974,972	-	-	3,008,645	-	6,983,617
Unassigned Fund Balance	2,777,095	-	-	-	-	2,777,095
Fund Balance Total - Beginning	14,656,983	1,184,741	1,429,883	62,538,873	1,919,721	81,730,201
Nonspendable Fund Balance	352,874	-	-	-	-	352,874
Restricted Fund Balance	2,096,160	1,198,161	2,927,488	74,314,200	1,661,523	82,197,532
Committed Fund Balance	-	-	-	6,048,226	-	6,048,226
Assigned Fund Balance	2,040,606	-	-	5,403,025	-	7,443,631
Unassigned Fund Balance	7,240,694	-	-	-	-	7,240,694
Fund Balance Total - Ending	\$ 11,730,334	\$ 1,198,161	\$ 2,927,488	\$ 85,765,451	\$ 1,661,523	\$ 103,282,957

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

RECONCILIATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE/STATEMENT OF ACTIVITIES
AUGUST 31, 2013

	Total Governmental Funds	Long-Term Revenue, Expenses *	Capital Related items *	Long-Term Debt Transactions *	Statement of Activities Totals
REVENUES					
Property Taxes	\$ 72,409,774	\$ 4,137,898	\$ -	\$ -	\$ 76,547,672
Local Non-Taxes	7,115,270	-	-	-	7,115,270
State	91,884,160	-	-	-	91,884,160
Federal	12,994,006	-	-	-	12,994,006
Miscellaneous	1,983,090	-	-	-	1,983,090
TOTAL REVENUES	186,386,300	4,137,898	-	-	190,524,198
EXPENDITURES/EXPENSES					
Current:					
Regular Instruction	71,671,369	276,546	6,549,546	(218,922)	78,278,539
ALE	506,169	783	46,255	(1,546)	551,661
Special Instruction	23,882,495	82,935	2,182,454	(72,941)	26,074,943
Vocational Instruction	5,572,850	21,133	509,264	(17,181)	6,086,066
Compensatory Education	10,447,674	36,481	954,740	(31,911)	11,406,984
Other Instruction Programs	855,025	3,212	78,135	(2,612)	933,760
Community Services	1,574,318	4,467	143,866	(4,837)	1,717,814
Support Services	28,909,844	66,919	2,641,869	(88,660)	31,529,972
Student Activities	1,596,403	-	145,884	-	1,742,287
Unallocated Depreciation	-	-	17,432	-	17,432
Pension Expense	-	(772,919)	-	-	(772,919)
Debt Service:					
Principal	17,300,000	-	-	(17,300,000)	-
Interest and Other Charges	14,442,971	-	-	-	14,442,971
Defeasance Costs	-	-	-	537,121	537,121
Issuance Costs Amortization	-	-	-	153,001	153,001
Bond Premium Amortization	-	-	-	4,716,987	4,716,987
Issuance Costs	-	-	-	1,598,443	1,598,443
Underwriter's Fees	246,113	-	-	-	246,113
Capital Outlay:					
Sites	1,040,547	-	(1,040,547)	-	-
Building	29,504,664	-	(29,504,664)	-	-
Equipment	3,315,254	-	(3,085,388)	-	229,866
Energy	2,634,429	-	(2,634,429)	-	-
Transportation Equipment	1,047,719	-	(1,041,036)	-	6,683
Other	190,756	-	-	-	190,756
TOTAL EXPENDITURES/EXPENSES	214,738,600	(280,443)	(24,036,619)	(10,733,058)	179,688,480
Other Financing Sources (USES)					
Bonds Issued	45,325,000	-	-	(45,325,000)	-
Bond Premium (Discount)	3,655,434	-	-	(3,655,434)	-
Other Financing Sources (Uses)	-	-	-	-	-
Sale of Refunding Bonds	78,583,084	-	-	(78,583,084)	-
Gain (Loss) on Sale of Non-Capitalized Equipment	-	-	-	-	-
Gain (Loss) on Sale of Properties/Equipment	194,635	-	-	-	194,635
Payments to Escrow Agent	(77,859,440)	-	-	77,859,440	-
Compensated for Capital Assets Loss	6,343	-	(2,455,130)	-	(2,448,787)
Total Other Financing Sources and Uses	49,905,056	-	(2,455,130)	(49,704,078)	(2,254,152)
NET CHANGE FOR THE YEAR	\$ 21,552,756	\$ 4,418,341	\$ 21,581,489	\$ (38,971,020)	\$ 8,581,566

The notes to the basic financial statements are an integral part of this statement. *See Note 11B

RENTON SCHOOL DISTRICT # 403
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2013

	Private-Purpose Trusts
ASSETS	
Cash and Cash Equivalents	\$ 51,262
Due From Other Funds	2,624
TOTAL ASSETS	53,886
LIABILITIES	
Accounts Payable	1,000
Warrants Payable	1,000
TOTAL LIABILITIES	2,000
NET POSITION	
Held in Trusts for Scholarships	18,767
Held in Trusts for Endowments	33,119
TOTAL NET POSITION	\$ 51,886

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

RENTON SCHOOL DISTRICT # 403
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

	Private-Purpose Trusts
ADDITIONS	
Donations	\$ 11,895
Investment Earnings	2,085
Total Additions	13,980
DEDUCTIONS	
Scholarships	7,130
Tuition and Fees	1,369
Employee Expense	1,000
Total Deductions	9,499
Change in Net Position	4,481
Net Position, Beginning of the year	47,405
Net Position, End of the year	\$ 51,886

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

RENTON SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The Renton School District (District) is a municipal corporation organized pursuant to Title 28A *Revised Code of Washington (RCW)* for the purpose of providing public school services to students in grades Pre-K to 12. Oversight responsibility for the District's operations is vested with the independently elected Board of Directors. Management of the District is appointed by and accountable to the Board of Directors. Fiscal responsibility, including budget authority and the power to set fees, levy property taxes, and issue debt consistent with provisions of state statutes, also rests with the Board of Directors.

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

Reporting Changes

Effective for fiscal year 2013 reporting, the District implemented the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Governments enter into transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods. Those consumptions or acquisitions are called *deferred outflows of resources* and *deferred inflows of resources*, respectively, and are distinguished from assets and liabilities.

GASB 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

B. BASIS OF PRESENTATION

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

1) Government-Wide Financial Statements

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

a. Statement of Net Position

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

b. Statement of Activities

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

- D. Expenses** - Expenses are reported by function/program that includes direct and indirect expenses. Depreciation expenses are allocated to direct expenses if they can be specifically identified with a

function/program. Interest expenses may be considered direct when borrowing is essential to the creation or continuing existence of a program. Otherwise, interest on long-term liabilities is considered an indirect expense.

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

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

2) Fund Financial Statements

Governmental Funds

Governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. It includes the General Fund, Special Revenue Fund (Associated Student Body fund), Capital Projects Fund, Transportation Vehicle Fund, and Debt Service Fund. The district considers all governmental funds to be "major funds".

I) General Fund

This fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. In keeping with the principle of as few funds as necessary, child nutrition, maintenance, technology services, printing, and pupil transportation activities are included in the fund.

II) Special Revenue Fund – (Associated Student Body Fund)

This fund is used to account for the extracurricular fees and resources collected in fundraising events for students. Disbursements require the joint approval of the appropriate student body organization and the District's Board of Directors. This fund is accounted for as a special revenue fund since the financial resources legally belong to the District.

III) Debt Service Fund

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

IV) Capital Projects Fund

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

V) Transportation Vehicle Fund

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

Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary Funds such as the private-purpose trust fund and agency funds are used to account for assets held for individuals, private organizations, other districts, or other funds in its fiduciary capacity as trustee or agent.

I) Private-Purpose Trust Fund

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The *government-wide financial statements* measure and report all financial and capital assets, net of accumulated depreciation, deferred outflows of resources, liabilities, deferred inflows of resources, gains, and losses using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives of this

measurement focus are the determination of operating income, changes in net position or cost recovery, and financial position. Revenues are recorded when earned, and deferred inflows are recognized when resources are not available for spending in the current period. Expenses are recorded when a liability is incurred, and deferred outflows are not available for spending in the current period. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements include the General Fund, Special Revenue Fund, Debt Service Fund, Capital Projects Fund, and Transportation Vehicle Fund. They are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The District considers a deferred outflow of resources to be a consumption of net assets applicable to a future reporting period. The District considers an outflow of resources to be a consumption of net assets that is applicable to the reporting period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. The District considers deferred inflows of resources as an acquisition of net assets by the government that is applicable to a future reporting period. The District considers an inflow of resources an acquisition of net assets that is applicable to the reporting period. Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Fiduciary Fund Financial Statements - Private-Purpose Trust Fund. This fund is reported on the accrual basis of accounting.

1) Encumbrances

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

2) Eliminations and Reclassifications

In the process of aggregating data for the Government-Wide Statement of Net Position and the Statement of Activities, the inter-fund receivables and payables within governmental funds, except those with fiduciary funds, were eliminated.

D. BUDGETS AND BUDGETARY ACCOUNTING

1) General Budget Policies

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

2) Budgetary Basis of Accounting

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

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

E. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, NET POSITION

1) Cash and Cash Equivalents

The District's cash is held and controlled by the King County Treasurer as prescribed by Washington State Law. The county treasurer is the ex officio treasurer for the District. In this capacity, the county treasurer receives deposits and transacts investments on the District's behalf. The District uses King County as its fiscal agent for bond principal and coupon redemption. Short-term investments are shown on the *Statement of Net Position* and on the fund balance sheets at cost, as a cash equivalent, net of amortized premium or discount. Long-term investments are stated at fair value. The investments for the governmental funds are held by the King County Investment Pool that reports

investments at amortized cost. Gains or losses on long-term investments are recognized at year-end. The District intends to hold time deposits and securities until maturity.

2) Restricted or Unrestricted Resources

The District receives state funding for specific categorical education-related program. Amounts that are received for these programs that are not used in the current fiscal year may be carried forward into the subsequent fiscal year, where they may be used only for the same purpose as they were originally received. When the District has such carryover, those funds are expended before any amounts received in the current year are expended.

Additionally, the District has other restrictions placed on its financial resources. When expenditures are recorded for purposes for which a restriction or commitment of fund balance is available, those funds that are restricted or committed to that purpose are considered first before any unrestricted or unassigned amounts are expended.

3) Property Taxes

Property tax revenues are collected as the result of special levies passed by the voters in the District. Per Revised Code of Washington 84.60.020, the tax assessment date is January 1 of the calendar year of collection. The tax lien date is January 1 of the year of collection and taxes receivable are recognized as of that date. Current year taxes are due in full as of April 30 and are delinquent after that date. However, without incurring penalty, the taxpayer may elect to pay one-half of taxes due by April 30, with the remaining one-half taxes due October 31, and are delinquent after that date. Typically, a little more than half of taxes due are collected on the April 30 date. King County forecloses on property following the third year of delinquency. In *governmental fund financial statements*, property tax revenue that is measurable but not available (taxes that are not expected to be collected within the current period) is recorded as receivable and deferred revenue. In *government-wide financial statements*, property tax revenue, net of estimated uncollectible, is accrued at year-end.

4) Accounts Receivable

The account receivables represent amounts due for services rendered by the District, net of allowance for doubtful accounts. The District considers receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year.

5) Due From Other Governments

This account represents \$1,690,935 of receivables for federal grants. Grant revenues are recorded in the year in which the related expenditures are incurred.

6) Inventories

Inventories of instructional materials are valued at cost using the first-in first-out method. Warehoused inventories of food and maintenance and food service supplies are valued at cost using the periodic inventory system. Reservation of fund balance inventory is valued at cost using the first-in, first-out inventory method. Inventory in the General Fund and Special Revenue Fund consist of expendable equipment and supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are consumed. The reserve for inventory is equal to the ending inventory amount to indicate a portion of the fund balance that is not available for future expenditure.

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

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

8) Capital Assets

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

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Property, plant, and equipment of the District is depreciated using the straight-line method of depreciation over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Building improvements	5-50
Pupil transportation vehicles	3-13
Other vehicles	5
Portables	25
Office equipment	10
Computer equipment	4

9) **Deferred Revenue**

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

10) **Net Position (Government-wide Financial Statements)**

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

11) **Fund Balances (Governmental Fund Financial Statements)**

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

- **Non-spendable** – includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid items and long term receivables.
- **Restricted** – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provision or enabling legislation. This classification includes the child nutrition program, retirement of long term debt, construction programs and other federal and state grants.
- **Committed** – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the District’s Board of Directors.
- **Assigned** – includes fund balance amounts that are self-imposed by the District to be used for a particular purpose. Fund balance is assigned by the District’s Board as part of the annual budget resolution.
- **Unassigned** – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

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

Fund Balance Classifications (Governmental Fund Financial Statements) - The District classifies ending fund balance for its governmental funds into five categories: Non-spendable, Restricted, Committed, Assigned, and Unassigned.

Fund Balances	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Total
Nonspendable:						
Inventory and Prepaid Items	\$ 215,374					\$ 215,374
Uninsured Risks	137,500					137,500
Total Nonspendable Fund Balance	352,874	-	-	-	-	352,874
Restricted for:						
Grant Use	126,821					126,821
Specified Donation Use	950,375					950,375
Food Services	670,927					670,927
Labor and Industries Expenditures	134,999					134,999
Employment Security	50,000					50,000
Self-Funded Vision	111,297					111,297
Communities in Schools Program	13,999					13,999
Contingency	37,742					37,742
Student Activities		1,198,161				1,198,161
Debt Service			2,927,488			2,927,488
Bond Proceeds				74,307,014		74,307,014
State Proceeds				10		10
Other Capital Projects				6,055,402		6,055,402
Transportation					1,661,523	1,661,523
Total Restricted Fund Balance	2,096,160	1,198,161	2,927,488	80,362,426	1,661,523	88,245,758
Committed for:						
Total Committed Fund Balance	-	-	-	-	-	-
Assigned for:						
Grant Use	682,746					682,746
Specified Donation Use	100,035					100,035
Rebates	3,479					3,479
Educational Use	153,304					153,304
E-Rate	101,042					101,042
Start Up for Schools	1,000,000					1,000,000
Capital Projects				5,403,025		5,403,025
Total Assigned Fund Balance	2,040,606	-	-	5,403,025	-	7,443,631
Unassigned	7,240,694					7,240,694
Total Fund Balance	\$ 11,730,334	\$ 1,198,161	\$ 2,927,488	\$ 85,765,451	\$ 1,661,523	\$ 103,282,957

12) Compensated Absences

Sick Leave - Full-time employees earn sick leave at a rate of 12 days per year up to a maximum of one contract year. Under the provisions of the Revised Code of Washington (RCW), sick leave accumulated by District employees is paid at death or retirement at the rate of 25 percent of each day of accrued leave, limited to 180 accrued days. This RCW chapter also provides for an annual buy-back of an amount up to the maximum annual accumulation of twelve days. To qualify for annual sick leave buy-back, the employee must have accumulated an excess of 60 days sick leave as of January 1. Sick leave is reported under long-term liabilities in the *Statement of Net Position*. For reporting purposes, 25 percent of the sick leave liability (up to 180 days) for those eligible for retirement is considered accruable. The vesting method in GASB Statement 16 was applied in calculating the sick leave. The amount of accrued sick leave as of August 31, 2013 was \$2,013,544 which is a decrease of \$422,086 from August 31, 2012 and is reported as a long-term liability in the *government-wide financial statements*.

Vacation Leave – Vacation leave is accrued according to bargaining agreement rules for those employees eligible. Annual leave accumulated by District employees is paid upon retirement at 100 percent of per diem value. In addition, annual leave accumulated by classified employees represented by the Public School Employees of Washington bargaining groups is paid upon termination at 100 percent of per diem value. For employees that receive vacation leave, vacation leave is accrued according to their particular bargaining agreement. Vacation leave is reported under long-term liabilities in the *Statement of Net Position*. It is computed at 100 percent of the accrued amount. The amount accrued for vacation leave as of August 31, 2013 was \$1,244,318 which is an increase of \$70,390 from August 31, 2012.

13) Deferred Inflows

A deferred inflow of resources is an acquisition of net assets by the district that is applicable to a future reporting period. Examples of deferred inflows include; deferred credit amounts resulting from the refunding of debt, unavailable revenue related to the application of modified accrual accounting, resources generated by current rates intended to recover costs that are expected to be incurred in the future.

14) Deferred Outflows

A deferred outflow of resources is a consumption of net assets by the district that is applicable to a future reporting period. Examples of deferred outflows include; debt issuance costs, deferred debit amounts resulting from the refunding of debt.

NOTE 2. DEPOSITS AND INVESTMENTS

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

A. DEPOSITS

At year-end, the carrying amounts of the District's deposits with financial institutions and with the King County Treasurer were respectively \$111,003 and \$110,873,991, including imprest cash totaling \$123,456 (See Note 1.E.1). The warrants outstanding were \$2,340,905. In addition to FDIC insurance, the District's deposits are protected by the Washington Public Deposit Protection Commission (a multiple financial institution collateral pool). The provision for guaranteed coverage against loss applies not only to demand deposits, but also to certificates of deposit, money market deposit accounts, and savings deposits, as well as accrued interest through the date of repayment. Accordingly, the District's deposits are classified per *GASB Statement No. 3* as risk level one, insured or collateralized with securities held by the entity or by its agent in the entity's name.

B. INVESTMENTS

All deposits not insured by the Federal Depository Insurance Corporation (FDIC) are covered by the Public Deposit Protection Commission of the State of Washington (PDPC). The PDPC is a statutory authority established under The Revised Code of Washington chapter 39.58.

In accordance with state investment laws, the District's governing body has entered into a formal inter-local agreement with the District's *ex officio* treasurer, King County, to have all its funds not required for immediate expenditure to be invested in the King County Investment Pool (Pool). All non-invested cash is held in this external investment pool administered by King County, Washington and consequently is not subject to categorization. As of August 31, 2013, the fair value of the district investment in the pool was \$111,313,830, with an effective duration of 1.45 years. The pool is not registered by the SEC and does not operate in a manner consistent with the SEC's rule 2a7 which would allow it to be treated as a money market fund for basis of presentation.

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

As of August 31, 2013, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration</u>
King County Investment Pool	\$111,313,830	1.45 years

Impaired Investments - As of August 31, 2013, all impaired commercial paper assets have completed enforcement events. The King County Impaired Investment Pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The Impaired Pool also held the residual investments in four commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash-out option. The District's share of the Impaired Investment Pool principal is \$328,319 and the District's fair value of these investments is \$193,849.

Interest Rate Risk - As of August 31, 2013, the Pool's average duration was 1.45 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's fair value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk - As of August 31, 2013, the District's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office. The District has no credit risk policy.

NOTE 3. INTERFUND RECEIVABLES AND PAYABLES

As of August 31, 2013, short-term inter-fund receivables and payables in governmental funds that resulted from various inter-fund transactions in governmental fund financial statements were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 981,425	\$ 284,191
Capital Projects Fund	429,533	1,343,373
Special Revenue Fund	224,847	10,866
Debt Service Fund	-	-
Sub Total	\$ 1,635,805	\$ 1,638,430
Trust Funds	2,624	-
Total	\$ 1,638,430	\$ 1,638,430

The inter-fund balances are liquidated on a monthly basis. Almost all of the inter-fund transfers are to reimburse the general fund from other funds for processing payroll and other accounts payable in the general fund. In addition, all funds collected in the District are electronically swept on a daily basis into the general fund bank account at the county treasurer. Funds are then transferred to the appropriate fund as soon as the receipts are reconciled to the daily deposit reports.

NOTE 4. CHANGES IN CAPITAL ASSETS

Purchases of items over \$5,000 and building and depreciable land improvements over \$100,000 are capitalized and depreciated in the *government-wide financial statements*. Land is excluded from depreciation. The District's property valuation of buildings and contents for insurance purposes was \$568,097,118 as of August 31, 2013. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

	Balance 9/1/12	Additions	Deletions	Balance 8/31/2013
Governmental Activities:				
Capital Assets				
Land	\$ 7,221,907	\$ -	\$ -	\$ 7,221,907
Construction In Progress	109,112,243	33,480,039	21,380,988	121,211,294
Total Capital Assets, Land and Constr. In Progress	116,334,150	33,480,039	21,380,988	128,433,201
Capital Assets				
Building and Improvements	406,654,923	21,380,988	3,302,523	424,733,388
Equipment	15,131,210	1,086,436	246,081	15,971,565
Total Capital Assets, Bldgs., Improvements and Equip	421,786,133	22,467,424	3,548,604	440,704,953
Totals at Historical Cost	538,120,283	55,947,463	24,929,592	569,138,154
Less: Accumulated Depreciation				
Building and Improvements	113,660,974	12,418,029	909,591	125,169,412
Equipment	11,216,032	851,416	183,883	11,883,565
Total Accumulated Depreciation	124,877,006	13,269,445	1,093,474	137,052,977
Governmental Activities, Capital Assets, Net	\$ 413,243,277	\$ 42,678,018	\$ 23,836,118	\$ 432,085,177
Depreciation expense was charged to governmental activities as follows:				
Regular Instruction	6,549,546			
ALE	46,255			
Special Instruction	2,182,454			
Vocational Instruction	509,264			
Compensatory Education	954,740			
Other Instructional Programs	78,135			
Community Services	143,866			
Support Services	2,641,869			
Extracurricular Activities (ASB)	145,884			
Capital Outlay	17,432			
Total	\$ 13,269,445			

A. CAPITAL ASSETS LEASE AGREEMENTS

The District currently holds building and property lease agreements with other educational institutions and communication companies. All revenues received from the lease of facilities are recorded in the Capital Projects Fund as required by State law. The District leased the following facilities during the 2012-2013 fiscal year:

The following lease agreement exists for Renton Memorial Stadium, located at North Fourth and Logan Avenue North in Renton:

An area not to exceed 600 square feet is leased to AT&T Wireless Services effective April 1, 2009 for five years, with three additional five-year terms available for extension, in the annual amount of \$12,441.72. Renewal is automatic, unless written notice is provided 30 days prior to renewal. This lease provides space for an antenna tower for wireless communication systems. Lease payments are adjusted every five years by 15 percent beginning April 1, 2014.

The following lease agreement exists for Kohlwes Education Center (KEC), located at 300 SW 7th Street in Renton:

An on-going lease with Toyota of Renton, from March 1, 2006 provides for 41,500 square feet of certain parking lot space at a current annual rental rate of \$30,564.12. An additional 10,800 square feet was added to the lease at the annual rate of \$8,904.00. Lease payments are adjusted every five years on July 1, accumulated in accordance with the Consumer Price Index for all Urban Consumers, Seattle Index, with the first five-year adjustment effective July 2011. The current adjusted annual rate is \$39,468.12 for the entire 52,300 square feet. An option to terminate the lease is available with six months' prior written notice.

The following lease agreement exists for the Secondary Learning Center, located at 7800 South 132nd Street in Seattle:

An area not to exceed 1,600 square feet is leased to T-Mobile USA, Inc. effective December 9, 2004 for ten years, with two additional ten-year terms available for extension, in the initial amount of \$15,000. Renewal is automatic, unless written notice is provided 30 days prior to renewal. This lease replaces a previous lease for two separate sites and began upon completion of construction in July 2012. The current annual rate is \$15,000, with the first ten-year adjustment effective July 2022. This lease provides space for an antenna tower for wireless communication systems. Lease payments are adjusted annually by three percent on December 1st.

Future Minimum Lease Revenue					
	Secondary Learning Center	KEC Parking Lot	Renton Memorial Stadium		
Year	T-Mobile USA, Inc.	Toyota of Renton	AT&T Wireless		Total
2013-14	\$ 15,000	\$ 39,468	\$ 12,442	\$	66,910
2014-15	15,000	39,468	12,442		66,910
2015-16	15,000	39,468	12,442		66,910
2016-17	15,000	-	12,442		27,442
2017-18	15,000	-	12,442		27,442
2018-19	15,000	-	12,442		27,442
Total	\$ 90,000	\$ 118,404	\$ 74,652	\$	283,056

NOTE 5. CONSTRUCTION IN PROGRESS

Site	Project	Life	Date Acquired	Project Authorization	Accumulated Expenditures to August 31, 2013
High Schools					
Hazen	2009 Improvements	25	09/01/2008	16,087,697	14,717,557.77
	Safety, Accessibility and Building				
Hazen	Finishes	20	09/01/2012	174,869	54,404.40
Lindbergh	Field Improvements	20	09/01/2012	2,419,997	39,662.55
Lindbergh	Pool Upgrades	25	09/01/2012	7,025,000	32,757.58
Lindbergh	2009 Improvements	20	09/01/2009	12,467,123	12,467,123.39
Lindbergh	Portable	25	08/31/2005	450,032	450,031.63
	2009 Building Finishes and Access				
Renton HS	Controls	20	09/01/2012	97,270	97,269.64
Renton HS	Field Improvements	20	09/01/2009	2,207,500	31,583.65
Secondary Alternative Learning Campus	New Building	50	09/01/2008	34,850,988	34,850,988.32
High Schools Total				75,780,476	62,741,378.93
Middle Schools					
Dimmitt	2009 Improvements	25	09/01/2008	4,858,416	4,858,415.68
Dimmitt	2009 Security Upgrades	20	09/01/2012	118,828	118,827.13
Dimmitt	Field Improvements	20	09/01/2009	2,707,038	2,707,038.21
McKnight	Building Finishes	20	09/01/2011	192,004	192,003.87
McKnight	Portables	20	09/01/2011	1,042,485	1,042,484.91
Nelsen	Field Improvements	25	09/01/2011	2,001,117	199,149.90
Nelsen	2009 Improvements	25	09/01/2008	6,119,842	6,119,842.10
Nelsen	Fire Alarms & Security Upgrades	20	09/01/2012	96,154	96,154.35
New Middle School	New Building	50	09/01/2012	46,000,000	502,106.96
Middle Schools Total				63,135,884	15,836,023.11

Construction In Progress Continued

Site	Project	Life	Date Acquired	Project Authorization	Accumulated Expenditures to August 31, 2013
Elementary Schools					
Bryn Mawr	2009 Building Finishes and Access Controls	20	09/01/2009	181,514	181,513.87
Bryn Mawr	Portables	20	09/01/2012	32,572	32,571.51
Campbell Hill	2013 Safety & Security Upgrades	20	09/01/2012	2,670	2,669.72
Cascade	2013 Roof Upgrades	20	09/01/2012	831,150	831,149.73
Cascade	Covered Play Areas	20	09/01/2011	343,487	343,486.38
Cascade	Playground Improvements	20	09/01/2012	15,482	15,482.23
Cascade	Covered Play Areas	20	09/01/2011	526,103	526,103.39
Hazelwood	2013 Safety & Security Upgrades	20	09/01/2012	5,900	5,898.91
Honey Dew	2009 Building Finishes and Security	20	09/01/2012	2,303	2,302.40
Honey Dew	Portables	20	09/01/2012	492,488	492,487.50
Kennydale	2013 Building Upgrades	20	09/01/2012	9,045	9,044.66
Lakeridge	2009 Building Finishes	20	09/01/2012	111,461	111,460.65
Maplewood Heights	2009 Building Finishes	25	09/01/2010	100,209	100,209.05
Maplewood Heights	Covered Play Areas	20	09/01/2011	507,582	507,581.68
Maplewood Heights	2013 Building Upgrades	20	09/01/2012	713,187	713,187.15
Renton Park	Accessibility Upgrades	20	09/01/2011	11,404	11,403.59
Sierra Heights	Sidewalk & Resurfacing Improvements	20	09/01/2012	26,605	26,605.20
Sierra Heights	Playground Improvements	20	09/01/2012	67,992	67,992.30
Sierra Heights	Portable	20	09/01/2012	755,681	755,680.52
Talbot Hill	Safety & Security Improvements	20	09/01/2012	26,984	26,983.16
Talbot Hill	Portables	20	08/31/2005	662,781	662,780.61
Tiffany Park	2013 Building Upgrades	25	09/01/2012	37,234	37,232.40
Tiffany Park	Safety - Accessibility Upgrades	25	09/01/2012	5,040	5,039.89
Tiffany Park	Prepare Land for sale	20	09/01/2012	10,865	10,864.57
Tiffany Park	Portable	25	09/01/2012	280,974	280,973.46
Elementary Schools Total				5,760,713	5,760,704.53
Support Services					
Renton Academy	2009 Building Finishes	20	09/01/2009	56,050	56,049.86
Renton Stadium	2009 Stadium Improvements	20	09/01/2010	14,939,236	13,224,813.04
Meadow Crest Early Childhood Center	New Building	50	09/01/2008	27,686,847	22,976,899.32
Meadow Crest Early Childhood Center	2013 Building Upgrades	50	09/01/2012	191,110	191,109.75
Spring Glen Special Services Center	Safety and Building Upgrades	20	09/01/2012	74,731	74,731.10
Support Services Total				42,947,974	36,523,603.07
Administrative Services					
Kohlwes Education Center	Sidewalk & Resurfacing Improvements	20	09/01/2011	459,000	339,240.57
Administrative Services Total				459,000	339,240.57
Vacant Sites					
Lake Boren	Safety Upgrades	20	09/01/2010	10,344	10,343.81
Vacant Sites Total				10,344	10,343.81
Grand Total				188,094,391	121,211,294.02

NOTE 6. PENSIONS

A. GENERAL INFORMATION

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

The Teachers' Retirement System (TRS) included certificated staff of 295 public school district employers and other public employers. As of June 30, 2013, it included 117,820 active and inactive vested members.

The Public Employees' Retirement System (PERS) includes non-certificated staff of 295 public school district employers and other public employers. As of June 30, 2013, it included 263,347 active and inactive vested members.

The School Employees' Retirement System (SERS) included non-certificated staff of 295 public school district employers. As of June 30, 2013, it included 70,129 active and inactive vested members.

The employer contribution rates for PERS, TRS, and SERS are established each biennium by the state actuary. The employee contribution rate for Plan I set by statute at six percent and does not vary from year to year. The employer rate

is the same for all plans in a system. The method used to determine the contribution requirements are established under Chapter 41.40 and 41.32 Revised Code of Washington (RCW) for PERS and TRS, respectively.

Plan III for TRS was established effective July 1, 1996. This plan is a combination defined benefit, defined contribution plan. Employer contribution rates are established each biennium by the legislature. The state actuary calculates the rates, the economic revenue forecast council adopts the rates and the legislature enacts the rates for the defined benefit portion of the plan. Employee rates are established each biennium by the legislature as well. These rates fund the defined contribution portion of the plan. Employee contribution rates for Plan I and Plan II for both systems have been set at rates reflective of amounts that have been appropriated by the state legislature.

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

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

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

B. GENERAL SYSTEM INFORMATION BY INTERNAL BENEFITS PLANS

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

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

Plan II (employment on or after October 1, 1977, but before June 30, 1996, or August 30, 2000) members of TRS and SERS are eligible to retire with full benefits after 5 years of credited service and attainment of age 65 or after 20 years of credited service and attainment of age 55 with benefit actuarial reduced from age 65.

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

Average final compensation (AFC) of Plan I TRS and PERS members is the highest average salary during any two consecutive years. For Plan II and III TRS and SERS members, it is the highest average salary during any five consecutive years.

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

C. CONTRIBUTIONS

Employee contribution rates as of August 31, 2013:

Plan I TRS	6.00%	Plan I PERS	6.00%
Plan II TRS	4.96%	Plan II SERS	4.64%
Plan III TR	5.00-15.00%	Plan III SERS	5.00-15.00%

Employee contribution rates as of August 31, 2012:

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

Employee contribution rates as of August 31, 2011:

Plan I TRS	6.00%	Plan I PERS	6.00%
Plan II TRS	3.36%	Plan II SERS	3.14%
Plan III TRS	5.00-15.00%	Plan III SERS	5.00-15.00%

Employer contribution rates as of August 31, 2013:

Plan I TRS	8.05%	Plan I PERS	7.21%
Plan II TRS	8.05%	Plan II SERS	7.59%
Plan III TRS	8.05%	Plan III SERS	7.59%

Employer contribution rates as of August 31, 2012:

Plan I TRS	8.04%	Plan I PERS	7.08%
Plan II TRS	8.04%	Plan II SERS	7.08%
Plan III TRS	8.04%	Plan III SERS	7.08%

Employer contribution rates as of August 31, 2011:

Plan I TRS	6.14%	Plan I PERS	5.31%
Plan II TRS	6.14%	Plan II SERS	5.45%
Plan III TRS	6.14%	Plan III SERS	5.45%

Under current law, the employer must contribute 100 percent of the employer-required contribution. Employer and employee required contributions in dollars contributed September 1, 2010 through August 31, 2013:

Plan	2012-2013 Employer	2012-2013 Employee	% of Employer Contribution	2011-2012 Employer	2011-2012 Employee	% of Employer Contribution	2010-2011 Employer	2010-2011 Employee	% of Employer Contribution
Plan I & II TRS*	\$ 1,297,926	\$ 794,565	18.52%	\$ 1,217,534	\$ 757,002	18.94%	\$ 892,640	\$ 589,929	18.81%
Plan III TRS	\$ 3,908,630	\$ 3,635,516	55.76%	\$ 3,621,572	\$ 3,430,960	56.34%	\$ 2,706,597	\$ 3,367,929	57.05%
Plan I PERS	\$ 50,440	\$ 40,659	0.72%	\$ 48,215	\$ 40,135	0.75%	\$ 48,920	\$ 53,272	1.03%
Plan II SERS	\$ 677,506	\$ 365,015	9.66%	\$ 592,852	\$ 354,768	9.22%	\$ 417,623	\$ 241,380	8.80%
Plan III SERS	\$ 1,075,446	\$ 885,672	15.34%	\$ 947,508	\$ 798,976	14.74%	\$ 678,692	\$ 797,838	14.30%
TOTAL	\$ 7,009,948	\$ 5,721,427	100.00%	\$ 6,427,681	\$ 5,381,841	100.00%	\$ 4,744,472	\$ 5,050,348	100.00%

*Plan I & II TRS are combined due to employee contributions reporting methods.

Historical trend information showing TRS, PERS, and SERS progress in accumulating sufficient assets to pay benefits when due is presented in the state of Washington's June 30, 2013, comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

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

D. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The state, through the Health Care Authority (HCA), administers an agent multiple-employer other post-employment benefit plan. The Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Programs include medical, dental, life, and long-term disability. At this time a separate audited GAAP-based postemployment benefit plan report is not available.

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

The District is deemed to provide to its retirees employer-provided subsidies associated with post-employment medical and life insurance benefits provided through the PEBB. According to State law, the Washington State Treasurer collects a fee from all school district entities which are not current active members of the state Health Care Authority but participate in the state retirement system. As outlined in the state's operating budget, school districts are mandated to pay the state HCA \$65.17 per month per full-time equivalent employee in the 2012/13 fiscal year to support the program. This assessment to the District is subject to change annually. Participation in the PEBB is limited to the District's retirees.

Plan Description

Eligibility

District members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plan 2 or 3 of TRS or SERS.

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

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

Medical and Life Benefits

Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 Medical coverage for 2013:

	<u>Type of Coverage</u>			
	Employee Only	Employee & Spouse	Employee & Children	Full Family
Group Health Classic	\$ 584.66	\$ 1,163.14	\$ 1,018.52	\$ 1,597.00
Group Health Value	535.22	1,064.26	932.00	1,461.04
Group Health CDHP	513.77	1,018.40	906.83	1,353.13
Kaiser Permanente Classic	567.06	1,127.94	987.72	1,548.60
Kaiser Permanente CDHP	498.95	988.26	880.52	1,311.50
Uniform Medical Plan	499.95	990.26	882.27	1,314.25

For 2013, after age 65 retired members receive a subsidy of 50 percent of their monthly medical premiums up to \$150. For retirees with covered spouses, the explicit subsidy is the lesser of \$300 or 50 percent of the premium. For 2013, retirees also receive an explicit subsidy of \$6.57 per month toward life insurance premiums.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The District's bi-annual other post-employment benefit (OPEB) cost is calculated based upon the bi-annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (UAAL) over a period of thirty years. The following table shows the components of the District's bi-annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's Net OPEB Obligation (NOO).

	<u>August 31, 2013</u>	<u>August 31, 2012</u>
Determination of Bi-Annual Required Contribution		
Normal Cost at Year End	\$1,818,192	\$2,163,088
Amortization of UAAL	1,109,744	1,293,858
Interest on Normal Cost and Amortization Payment	131,757	155,563
Bi-Annual Required Contribution (ARC)	3,059,693	3,612,509
Determination of Net OPEB Obligation		
Bi-Annual Required Contribution	3,059,693	3,612,509
Interest on Prior Year Net OPEB Obligation	312,451	204,477
Adjustment to ARC	(241,862)	(158,281)
Bi-Annual OPEB Cost	3,130,282	3,658,705
Less Contributions Made*	(1,141,009)	(1,259,271)
Increase in Net OPEB Obligation	1,989,273	2,399,434
Net OPEB Obligation - Beginning of Year	6,943,359	4,543,925
Net OPEB Obligation - End of Year	\$8,932,632	\$6,943,359

**Estimated based on 2011-2012 retiree benefit amounts, adjusted for medical trend.*

The District's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2013 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>OPEB COST</u>		<u>Net OPEB Obligation</u>
		<u>Actual Employer Contribution</u>	<u>Percentage of OPEB Cost Contributed</u>	
8/31/2009	\$3,614,790	\$1,299,761	35.96%	\$2,315,029
8/31/2010	3,639,137	1,410,241	38.75%	4,543,925
8/31/2011	3,658,705	1,259,271	34.42%	6,943,359
8/31/2012	3,658,705	1,259,271	34.42%	6,943,359
8/31/2013	3,130,282	1,141,009	36.45%	8,932,632

As of August 31, 2013, the most recent actuarial valuation date, the plan was 0 percent funded. The accrued liability for

benefits was \$33.3 million, and the actuarial value of the assets was \$0, resulting in a UAAL of \$33.3 million.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actual value of plan assets is increasing or decreasing over time relative to the actuarial accrued 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 the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. The unfunded accrued liability is being amortized as a level percentage of pay on an open basis over a period of 30 years.

The UAAL is being amortized on a closed, level percentage of projected payroll method at the assumed discount rate. The remaining amortization period at August 31, 2013 was 26 years. For further information on the results of the actuarial valuation of the employer provided subsidies associated with the state's PEBB plan, refer to:

http://osa.leg.wa.gov/Actuarial_services/OPEB/OPEB.htm.

The District's OPEB plan is administered by the PEBB. State statutes assign the authority to establish and amend the benefit provisions of the agent multiple-employer health care plans administered by the PEBB to the respective employer entities. That authority for the OPEB rests with the District. The plan does not issue a separate report; however, additional information is included in the State of Washington's CAFR, which is available at <http://www.ofm.wa.gov/CAFR>.

The Projected Unit Credit Actuarial Cost Method was used to determine the annual required contribution.

Initial health coverage claims cost (including administrative expenses) assumptions are as follows:

Age	2013 Per Participant	
	Retiree	Spouse
Under Age 65		
Group Health Classic	\$11,134	\$11,016
Group Health Value	10,163	10,045
Group Health CDHP	9,568	9,395
Kaiser Permanente Classic	10,743	10,626
Kaiser Permanente CDHP	9,453	9,270
Uniform Medical Plan Classic	10,407	10,289
Uniform Medical Plan CDHP	9,530	9,353
Weighted Average	\$10,656	\$10,538
Age 65 and Over		
Group Health Medicare	\$3,401	\$3,252
Kaiser Permanente Classic	3,620	3,492
Uniform Medical Plan Classic	4,468	4,393
Premiera Blue Cross Plan F	2,575	2,426
Weighted Average	\$3,895	\$3,787

The assumed under age 65 claims costs were determined from the premiums and underlying claim experience of the OPEB Plans and actuarial age adjustment factors. The assumed age 65 and over claims costs were determined from the premiums and the PEBB's stated explicit subsidy. The annual dental claims costs were assumed to be equal to the dental premiums.

Health care cost trend rates used are as follows:

Year	Rate
Duration 1	6.0%
Duration 2	5.5%
Duration 3+	5.0%

Investment return is assumed to be 4.5 percent per year, inflation rate is estimated at 3 percent based on "CPI: Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bremerton, WA – All Items", salary increases are assumed to be 4.5 percent per year, mortality rates are determined from the RP2000 Mortality Tables, and the retiree participation rate is

employees. Husbands are assumed to be three years older than wives.

Turnover and retirement rates are based on Scale T-2 of the Actuary's Pension Handbook. Sample rates varying by age are as follows:

Turnover		Retirement	
Age	Rate	Age	Rate
20	5.4%	55	5.0%
25	5.3%	56-57	2.5%
30	5.1%	58-59	5.0%
35	4.7%	60-61	10.0%
40	3.5%	62	20.0%
45	1.8%	63-64	10.0%
50	0.4%	65-66	30.0%
55	0.0%	67-68	40.0%
60	0.0%	69 or Over	100.0%

NOTE 7. LONG-TERM LIABILITIES

A. CHANGES IN LONG-TERM LIABILITIES

During the year ended August 31, 2013, the following changes occurred in liabilities reported in the government-wide financial statements.

	Beginning Balance	Addition	Reductions	Ending Balance	Amount Due within one year
GOVERNMENTAL ACTIVITIES					
2004 Refunding UTGO Bond (1996)	5,340,000	-	1,000,000	4,340,000	1,470,000
2005 Refunding UTGO Bond (1998)	50,220,000	-	11,985,000	38,235,000	13,300,000
2003 UTGO Bond	74,650,000	-	1,000,000	1,000,000	1,000,000
Less: Refunded 2003 UTGO Bonds	-	-	72,650,000	-	-
2006 UTGO Bond	37,900,000	-	-	37,900,000	-
2008 UTGO Bond	10,000,000	-	-	10,000,000	-
2009 UTGO Bond	60,100,000	-	2,290,000	57,810,000	-
2011 UTGO Bond	60,005,000	-	-	60,005,000	-
2012 Refunding UTGO Bond (2003)	-	64,010,000	1,025,000	62,985,000	-
2012 UTGO Bond	-	45,325,000	-	45,325,000	1,625,000
Unamortized Bond Premium	13,692,047	19,428,519	4,716,987	28,403,579	3,146,984
Net Bonds Payable	\$ 311,907,047	\$ 128,763,519	\$ 94,666,987	\$ 346,003,579	\$ 20,541,984
Industrial Insurance	\$ 150,000	\$ 1,477,589	\$ 1,492,590	\$ 134,999	\$ 134,999
Compensated Absence	2,765,386	2,613,720	2,121,244	3,257,862	2,613,720
Other Post Employment Benefits	9,705,551	-	772,919	8,932,632	-
Total Other Liabilities	\$ 12,620,937	\$ 4,091,309	\$ 4,386,753	\$ 12,325,493	\$ 2,748,719
Grand Total	\$ 324,527,984	\$ 132,854,828	\$ 99,053,740	\$ 358,329,072	\$ 23,290,703

The Debt Service Fund was established to redeem the outstanding bonds. Industrial insurance and compensated absences payments are liquidated by the General Fund. Compensated absences are calculated on an ongoing basis and are expended as determined by employment contracts. Besides the long-term liabilities, the District also has short-term liabilities such as general accounts payable, wages and benefits payable, warrants payable, and deferred revenues. Those are on-going liabilities in the General Fund and will liquidate within one year. The District does not have conduit debt or hold demand bonds. Other Post-Employment Benefits is a reconciling item and will be included in future Long-Term Liability Beginning Balances.

B. UNAMORTIZED BOND ISSUANCE COSTS

The unamortized bond issuance costs for the general obligation bonds are as follows:

Descriptions	Unamortized Bond Issuance Costs			
	Beginning Balance	Increases	Decreases	Ending Balance
2003 Limited Tax GO Bond	272,391	-	272,391	-
2004 Limited Tax Go Bond	41,072	-	10,268	30,804
2005 Limited Tax GO Bond	217,727	-	48,383	169,344
2006 Limited Tax GO Bond	120,800	-	8,950	111,850
2008 Limited Tax GO Bond	33,447	-	2,158	31,289
2009 Limited Tax GO Bond	383,306	-	23,232	360,074
2011 Limited Tax GO Bond	528,545	-	27,106	501,439
2003 Refunding UTGO Bond 2012	-	250,882	23,894	226,988
2012 Limited Tax GO Bond	-	175,665	9,010	166,655
Total	\$ 1,597,288	\$ 426,547	\$ 425,392	\$ 1,598,443

C. BOND PREMIUM

Below is a schedule of the amortization of the bond premium for the 2003, 2004, 2005, 2006, 2008, 2009, 2011 and 2012 general obligation bonds. The effective interest method was used to produce a periodic interest expense equal to a constant percentage of the carrying value of the bonds. The \$100,000,000 face value of the 2003 bonds sold at a premium of \$2,840,960. The \$9,890,000 face value of the 2004 refunding bonds sold at a premium of \$1,012,041. The \$72,000,000 face value of the 2005 refunding bonds sold at a premium of \$7,191,256. The \$50,000,000 face value of the 2006 bonds sold at a premium of \$1,709,810. The \$10,000,000 face value of the 2008 bonds sold at a discount of \$61,750. The \$75,000,000 face value of the new 2009 bonds sold at a premium of \$3,020,699. The \$60,005,000 face value of the 2011 bonds sold at a premium of \$5,537,098. The \$64,010,000 face value of the 2012 refunding bonds sold at a premium of \$14,105,149. The \$45,325,000 face value of the 2012 bonds sold at a premium of \$5,323,370.

Repayment Schedule						
Date	Bond Issue In Years 2003, 2006, 2008, 2009, 2011, 2012; Refunding Bond Issues In Years 2004, 2005, 2012					
	Payment	Interest Expense	Premium/(Discount) Amortized	Unamortized Premium	Principal Payment	Bond Balance
				\$ 2,840,960		\$ 102,840,960
06/01/04	2,618,131	2,543,368	74,763	2,766,197	-	102,766,197
09/15/04	-	-	-	3,778,238	-	113,668,238
12/01/04	9,600,109	2,233,178	116,931	3,661,307	7,250,000	106,301,307
02/15/05	-	-	-	10,852,563	-	185,492,563
06/01/05	3,468,390	3,051,823	416,567	10,435,996	-	185,075,996
12/01/05	11,493,431	3,781,864	416,567	10,019,429	7,295,000	177,364,429
06/01/06	4,054,769	3,638,203	416,566	9,602,863	-	176,947,863
08/09/06	-	-	-	11,312,673	-	228,657,673
12/01/06	16,417,090	4,266,682	460,408	10,852,265	11,690,000	216,507,265
06/01/07	5,481,844	4,571,436	460,408	10,391,857	450,000	215,596,857
12/01/07	13,525,093	4,564,685	460,408	9,931,449	8,500,000	206,636,449
06/01/08	4,824,593	4,364,185	460,408	9,471,041	-	206,176,041
12/01/08	6,024,594	4,364,186	460,408	9,010,633	1,200,000	204,515,633
12/03/08	-	-	-	8,948,883	-	214,453,883
04/29/09	-	-	-	11,969,582	-	292,474,582
06/01/09	5,029,552	4,570,769	458,783	11,510,799	-	292,015,799
12/01/09	19,778,770	6,542,533	536,237	10,974,562	12,700,000	278,779,562
06/01/10	6,472,401	5,936,164	536,237	10,438,325	-	278,243,325

Repayment Schedule Continued						
Date	Bond Issue In Years 2003, 2006, 2008, 2009, 2011, 2012; Refunding Bond Issues In Years 2004, 2005, 2012					
	Payment	Interest Expense	Premium/(Discount) Amortized	Unamortized Premium	Principal Payment	Bond Balance
12/01/10	17,037,400	5,936,163	536,237	9,902,088	10,565,000	267,142,088
06/01/11	8,239,776	5,703,539	536,237	9,365,851	2,000,000	264,605,851
08/23/11	-	-	-	14,902,949	-	330,147,949
12/01/11	15,642,275	5,651,038	536,237	14,366,712	9,455,000	320,156,712
06/01/12	15,593,920	7,344,255	674,665	13,692,047	7,575,000	311,907,047
09/05/12	74,220,002	-	1,570,002	19,428,519	72,650,000	366,450,564
12/01/12	16,343,350	4,979,857	1,573,493	29,977,071	9,790,000	355,087,071
06/01/13	15,200,625	6,117,133	1,573,492	28,403,579	7,510,000	346,003,579
12/01/13	16,637,875	5,929,383	1,573,492	26,830,087	9,135,000	335,295,087
06/01/14	15,540,125	5,706,633	1,573,492	25,256,595	8,260,000	325,461,595
12/01/14	16,297,707	5,499,215	1,573,492	23,683,103	9,225,000	314,663,103
06/01/15	15,232,082	5,268,590	1,573,492	22,109,611	8,390,000	304,699,611
12/01/15	14,496,394	5,057,902	1,573,492	20,536,119	7,865,000	295,261,119
06/01/16	9,984,769	4,861,277	1,573,492	18,962,627	3,550,000	290,137,627
12/01/16	19,741,019	4,814,696	1,531,323	17,431,304	13,395,000	275,211,304
06/01/17	6,026,844	4,795,156	1,231,688	16,199,616	-	273,979,616
12/01/17	20,111,844	4,795,156	1,231,688	14,967,928	14,085,000	258,662,928
06/01/18	5,684,169	4,452,482	1,231,687	13,736,241	-	257,431,241
12/01/18	20,454,169	4,452,482	1,231,687	12,504,554	14,770,000	241,429,554
06/01/19	5,323,719	4,092,032	1,231,687	11,272,867	-	240,197,867
12/01/19	20,818,719	4,092,032	1,231,687	10,041,180	15,495,000	223,471,180
06/01/20	4,947,844	3,716,157	1,231,687	8,809,493	-	222,239,493
12/01/20	21,192,844	3,716,157	1,231,687	7,577,806	16,245,000	204,762,806
06/01/21	4,552,919	4,150,947	401,972	7,175,834	-	204,360,834
12/01/21	21,587,919	4,150,947	401,972	6,773,862	17,035,000	186,923,862
06/01/22	4,131,094	3,729,122	401,972	6,371,890	-	186,521,890
12/01/22	22,011,094	3,729,122	401,972	5,969,918	17,880,000	168,239,918
06/01/23	3,684,094	3,282,122	401,972	5,567,946	-	167,837,946
12/01/23	22,454,094	3,282,122	401,972	5,165,974	18,770,000	148,665,974
06/01/24	3,296,669	2,894,697	401,972	4,764,002	-	148,264,002
12/01/24	22,841,669	2,894,697	401,972	4,362,030	19,545,000	128,317,030
06/01/25	2,877,494	2,475,522	401,972	3,960,058	-	127,915,058
12/01/25	23,262,494	2,475,522	401,972	3,558,086	20,385,000	107,128,086
06/01/26	2,406,700	2,048,569	358,131	3,199,955	-	106,769,955
12/01/26	23,731,700	2,048,569	358,131	2,841,824	21,325,000	85,086,824
06/01/27	1,919,050	1,560,919	358,131	2,483,693	-	84,728,693
12/01/27	24,219,050	1,560,919	358,131	2,125,562	22,300,000	62,070,562
06/01/28	1,382,800	1,023,044	359,756	1,765,806	-	61,710,806
12/01/28	24,762,800	1,023,052	359,748	1,406,058	23,380,000	37,971,058
06/01/29	806,550	524,249	282,301	1,123,757	-	37,688,757
12/01/29	13,231,550	524,249	282,301	841,456	12,425,000	24,981,456
06/01/30	534,175	251,874	282,301	559,155	-	24,699,155
12/01/30	13,504,175	251,874	282,301	276,854	12,970,000	11,446,854
06/01/31	249,725	111,298	138,427	138,427	-	11,308,427
12/01/31	11,419,725	111,298	138,427	5,265,000	11,170,000	-
	\$ 732,423,778	\$ 205,515,145	\$ 40,678,633		\$ 486,230,000	

D. DEBT SERVICE REQUIREMENT TO MATURITY

Debt service required as of August 31, 2013 consists of the following:

Calendar Year	AMOUNT: \$100,000,000 2003 Bond 11/06/2003		AMOUNT: \$9,890,000 2004 Bond 09/15/2004		AMOUNT: \$72,000,000 2005 Bond 02/15/2005		AMOUNT: \$50,000,000 2006 Bond 08/09/2006		AMOUNT: \$10,000,000 2008 Bond 12/03/2008	
	Principal	Interest Expense	Principal	Interest Expense	Principal	Interest Expense	Principal	Interest Expense	Principal	Interest Expense
2013	\$ 1,000,000	\$ 38,750	\$ 1,000,000	\$ 245,712	\$ 13,020,000	\$ 2,074,500	\$ -	\$ 1,864,750	\$ -	\$ 451,000
2014	-	-	1,470,000	183,044	13,585,000	1,416,500	-	1,864,750	-	451,000
2015	-	-	1,500,000	106,938	13,780,000	734,750	-	1,864,750	-	451,000
2016	-	-	1,370,000	34,250	4,360,000	163,500	-	1,864,750	-	451,000
2017	-	-	-	-	-	-	-	1,864,750	-	451,000
5 Year Total	1,000,000	38,750	5,340,000	569,944	44,745,000	4,389,250	-	9,323,750	-	2,255,000
2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,864,750	\$ -	\$ 451,000
2019	-	-	-	-	-	-	-	1,864,750	-	451,000
2020	-	-	-	-	-	-	-	1,864,750	-	451,000
2021	-	-	-	-	-	-	-	1,864,750	-	451,000
2022	-	-	-	-	-	-	-	1,864,750	-	451,000
5 Year Total	-	-	-	-	-	-	-	9,323,750	-	2,255,000
2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,100,000	\$ 1,864,750	\$ -	\$ 451,000
2024	-	-	-	-	-	-	12,600,000	1,290,000	-	451,000
2025	-	-	-	-	-	-	13,200,000	660,000	-	451,000
2026	-	-	-	-	-	-	-	-	5,000,000	451,000
2027	-	-	-	-	-	-	-	-	5,000,000	223,500
5 Year Total	-	-	-	-	-	-	37,900,000	3,814,750	10,000,000	2,027,500
2028									\$ -	\$ -
2029										
2030										
2031										
2032										
5 Year Total	-	-	-	-	-	-	-	-	-	-

Calendar Year	AMOUNT: \$75,000,000 2009 Bond 04/29/2009		AMOUNT: \$60,005,000 2011 Bond 08/23/2011		AMOUNT: \$64,010,000 2012 Bond 09/05/2012		AMOUNT: \$45,325,000 2012 Bond 09/05/2012		TOTAL BY YEAR	
	Principal	Interest Expense	Principal	Interest Expense	Principal	Interest Expense	Principal	Interest Expense	Principal	Interest Expense
2013	\$ -	\$ 2,794,238	\$ -	\$ 2,616,500	\$ -	\$ 3,149,250	\$ 1,625,000	\$ 1,958,800	\$ 16,645,000	\$ 15,193,500
2014	-	2,794,238	-	2,616,500	110,000	3,149,250	2,320,000	1,877,550	17,485,000	14,352,832
2015	-	2,794,238	-	2,616,500	680,000	3,143,750	295,000	1,761,550	16,255,000	13,473,476
2016	1,570,000	2,794,238	3,470,000	2,616,500	1,300,000	3,109,750	4,875,000	1,746,800	16,945,000	12,780,788
2017	1,260,000	2,747,138	2,950,000	2,443,000	8,340,000	3,044,750	1,535,000	1,503,050	14,085,000	12,053,688
5 Year Total	2,830,000	13,924,090	6,420,000	12,909,000	10,430,000	15,596,750	10,650,000	8,847,750	\$ 81,415,000	\$ 67,854,284
2018	\$ 1,760,000	\$ 2,703,038	\$ 2,395,000	\$ 2,295,500	\$ 9,005,000	\$ 2,627,750	\$ 1,610,000	\$ 1,426,300	\$ 14,770,000	\$ 11,368,338
2019	2,300,000	2,632,638	1,780,000	2,175,750	9,720,000	2,177,500	1,695,000	1,345,800	15,495,000	10,647,438
2020	2,880,000	2,540,638	1,120,000	2,086,750	10,470,000	1,691,500	1,775,000	1,261,050	16,245,000	9,895,688
2021	3,505,000	2,396,638	405,000	2,053,150	11,260,000	1,168,000	1,865,000	1,172,300	17,035,000	9,105,838
2022	4,180,000	2,221,388	-	2,041,000	12,100,000	605,000	1,600,000	1,079,050	17,880,000	8,262,188
5 Year Total	14,625,000	12,494,340	5,700,000	10,652,150	52,555,000	8,269,750	8,545,000	6,284,500	\$ 81,425,000	\$ 49,279,490
2023	\$ -	\$ 2,012,388	\$ 5,955,000	\$ 2,041,000	\$ -	\$ -	\$ 715,000	\$ 999,050	\$ 18,770,000	\$ 7,368,188
2024	-	2,012,388	6,210,000	1,862,350	-	-	735,000	977,600	19,545,000	6,593,338
2025	715,000	2,012,388	5,710,000	1,676,050	-	-	760,000	955,550	20,385,000	5,754,988
2026	10,260,000	1,982,000	5,285,000	1,447,650	-	-	780,000	932,750	21,325,000	4,813,400
2027	11,675,000	1,469,000	4,825,000	1,236,250	-	-	800,000	909,350	22,300,000	3,838,100
5 Year Total	22,650,000	9,488,164	27,985,000	8,263,300	-	-	3,790,000	4,774,300	\$ 102,325,000	\$ 28,368,014
2028	\$ 17,705,000	\$ 885,250	\$ 4,850,000	\$ 995,000			\$ 825,000	\$ 885,350	\$ 23,380,000	\$ 2,765,600
2029			4,775,000	752,500			7,650,000	860,600	12,425,000	1,613,100
2030			5,010,000	513,750			7,960,000	554,600	12,970,000	1,068,350
2031			5,265,000	263,250			5,905,000	236,200	11,170,000	499,450
2032									-	-
5 Year Total	17,705,000	885,250	19,900,000	2,524,500	-	-	22,340,000	2,536,750	\$ 59,945,000	\$ 5,946,500

E. 2003 BOND REFUNDING

The Board of Directors determined the District would refinance its Unlimited Tax General Obligation Bonds, 2003, (the Refunded Bonds) up to and including December 1, 2013 and redeem the Refunded Bonds on December 1, 2013 at a price equal to 100 percent of the principal to be redeemed. The original issue amount of the 2003 series bond was \$100,000,000 dated November 1, 2003 and the amount refunded was \$72,650,000. Upon redemption, the value for the refunded bonds was \$64,010,000, resulting in an aggregate decrease in debt of \$8,640,000.

F. GENERAL OBLIGATION DEBT

Debt outstanding as of August 31, 2013 is composed of the following:

Purpose	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Governmental Activities:					
2003 Unlimited GO Bond	2.00 - 5.25	11/06/2003	12/01/2022	100,000,000	1,000,000
2004 Refunding Bond	3.00 - 5.375	09/15/2004	06/01/2016	9,890,000	4,340,000
2005 Refunding Bond	3.00 - 5.00	02/15/2005	12/01/2016	72,000,000	38,235,000
2006 Unlimited GO Bond	4.75 - 5.00	08/09/2006	12/01/2025	50,000,000	37,900,000
2008 Unlimited GO Bond	4.55 - 4.60	12/03/2008	12/01/2027	10,000,000	10,000,000
2009 Unlimited GO Bond	2.50 - 5.00	04/29/2009	12/01/2028	75,000,000	57,810,000
2011 Unlimited GO Bond	5.00	08/23/2011	12/01/2031	60,005,000	60,005,000
2012 Refunding Bond	5.00	09/05/2012	12/01/2022	64,010,000	62,985,000
2012 Unlimited GO Bond	3.00 - 5.00	09/05/2012	12/01/2031	45,325,000	45,325,000
Total				<u>\$ 486,230,000</u>	<u>\$ 317,600,000</u>

Interest rates vary based upon scheduled rates determined in the underwriting process.

NOTE 8. ARBITRAGE**A. 2003 BOND**

Because the District does not expect to spend at least 85 percent of the spendable proceeds of the 2003 bonds within three years, the 2003 bonds were sold under Internal Revenue Service tax-exempt yield restriction guidelines. The District is required to invest the bond proceeds deposited into the Capital Projects Fund at a yield that does not exceed the yield on the 2003 bonds. The yield was calculated by Preston, Gates & Ellis, the District's bond counsel, and has been determined to be no less than 4.425607 percent. Accordingly, the District does not expect to earn any rebatable arbitrage.

B. 2004 BOND

The 2004 bond was issued to refund a portion of the 1996 bond, and as such is not subject to arbitrage.

C. 2005 BOND

The 2005 bond was issued to refund a portion of the 1996 bond, and as such is not subject to arbitrage.

D. 2006 BOND

Because the District does not expect to spend at least 85 percent of the spendable proceeds of the 2006 bonds within three years, the 2006 bonds were sold under Internal Revenue Service tax-exempt yield restriction guidelines. The District is required to invest the bond proceeds deposited into the Capital Projects Fund at a yield that does not exceed the yield on the 2006 bonds. The yield was calculated by D.A. Davidson & Co., the District's bond counsel, and has been determined to be no less than 4.625506 percent. Accordingly, the District does not expect to earn any rebatable arbitrage.

E. 2008 BOND

Because the District does not expect to spend at least 85 percent of the spendable proceeds of the 2008 bonds within three years, the 2008 bonds were sold under Internal Revenue Service tax-exempt yield restriction guidelines. The District is required to invest the bond proceeds deposited into the Capital Projects Fund at a yield that does not exceed the yield on the 2008 bonds. The yield was calculated by Preston, Gates & Ellis, the District's bond counsel, and has been determined to be no less than 4.406336 percent. Accordingly, the District does not expect to earn any rebatable arbitrage.

F. 2009 BOND

Because the District does not expect to spend at least 85 percent of the spendable proceeds of the 2009 bonds within three years, the 2009 bonds were sold under Internal Revenue Service tax-exempt yield restriction guidelines. The District is required to invest the bond proceeds deposited into the Capital Projects Fund at a yield that does not exceed the yield on the 2009 bonds. The yield was calculated by Dashen Musselman, Inc., the District's bond counsel, and has been determined to be no less than 4.033269 percent. Accordingly, the District does not expect to earn any rebatable arbitrage.

G. 2009 REFUNDING BOND

The 2009 refunding bond was issued to refund a portion of the 1998 bond, and as such is not subject to arbitrage.

H. 2011 BOND

Because the District does not expect to spend at least 85 percent of the spendable proceeds of the 2011 bonds within three years, the 2011 bonds were sold under Internal Revenue Service tax-exempt yield restriction guidelines. The District is required to invest the bond proceeds deposited into the Capital Projects Fund at a yield that does not exceed the yield on the 2011 bonds. The yield was calculated by A. Dashen & Associates, the District's bond counsel, and has been determined to be no less than 3.148063 percent. Accordingly, the District does not expect to earn any rebatable arbitrage.

I. 2012 REFUNDING BOND

The 2012 refunding bond was issued to refund a portion of the 1998 bond, and as such is not subject to arbitrage.

J. 2012 BOND

Because the District does not expect to spend at least 85 percent of the spendable proceeds of the 2012 bonds within three years, the 2012 bonds were sold under Internal Revenue Service tax-exempt yield restriction guidelines. The District is required to invest the bond proceeds deposited into the Capital Projects Fund at a yield that does not exceed the yield on the 2012 bonds. The yield was calculated by A. Dashen & Associates, the District's bond counsel, and has been determined to be no less than 2.147969 percent. Accordingly, the District does not expect to earn any rebatable arbitrage.

NOTE 9. OPERATING LEASES (NON-CAPITALIZED)

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations and therefore the results of the lease agreements are not reflected in the District's capital assets. The following is a schedule, by years, of future minimum rental payments required under operating leases with initial or remaining non-cancelable lease terms of one year or more as of August 31, 2013:

Year Ending August 31, 2013	Copiers	Rent	Total Obligation
2014	\$ 733,544	\$ -	\$ 733,544
2015	731,589	-	731,589
2016	394,286	-	394,286
2017	65,843	-	65,843
2018	-	-	-
Total Minimum Payments Required	\$ 1,925,262	\$ -	\$ 1,925,262

CAPITAL LEASES

The District has no capital leases. The District has only operating leases on all copy machines, equipment, and property. All current operating leases for copy machines and equipment expire before or during the year 2017.

NOTE 10. RISK MANAGEMENT**A. UNEMPLOYMENT**

Renton School District self-insures for unemployment compensation for all of its employees. Actual employee claims are paid by the State of Washington, Department of Employment Security and then reimbursed by the District. This self-insurance program costs the district less than full participation in the state unemployment compensation program. Payments totaled \$79,782 for the fiscal year 2012-2013. Unemployment payments on behalf of the District were administered by the State and totaled \$84,652 during this same period.

B. INDUSTRIAL INSURANCE

The District self-insures industrial insurance claims that do not exceed \$350,000 and it reinsures claims of \$350,000 or more. After approval by the State of Washington Department of Labor and Industries, the District pays the claims of each eligible employee. During fiscal 2012-2013, the District paid employees \$214,499 in industrial compensation benefits.

As of August 31, 2013, industrial insurance payable for incurred, reported, estimated unreported, and possible future claims is estimated to be \$134,999. The combined total of \$134,999 is reported as a long-term liability in the government-wide financial statements. For the past three years the amount of insurance settlements has not exceeded insurance coverage, and the number of claims has increased each year.

Pension payments for permanent disabilities are paid by the State of Washington Department of Labor and Industries and are reimbursed on a quarterly basis by Renton School District. The industrial insurance account is credited with an estimated monthly charge computed on the number of hours worked by each employee. Actual industrial insurance benefit payments are charged to the industrial insurance account. The District does not present total unpaid claims as the District's liability because it is the District's long experience that only a fraction of claims are paid. Based on the District's analysis and history, the District presents the industrial insurance accounts payable balance as its long-term liability. The District reevaluates the rates monthly and annually to ensure that the proper liabilities are maintained. During the fiscal year the number of open claims decreased by 6 from 112 the previous year to 106.

Worker's Compensation (Industrial Insurance) Paid Claims				
	Beginning			Ending
	Balance	Additions	Reductions	Balance
2009-2010	\$ 81,068	\$ 1,051,334	\$ 1,052,402	\$ 80,000
2010-2011	\$ 80,000	\$ 1,167,737	\$ 1,167,737	\$ 80,000
2011-2012	\$ 80,000	\$ 1,709,610	\$ 1,639,610	\$ 150,000
2012-2013	\$ 150,000	\$ 1,477,589	\$ 1,492,590	\$ 134,999
Number of Claims	112	74	80	106

C. RISK MANAGEMENT POOL

The District is a member of the Schools Insurance Association of Washington (SIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1995, when seven mid-size school districts in the State of Washington joined together by signing an interlocal agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Presently, the SIAW pool has forty-two member districts.

The pool allows members to jointly purchase insurance coverage and provide related services such as administration, risk management, claims administration, etc. Coverage for Wrongful Act Liability and Employee Benefit Liability is on a claims-made basis. All other coverages are on an occurrence basis. The pool provides the following forms of group-purchased insurance coverage for its members: property, earthquake, general liability, automobile liability, equipment breakdown, crime, employee benefits, and wrongful act liability.

The pool acquires liability insurance from unrelated underwriters that are subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$2,500 of the deductible amount of each claim, while the pool is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$102,500 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 portion of the self-insured retention. The pool also purchases a Stop Loss Policy in the amount of \$3,946,800, which it fully funds in its annual budget.

Property insurance is subject to a per-occurrence deductible of \$250,000. Members are responsible for a \$10,000 deductible amount of each claim, while the pool is responsible for the remaining \$250,000 self-insured retention. Equipment breakdown insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the deductible amount of each claim.

Members contract to remain in the pool for one year and must give notice before December 31 before terminating participation the following September 1. Renewal of the Interlocal Agreement occurs automatically each year. Even after termination, a member is still responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement. The pool is fully funded by its member participants. Claims are filed by members with Canfield & Associates, which has been contracted to perform pool administration, claims adjustment and administration, and loss prevention for the pool. Fees paid to the third party administration under this arrangement for the year ended August 31, 2013 were \$3,198,671.88.

A governing board is selected by the membership and is responsible for conducting the business affairs of the pool. The Board of Directors has contracted with Canfield & Associates to perform day-to-day administration of the pool. This pool has no employees.

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

A. BALANCE SHEETS/STATEMENT OF NET POSITION

Total fund balances for governmental funds \$103,282,957

Total net position for governmental activities in the Statement of Net Position differs because:

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

Land	\$ 7,221,907	
Construction in progress	121,211,294	
Buildings and improvements, net of \$125,169,412 accumulated depreciation	299,563,976	
Furniture and equipment, net of \$11,883,565 accumulated depreciation	<u>4,088,000</u>	
Total Capital Assets		432,085,177

Property taxes that are deferred in government funds since they are not available soon enough to pay for the current period's expenditures.	37,733,093
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Allowance for Doubtful Accounts are reported as a reduction to revenues in the governmental funds	(201,306)
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Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities, both current and long-term, are reported in *the statement of net position*. Balances at year-end are:

Bonds payable	\$ (317,600,000)	
Unamortized premiums	(28,403,579)	
Compensated absences and Industrial Insurance	(3,392,861)	
Other Post-Employment Benefits Obligations	<u>(8,932,632)</u>	
Total Long-term Liabilities		(358,329,072)

Total net position of governmental activities	\$ 214,570,849
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B. STATEMENT OF REVENUES, EXPENDITURES, AND NET POSITION/STATEMENT OF ACTIVITIES

Net change in fund balances-total governmental funds	\$ 21,552,756
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay	\$ 37,306,064	
Compensated for Capital Assets Lost	(2,455,130)	
Depreciation expense	<u>(13,269,445)</u>	
Total net capital outlay		\$ 21,581,489

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

New Bonds issued	\$ (45,325,000)	
New Bond Premiums	(3,655,434)	
Sale of Refunding Bonds	(78,583,084)	
Bonds Premium Amortization	(4,716,987)	
Payments to Escrow Agent for Refunded Bonds	77,859,440	
New Bond Issuance Costs	438,610	
Prior Year Issuance Costs	(1,598,443)	
Bond Defeasance Costs	(537,121)	
Repayment of Bond Principal	17,300,000	
Issuance Costs Amortization	(153,001)	
Total debt issuance costs		(38,971,020)

Property tax revenues received prior to the year for which they are being levied are reported as deferred revenue in the governmental funds. They are, however, recorded as revenues in the Statement of Activities. Deferred property tax revenues increased this year. 4,137,898

In the Statement of Activities certain operating expenses, such as compensated absences, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. During this year, accrued vacation and sick leave payable decreased by (492,476)

Net OPEB obligation adjustment 772,919

Change in net position of governmental activities \$ 8,581,566

NOTE 12. OTHER DISCLOSURES

Debt that was issued for capital purposes as displayed on Schedule H-1 is not part of the calculation of net position invested in capital assets, net of related debt. Debt will not be part of that calculation until proceeds have been used to acquire capital assets.

The Renton School District has no known legal obligations that would materially impact the financial position of the District.

NOTE 13. FUND EQUITY (GOVERNMENTAL FUNDS)

CHANGES IN NET POSITON

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund
Total Fund Balance 08/31/12	\$ 14,656,983	\$ 1,184,741	\$ 1,429,883	\$ 62,538,873	\$ 1,919,721
Nonspendable Fund Balance	(11,418)				
Restricted Fund Balance	1,262,894	13,420	1,497,605	14,783,972	(258,198)
Committed Fund Balance	(6,707,358)			6,048,226	
Assigned Fund Balance	(1,934,366)			2,394,380	
Unassigned Fund Balance	4,463,599				
Total Fund Balance 8/31/13	<u>11,730,334</u>	<u>1,198,161</u>	<u>2,927,488</u>	<u>85,765,451</u>	<u>1,661,523</u>

NOTE 14 PASSAGE OF LEVY

On February 14, 2012 the voters of Renton School District approved a four-year replacement Maintenance and Operations Levy. The local levy will provide \$163,000,000 in revenues for the District over the next four years.

NOTE 15. SUBSEQUENT EVENTS

The Renton School District has no known subsequent events that would materially impact the financial position of the district.

NOTE 16. CONSTRUCTION COMMITMENTS

Project commitment is defined as authorized and planned expenditures for the next fiscal year. These commitments, totaling \$80,052,048 will be funded from both existing reserved fund balances and future revenues. At year-end there were several

projects, funded by the 2003, 2006, 2008, 2009, 2011 and 2012 General Obligation bonds, in progress. The following is a brief summary of construction commitments held by the District on August 31, 2013 and the contract balances:

Project Name	Contract Total
2009 Overhead	\$ 365,252
2012 Overhead	108,450
2009 Technology Levy - Infrastructure	13,304
2009 Technology Levy - Instructional	359,337
2012 Building Upgrades	242,915
2009 Building Finishes	60,885
Covered Play Areas	686,863
Energy Conservation	326,102
Evergreen Floral Property Demolition	704,649
Fields, Grounds & Parking Upgrades	329,103
Hazen High School Upgrades	9,891,538
Kohlwes Education Center Reconfiguration	324,141
Lindbergh Pool	35,255
Lindbergh High School Improvements	2,205,937
Meadow Crest Early Learning Center	26,521,277
Nelsen Field Improvements	1,500,737
Nelsen Improvements	1,441,717
New Middle School	3,285,414
Portable Classrooms	1,738,542
Renton Academy @ Spring Glen	77,879
Roof Upgrades	1,772,724
Safety & Security - Accessibility	52,570
Safety & Security - Fire Alarms	234,918
Safety & Security - Security Upgrades	163,524
Secondary Alternative Center	25,114,938
Stadium Improvements	2,494,077
Total	\$ 80,052,048

NOTE 17. RELATED ORGANIZATIONS

KING COUNTY DIRECTORS' ASSOCIATION

Renton School District is an originating member of the King County Directors' Association (KCDA). KCDA is a purchasing cooperative designed to pool member districts' purchasing power. Under the structure of the cooperative at the time of inception in 1937 an original investment was not required. Currently 294 school districts belong to KCDA and the District has remained a part of this joint venture since inception. KCDA is governed by a board of directors elected from member district's Board of Directors.

The District's equity as of December 31, 2012 in this cooperative is \$170,333.65. This is the most current data available as of the publication date of this CAFR. Equity distribution is based upon KCDA's total sales with the District compared to all other districts applied pro-rata to the net profit of KCDA. The District may withdraw from the investment group and receive its equity in fifteen annual payments, with one-year notice to withdraw. This equity is not reflected in the Statement of Net Position or the Statement of Activities because the District has not given notice and has no intention of withdrawing from the cooperative.

Separate financial statements can be obtained from:

King County Directors' Association
PO Box 5550
Kent, WA 98064-5550

REQUIRED SUPPLEMENTAL INFORMATION
RENTON SCHOOL DISTRICT # 403
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
REVENUES				
Local	\$ 38,697,620	\$ 38,808,557	\$ 38,191,123	\$ 617,434
State	88,838,936	88,196,387	89,119,112	(922,725)
Federal	15,261,157	15,790,974	12,994,006	2,796,968
Other	425,039	426,834	373,267	53,567
TOTAL REVENUES	143,222,752	143,222,752	140,677,508	2,545,244
EXPENDITURES				
CURRENT				
Regular Instruction	75,258,306	73,890,417	71,671,369	2,219,048
ALE	567,814	798,877	506,169	292,708
Federal Stimulus Stabilization	-	-	-	-
Special Education	21,324,022	21,791,260	23,882,495	(2,091,235)
Vocational Instruction	5,613,036	5,586,839	5,572,850	13,989
Compensatory Education	10,458,826	11,862,653	10,447,674	1,414,979
Other Instructional Programs	2,071,912	899,310	855,025	44,285
Community Services	1,409,689	1,549,115	1,574,318	(25,203)
Support Services	29,066,895	29,301,800	28,909,844	391,956
CAPITAL OUTLAY				
Other	189,414	279,643	190,756	88,887
TOTAL EXPENDITURES	145,959,914	145,959,914	143,610,500	2,349,414
Excess of Revenues Over (Under) Expenditures	(2,737,162)	(2,737,162)	(2,932,992)	195,830
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	10,000	10,000	6,343	3,657
Total Other Financing Sources (Uses)	10,000	10,000	6,343	3,657
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Uses	(2,727,162)	(2,727,162)	(2,926,649)	199,487
FUND BALANCE - September 1				
Nonspendable Fund Balance	290,000	290,000	364,292	(74,292)
Restricted Fund Balance	5,275,000	5,275,000	833,266	4,441,734
Committed Fund Balance	6,700,000	6,700,000	6,707,358	(7,358)
Assigned Fund Balance	-	-	3,974,972	(3,974,972)
Unassigned Fund Balance	3,050,000	3,050,000	2,777,095	272,905
FUND BALANCE TOTAL - September 1	15,315,000	15,315,000	14,656,983	658,017
FUND BALANCE - August 31				
Nonspendable Fund Balance	250,000	250,000	352,874	(102,874)
Restricted Fund Balance	4,725,000	4,725,000	2,096,160	2,628,840
Committed Fund Balance	7,100,000	7,100,000	-	7,100,000
Assigned Fund Balance	-	-	2,040,606	(2,040,606)
Unassigned Fund Balance	512,838	512,838	7,240,694	(6,727,856)
FUND BALANCE TOTAL - August 31	\$ 12,587,838	\$ 12,587,838	\$ 11,730,334	\$ 857,504

REQUIRED SUPPLEMENTAL INFORMATION
RENTON SCHOOL DISTRICT # 403
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
SPECIAL REVENUE FUND (ASSOCIATED STUDENT BODY FUND)
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

ORIGINAL AND REVISED BUDGET	ACTUAL	VARIANCE
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REVENUES

General	\$ 1,177,335	\$ 965,354	\$ 211,981
Athletics	378,835	245,094	133,741
Classes	100,045	92,809	7,236
Clubs	533,205	245,187	288,018
Private Monies	82,450	61,379	21,071

Total Revenues

2,271,870	1,609,823	662,047
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EXPENDITURES

General	1,032,604	837,659	194,945
Athletics	397,390	295,662	101,728
Classes	65,705	82,575	(16,870)
Clubs	524,755	318,642	206,113
Private Monies	59,350	61,865	(2,515)

Total Expenditures

2,079,804	1,596,403	483,401
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Excess of Revenues Over**(Under) Expenditures**

192,066	13,420	178,646
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Restricted Fund Balance	1,028,846	1,165,307	(136,461)
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FUND BALANCE TOTAL - September 1

1,028,846	1,184,741	(155,895)
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Restricted Fund Balance	1,220,912	1,184,741	36,171
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FUND BALANCE TOTAL - August 31

\$ 1,220,912	\$ 1,198,161	\$ 22,751
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RENTON SCHOOL DISTRICT # 403
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

NOTE 1. BASIS OF BUDGETING

The Renton School District has more than 1,000 full time equivalent students for the preceding fiscal year and is required by law to operate on the modified accrual basis for budgeting, accounting, and financial reporting, which is the same as GAAP.

REQUIRED SUPPLEMENTAL INFORMATION
RENTON SCHOOL DISTRICT # 403
ACTUARIAL VALUATION OF RETIREE MEDICAL BENEFITS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013
GASB STATEMENT NO. 45 SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL As a Percentage of Covered Payroll
8/31/2009	\$ -	\$45,577,651	\$ 45,577,651	0.00%	Not Provided	N/A
8/31/2011	\$ -	\$38,815,727	\$ 38,815,727	0.00%	Not Provided	N/A
8/31/2013	\$ -	\$33,292,311	\$ 33,292,311	0.00%	\$79,842,105	41.70%

** The August 31, 2009 Actuarial Valuation was calculated and provided by the prior actuary in a report dated December 22, 2009.*

The Other Postemployment Benefits Plan was established on September 1, 2008. The information is from the first actuarial valuation performed for this plan.

RENTON SCHOOL DISTRICT NO. 403
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending August 31, 2013

Employer Identification Number (EIN): 91-6001635

1	2	3	4	5	6	7	8	9
					Expenditures			
Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number	From Direct Awards	From Pass Through Awards	Total	Foot note
US Dept of Agriculture								
	WA OSPI	School Breakfast Program	10.553	N/A		767,245	767,245	5
	WA OSPI	National School Lunch Program - Cash Assistance	10.555	N/A		3,043,508	3,043,508	5
	WA OSPI	National School Lunch Program - Non Cash Assistance - Commodities	10.555	N/A		138,515	138,515	3, 5
	WA OSPI	Summer Food Service Program for Children	10.559	N/A		55,481	55,481	5
	WA OSPI	Fresh Fruit and Vegetable Program	10.582	N/A		38,146	38,146	5
	Office of State Treasurer	School & Roads - Grants to States	10.665	N/A		8,414	8,414	5
Subtotal US Dept of Agriculture					-	4,051,309	4,051,309	
US Dept of Education								
	WA OSPI	Title I Grants to LEA	84.010	201022 & 228536		2,546,792	2,546,792	4, 6
		Indian Education - Grants to LEA	84.060	S060A110390	62,400		62,400	6
	WA OSPI	Special Education - Grants to States	84.027	304322 & 337574		3,246,845	3,246,845	6
	WA OSPI	Grants to States	84.048	172681		121,519	121,519	6
	WA OSPI	Special Education - Preschool Grants	84.173	364320		98,022	98,022	6
	WA OSPI	English Language Acquisition State Grants	84.365	401611		332,469	332,469	7
	WA OSPI	Improving Teacher Quality State Grants	84.367	523073		397,846	397,846	6
	WA OSPI	School Improvement Grants	84.377	225324		893,325	893,325	6
Subtotal Dept of Education					62,400	7,636,818	7,699,218	
US Dept of Health & Human Services								
	YWCA of Seattle	Refugee and Entrant Assistance	93.576	N/A		16,954	16,954	5, 6
	ESD 121	Head Start	93.600	N/A		619,887	619,887	5
	WA DSHS	Medical Assistance Program	93.778	N/A		230,344	230,344	5
Subtotal Dept of Health & Human Services					-	867,185	867,185	
Total Federal Awards					\$62,400	\$12,555,312	\$12,617,712	1, 2

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ending August 31, 2013

NOTE 1—BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the district's financial statements. The district uses the modified accrual basis of accounting.

Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2—PROGRAM COSTS/MATCHING CONTRIBUTIONS

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

NOTE 3—NONCASH AWARDS

The amount of commodities reported on the schedule is the value of commodities distributed by the district during the current year and priced as prescribed by the USDA.

NOTE 4—SCHOOLWIDE PROGRAMS

The district operates a "schoolwide program" in twelve elementary buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the district in its schoolwide program: Title I (84.010) \$2,113,471.

NOTE 5—NOT AVAILABLE (N/A)

The district was unable to obtain an other identification number.

NOTE 6—FEDERAL INDIRECT RATE

The district used the federal restricted rate of 5.22 percent for this program.

NOTE 7—INDIRECT RATE

The district used the specified rate of 2 percent for this program.



ABOUT THE STATE AUDITOR'S OFFICE

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.

We 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.

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Director of Performance and State Audit
Director of Local Audit
Deputy Director of State Audit
Deputy Director of Local Audit
Deputy Director of Local Audit
Deputy Director of Performance Audit
Deputy Director of Quality Assurance
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