



# Washington State Auditor's Office

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## Financial Statements and Federal Single Audit Report

### **Renton School District No. 403**

**King County**

**For the period September 1, 2013 through August 31, 2014**

**Published May 28, 2015**

**Report No. 1014393**





## Washington State Auditor

May 28, 2015

Superintendent and 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,

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

## TABLE OF CONTENTS

Federal Summary .....	4
Schedule Of Federal Audit Findings And Questioned Costs.....	6
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 .....	11
Independent Auditor’s Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133.....	14
Independent Auditor’s Report On Financial Statements .....	18
Financial Section.....	21
Corrective Action Plan For Findings Reported Under OMB Circular A-133 .....	49
About The State Auditor’s Office.....	50

## FEDERAL SUMMARY

### **Renton School District No. 403 King County September 1, 2013 through August 31, 2014**

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.

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 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 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>
84.010	Title I, Part A Cluster - Title I Grants to Local Educational Agencies
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)
84.416	Race to the Top District Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$447,121.

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

# SCHEDULE OF FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

## Renton School District No. 403 King County September 1, 2013 through August 31, 2014

**2014-001 The District did not have adequate internal controls to ensure compliance with federal procurement requirements for its Race to the Top program.**

<b>CFDA Number and Title:</b>	84.416 Race to the Top – District Grants
<b>Federal Grantor Name:</b>	U.S. Department of Education
<b>Federal Award/Contract Number:</b>	NA
<b>Pass-through Entity Name:</b>	Puget Sound Educational Service District No. 121
<b>Pass-through Award/Contract Number:</b>	8423, 8398, 8366, 8246, 5817, 8563, 8532, 8279
<b>Questioned Cost Amount:</b>	\$0

### *Description of Condition*

During fiscal year 2014, the District spent \$543,871 in Race to the Top program funds. The Race to the Top grants support locally directed improvements in learning and teaching that directly improve student achievement and educator effectiveness. It encourages and rewards Districts that have the leadership and vision to implement the strategies, structures, and systems needed to implement personalized, student-focused approaches to learning and teaching.

Federal grant regulations require recipients to maintain documentation to sufficiently demonstrate its rationale for the method of procurement used to purchase goods and services. Federal grant recipients are required to obtain price or rate quotations from an adequate number of qualified sources for procurement of services up to \$100,000 and formal bids for contracts exceeding \$100,000. A grantee may solicit services from only one vendor if it determines the services are available from a sole source or if they determine competition is inadequate. Grantees must keep documentation to show how they reached this conclusion.

We reviewed four vendors totaling \$144,612 that were for goods or professional services. The District treated all four vendors as sole source providers; however, the sole source justifications do not adequately demonstrate how the District determined no other vendors could provide similar services.

We consider these control deficiencies to be material weaknesses.

### ***Cause of Condition***

Employees responsible for the program do not have a full understanding of the federal requirements pertaining to procurement of goods and professional services and did not have an accurate understanding of the sole source exemption.

### ***Effect of Condition and Questioned Costs***

The District cannot ensure it received the best possible price for the purchased goods and services. Because the goods and services purchased are allowable under the federal program, we are not questioning these costs.

### ***Recommendation***

We recommend the District strengthen its internal controls to ensure:

- Provide training to personnel to ensure they have an adequate understanding of federal procurement requirements.
- Establish and follow internal controls that ensure contracts for goods and professional services are procured in accordance with federal requirements.

### ***District's Response***

*The District concurs with the auditor's conclusion that sole source justification was inadequate with the aforementioned purchases in the Race to The Top (RTTT) program. This was mainly due to an inadequate understanding of the requirements and staff turnover.*

*The District's current procedure requires the purchaser to complete a sole source justification form prior to completing a sole source purchase. The purpose of this form is to explain how a sole source determination is made. In three cases cited by the auditor the sole source reason provided was deemed to be inadequate. In two instances the sole source justification form was not completed.*

*The District is working on updating the justification form as well as creating a contract cover sheet. One of the questions on the cover sheet is whether the contract is a sole source. If so it states a justification form must be filled out and*

*adequate documentation must be attached to demonstrate an allowable purpose. The contract cover sheet will need to be initialed before the contract is started.*

*The District has also initiated a series of training sessions that includes both program/department managers and staff. At one of the upcoming sessions we will review procurement procedures concerning the use of federal funds (not just RTTT). Specifically, sole source justification will be reviewed.*

*The District has requested the State Auditor's Office to provide examples of other school districts that have adequate documentation for their sole source purchases.*

*We are confident that with examples as well as additional staff emphasis and training, staff will have a better understanding of the requirement and the documentation needed for federal fund purchases.*

### ***Auditor's Remarks***

We thank the District for its cooperation and assistance during the audit and acknowledge its commitment to improvements. We will review the status of this issue during our next audit.

### ***Applicable Laws and Regulations***

U.S. Office of Management and Budget Circular A-133, *Audits of states, Local Governments, and Non-Profit Organizations, Section 300* states in part:

The auditee shall:

b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

Title 34, Code of Federal Regulations, Section 80.36 – Procurement, states in part:

(b) *Procurement standards.* (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements



conform to applicable Federal law and the standards identified in this section.

(9) Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

(d) *Methods of procurement to be followed*—(1) *Procurement by small purchase procedures*. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the simplified acquisition threshold fixed at 41 U.S.C. 403(11) (currently set at \$100,000). If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

**4.23** When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, as follows:

**.11** For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: ...

**Material weakness in internal control over compliance.**

A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and

corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Remote.** The chance of the future event or events occurring is slight.

**Probable.** The future event or events are likely to occur.

**Significant deficiency in internal control over compliance.** A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

**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, 2013 through August 31, 2014**

Superintendent and 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 Renton School District No. 403, King County, Washington, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 18, 2015. As discussed in Note 1 to the financial statements, the District elected to change its basis of accounting from generally accepted accounting principles to a special purpose framework during the year ended August 31, 2014.

**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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

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

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

A handwritten signature in black ink, appearing to read "Jan M. Jutte". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

May 18, 2015

**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, 2013 through August 31, 2014**

Superintendent and 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, 2014. 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, 2014.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-001. We also noted certain matters that we have reported to the management of the District in a separate letter dated May 13, 2015. Our opinion on each major federal program is not modified with respect to these matters.

### **District's Response to Findings**

The District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-001 to be a material weakness.

We also noted certain matters that we have reported to the management of the District in a separate letter dated May 13, 2015.

### **District's Response to Findings**

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



## **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.



JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

May 18, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Renton School District No. 403 King County September 1, 2013 through August 31, 2014**

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

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

We have audited the accompanying financial statements of Renton School District No. 403, King County, Washington, for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 21.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual) described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express an opinion 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.

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

As described in Note 1, Renton School District No. 403 has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the Accounting Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Renton School District No. 403, for the year ended August 31, 2014, on the basis of accounting described in Note 1.

### **Unmodified Opinions on the Governmental and Fiduciary Funds Based on U.S. GAAP**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, ASB, Debt Service, Capital Project, Transportation Vehicle and Fiduciary funds as of August 31, 2014, and the 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, the District has elected to change its method of accounting from generally accepted accounting principles to a special purpose framework during the year ended August 31, 2014. Our opinion is not modified with respect to this matter.

## **Other Matters**

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

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. 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*. The accompanying Schedules of Long-Term Liabilities are also presented for purposes of additional analysis, as required by the prescribed Accounting Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2015 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.



JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

May 18, 2015

## **FINANCIAL SECTION**

**Renton School District No. 403**  
**King County**  
**September 1, 2013 through August 31, 2014**

### **FINANCIAL STATEMENTS**

Balance Sheet – Governmental Funds – 2014  
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2014  
Statement of Net Position – Fiduciary Funds – 2014  
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2014  
Notes to Financial Statements – 2014

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedules of Long-Term Liabilities – 2014  
Schedule of Expenditures of Federal Awards – 2014  
Notes to the Schedule of Expenditures of Federal Awards – 2014

Renton School District No. 403  
Balance Sheet  
Governmental Funds  
August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>ASSETS:</b>							
Cash and Cash Equivalents	11,250,000.21	1,075,859.64	5,760,215.47	71,317,485.61	1,805,602.01	0.00	91,209,162.94
Minus Warrants Outstanding	-2,871,592.78	-16,782.69	0.00	-155,917.36	0.00	0.00	-3,044,292.83
Taxes Receivable	18,343,464.89		18,166,062.49	3,913,826.26	0.00	0.00	40,423,353.64
Due From Other Funds	893,279.63	296,904.77	0.00	72,323.29	0.00	0.00	1,262,507.69
Due From Other Governmental Units	2,696,148.77	0.00	0.00	0.00	0.00	0.00	2,696,148.77
Accounts Receivable	455,061.81	0.00	0.00	481,230.91	3,200.00	0.00	939,492.72
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	215,373.66	0.00					215,373.66
Prepaid Items	1,338,600.02	601.00		588,390.71	0.00	0.00	1,927,591.73
Investments	119,722.00	0.00	0.00	0.00	0.00	0.00	119,722.00
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	35,209.27			0.00			35,209.27
Self-Insurance Security Deposit	169,920.16						169,920.16
<b>TOTAL ASSETS</b>	<b>32,645,187.64</b>	<b>1,356,582.72</b>	<b>23,926,277.96</b>	<b>76,217,339.42</b>	<b>1,808,802.01</b>	<b>0.00</b>	<b>135,954,189.75</b>
<b>LIABILITIES:</b>							
Accounts Payable	1,311,717.65	59,348.73	0.00	7,274,683.53	0.00	0.00	8,645,749.91
Contracts Payable Current	0.00	0.00		575,094.06	0.00	0.00	575,094.06
Accrued Interest Payable			0.00				0.00
Accrued Salaries	0.00	0.00		0.00			0.00
Anticipation Notes Payable	0.00		0.00	0.00	0.00	0.00	0.00
Payroll Deductions and Taxes Payable	684,427.84	0.00		0.00			684,427.84
Due To Other Governmental Units	0.00	0.00		1,264.31	0.00	0.00	1,264.31
Deferred Compensation Payable	35,209.27			0.00			35,209.27
Estimated Employee Benefits Payable	370,220.16						370,220.16
Due To Other Funds	347,334.66	33,877.01	2,412.25	882,436.88	0.00	0.00	1,266,060.80

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

Renton School District No. 403  
Balance Sheet

Governmental Funds

August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>LIABILITIES:</b>							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Unearned Revenue	0.00	0.00	0.00	0.00	0.00		0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
<b>TOTAL LIABILITIES</b>	<b>2,748,909.58</b>	<b>93,225.74</b>	<b>2,412.25</b>	<b>8,733,478.78</b>	<b>0.00</b>	<b>0.00</b>	<b>11,578,026.35</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Unavailable Revenue	106,654.06	138,418.86	0.00	0.00	0.00	0.00	245,072.92
Unavailable Revenue - Taxes Receivable	18,343,464.89		18,166,062.49	3,913,826.26	0.00		40,423,353.64
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>18,450,118.95</b>	<b>138,418.86</b>	<b>18,166,062.49</b>	<b>3,913,826.26</b>	<b>0.00</b>	<b>0.00</b>	<b>40,668,426.56</b>
<b>FUND BALANCE:</b>							
Nonspendable Fund Balance	215,373.66	0.00	0.00	0.00	0.00	0.00	215,373.66
Restricted Fund Balance	2,145,618.89	1,124,938.12	5,757,803.22	54,546,581.50	1,808,802.01	0.00	65,383,743.74
Committed Fund Balance	0.00	0.00	0.00	8,381,554.28	0.00	0.00	8,381,554.28
Assigned Fund Balance	1,972,154.00	0.00	0.00	641,898.60	0.00	0.00	2,614,052.60
Unassigned Fund Balance	7,113,012.56	0.00	0.00	0.00	0.00	0.00	7,113,012.56
<b>TOTAL FUND BALANCE</b>	<b>11,446,159.11</b>	<b>1,124,938.12</b>	<b>5,757,803.22</b>	<b>63,570,034.38</b>	<b>1,808,802.01</b>	<b>0.00</b>	<b>83,707,736.84</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE</b>	<b>32,645,187.64</b>	<b>1,356,582.72</b>	<b>23,926,277.96</b>	<b>76,217,339.42</b>	<b>1,808,802.01</b>	<b>0.00</b>	<b>135,954,189.75</b>

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

Renton School District No. 403  
Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>REVENUES:</b>							
Local	41,687,911.67	1,485,716.11	35,017,226.99	9,863,182.47	7,476.14		88,061,513.38
State	100,745,525.83	0.00	0.00	42,324.00	728,637.50		101,516,487.33
Federal	14,457,925.74	0.00	0.00	0.00	0.00		14,457,925.74
Federal Stimulus	545,520.98						545,520.98
Other	446,551.04			1,132,032.41	0.00	0.00	1,578,583.45
<b>TOTAL REVENUES</b>	<b>157,883,435.26</b>	<b>1,485,716.11</b>	<b>35,017,226.99</b>	<b>11,037,538.88</b>	<b>736,113.64</b>	<b>0.00</b>	<b>206,160,030.88</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	76,881,260.11						76,881,260.11
Federal Stimulus	517,724.30						517,724.30
Special Education	28,419,526.80						28,419,526.80
Vocational Education	5,122,248.30						5,122,248.30
Skill Center	0.00						0.00
Compensatory Programs	13,833,706.77						13,833,706.77
Other Instructional Programs	781,761.11						781,761.11
Community Services	1,692,533.32						1,692,533.32
Support Services	30,516,237.10						30,516,237.10
Student Activities/Other		1,558,939.25				0.00	1,558,939.25
<b>CAPITAL OUTLAY:</b>							
Sites				2,096,799.99			2,096,799.99
Building				24,799,063.03			24,799,063.03
Equipment				5,984,150.43			5,984,150.43
Instructional Technology				0.00			0.00
Energy				2,731,014.47			2,731,014.47
Transportation Equipment					592,034.83		592,034.83
Sales and Lease				0.00			0.00
Other	405,180.13						405,180.13
<b>DEBT SERVICE:</b>							
Principal	0.00		17,395,000.00	0.00	0.00		17,395,000.00
Interest and Other Charges	0.00		14,791,912.25	0.00	0.00		14,791,912.25
Bond/Levy Issuance				0.00	0.00		0.00
<b>TOTAL EXPENDITURES</b>	<b>158,170,177.94</b>	<b>1,558,939.25</b>	<b>32,186,912.25</b>	<b>35,611,027.92</b>	<b>592,034.83</b>	<b>0.00</b>	<b>228,119,092.19</b>

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



Renton School District No. 403

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>DEBT SERVICE:</b>							
REVENUES OVER (UNDER) EXPENDITURES	-286,742.68	-73,223.14	2,830,314.74	-24,573,489.04	144,078.81	0.00	-21,959,061.31
<b>OTHER FINANCING SOURCES (USES):</b>							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		0.00	0.00	0.00		0.00
Transfers Out (GL 536)	0.00		0.00	0.00	0.00		0.00
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	2,568.19		0.00	2,378,072.12	3,200.00		2,383,840.31
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,568.19</b>		<b>0.00</b>	<b>2,378,072.12</b>	<b>3,200.00</b>	<b>0.00</b>	<b>2,383,840.31</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>-284,174.49</b>	<b>-73,223.14</b>	<b>2,830,314.74</b>	<b>-22,195,416.92</b>	<b>147,278.81</b>	<b>0.00</b>	<b>-19,575,221.00</b>
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>11,673,206.57</b>	<b>1,198,161.26</b>	<b>2,927,488.48</b>	<b>85,765,451.30</b>	<b>1,661,523.20</b>	<b>0.00</b>	<b>103,225,830.81</b>
Prior Year(s) Corrections or Restatements	57,127.03	0.00	0.00	0.00	0.00	0.00	57,127.03
<b>ENDING TOTAL FUND BALANCE</b>	<b>11,446,159.11</b>	<b>1,124,938.12</b>	<b>5,757,803.22</b>	<b>63,570,034.38</b>	<b>1,808,802.01</b>	<b>0.00</b>	<b>83,707,736.84</b>

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

Renton School District No. 403  
Statement of Fiduciary Net Position  
Fiduciary Funds  
August 31, 2014

	Private Purpose Trust	Other Trust
<b>ASSETS:</b>		
Imprest Cash	0.00	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	50,482.00	0.00
Minus Warrants Outstanding	-500.00	0.00
Due From Other Funds	3,553.11	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	0.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	0.00
Capital Assets, Land	0.00	0.00
Capital Assets, Buildings	0.00	0.00
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	0.00
Accum Depreciation, Equipment	0.00	0.00
<b>TOTAL ASSETS</b>	<b>53,535.11</b>	<b>0.00</b>
<b>LIABILITIES:</b>		
Accounts Payable	0.00	0.00
Due To Other Funds	0.00	0.00
<b>TOTAL LIABILITIES</b>	<b>0.00</b>	<b>0.00</b>
<b>NET POSITION:</b>		
<b>Held in trust for:</b>		
Restricted for Other Items	0.00	0.00
Restricted for Self Insurance	0.00	0.00
Restricted for Uninsured Risks	0.00	0.00
Nonspendable -- Trust Principal	0.00	0.00
Committed to Other Purposes	0.00	0.00
Held In Trust For Private Purposes	53,535.11	0.00
Assigned to Fund Purposes	0.00	0.00
Held In Trust For Pension And Other Employee Benefits	0.00	0.00
Unassigned Fund Balance	0.00	0.00
<b>TOTAL NET POSITION</b>	<b>53,535.11</b>	<b>0.00</b>

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

Renton School District No. 403

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended August 31, 2014

	Private Purpose Trust	Other Trust
<b>ADDITIONS:</b>		
Contributions:		
Private Donations	5,899.00	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
<b>TOTAL CONTRIBUTIONS</b>	<b>5,899.00</b>	<b>0.00</b>
<b>Investment Income:</b>		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	268.38	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	268.38	0.00
<b>Other Additions:</b>		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
<b>TOTAL ADDITIONS</b>	<b>6,167.38</b>	<b>0.00</b>
<b>DEDUCTIONS:</b>		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	18.58	0.00
Scholarships	4,500.00	
Other	0.00	0.00
<b>TOTAL DEDUCTIONS</b>	<b>4,518.58</b>	<b>0.00</b>
Net Increase (Decrease)	1,648.80	0.00
Net Position--Beginning	51,886.31	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
<b>NET POSITION--ENDING</b>	<b>53,535.11</b>	<b>0.00</b>

**Renton School District**  
**Notes to the Financial Statements**  
September 1, 2013 Through August 31, 2014

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

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

The District presents governmental fund financial statements and related notes on the modified accrual basis of accounting in accordance with the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor's Office and the Superintendent of Public Instruction by the authority of RCW 43.09.200, RCW 28A.505.140, RCW 28A.505.010(1) and RCW 28A.505.020. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- (1) Districtwide statements, as defined in GAAP, are not presented.
- (2) A Schedule of Long-Term Liabilities is presented as supplementary information.
- (3) Supplementary information required by GAAP is not presented.

**Reporting Changes**

The District presented its 2012-2013 financial statements and notes in the Comprehensive Annual Financial Report (CAFR), which are prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. For the 2013-2014 year the District is presenting financial statements and notes on an other comprehensive basis of accounting (OCBOA) as prescribed in the *Accounting Manual for Public School Districts in the State of Washington*.

**Fund Accounting**

Financial transactions of the District are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures as appropriate. All funds are considered major funds. The various funds in the report are grouped into governmental and fiduciary funds as follows:

***Governmental Funds***

General Fund

This fund is used to account for all expendable financial resources, except for those that are required to be accounted for in another fund. In keeping with the principle of having as few

funds as are necessary, activities such as food services, maintenance, data processing, printing, and student transportation are included in the General Fund.

### Capital Projects Funds

These funds account for financial resources that are to be used for the construction or acquisition of major capital assets. There are two funds that are considered to be of the capital projects fund type: the Capital Projects Fund and the Transportation Vehicle Fund.

Capital Projects Fund. This fund is used to account for resources set aside for the acquisition and construction of major capital assets such as land and buildings.

Transportation Vehicle Fund. This fund is used to account for the purchase, major repair, rebuilding, and debt service expenditures that relate to pupil transportation equipment.

### Debt Service Fund

This fund is used to account for the accumulation of resources for and the payment of matured general long-term debt principle and interest.

### Special Revenue Fund

In Washington State, the only allowable special revenue fund for school districts is the Associated Student Body (ASB) Fund. This fund is accounted for in the District's financial statements as the financial resources legally belong to the District. As a special revenue fund, amounts within the ASB Fund may only be used for those purposes that relate to the operation of the Associated Student Body of the District.

### ***Fiduciary Funds***

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

### Private-Purpose Trust Fund

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

## **Measurement focus, basis of accounting and fund financial statement presentation**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the amount of the transaction can be readily determined. Revenues are considered "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are

collected within 60 days after year-end. Property taxes receivable are measurable but not available and are, therefore, not accrued. Categorical program claims and interdistrict billings are measurable and available and are, therefore, accrued.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which are recorded when due. Purchases of capital assets are expensed during the year of acquisition. For federal grants, the recognition of expenditures is dependent on the obligation date. (Obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.)

## **Budgets**

Chapter 28A.505 RCW and Chapter 392-123 Washington Administrative Code (WAC) mandate school district budget policies and procedures. The board adopts annual appropriated budgets for all governmental funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Appropriations lapse at the end of the fiscal period.

Budgets are adopted on the same modified accrual basis as used for financial reporting. Fund balance is budgeted as available resources and, under statute, may not be negative, unless the District enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

### **The government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.**

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

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

### **The government's fund balance classifications policies and procedures.**

The District classifies ending fund balance for its governmental funds into five categories.

Nonspendable Fund Balance. The amounts reported as Nonspendable are resources of the District that are not in spendable format. They are either non-liquid resources such as inventory or prepaid items, or the resources are legally or contractually required to be maintained intact.

Restricted Fund Balance. Amounts that are reported as Restricted are those resources of the District that have had a legal restriction placed on their use either from statute, WAC, or other legal requirements that are beyond the control of the board of directors. Restricted fund balance includes anticipated recovery of revenues that have been received but are restricted as to their usage.

Committed Fund Balance. Amounts that are reported as Committed are those resources of the District that have had a limitation placed upon their usage by formal action of the District's board of directors. Commitments are made either through a formal adopted board resolution or are related to a school board policy. Commitments may only be changed when the resources are used for the intended purpose or the limitation is removed by a subsequent formal action of the board of directors.

Assigned Fund Balance. In the General Fund, amounts that are reported as Assigned are those resources that the District has set aside for specific purposes. These accounts reflect tentative management plans for future financial resource use such as the replacement of equipment or the assignment of resources for contingencies. Assignments reduce the amount reported as Unassigned Fund Balance, but may not reduce that balance below zero.

In other governmental funds, Assigned fund balance represents a positive ending spendable fund balance once all restrictions and commitments are considered. These resources are only available for expenditure in that fund and may not be used in any other fund without formal action by the District's board of directors and as allowed by statute.

The Assistant Superintendent of Business of Finance and Operations and the Board of Directors are the only persons who have the authority to create Assignments of fund balance.

Unassigned Fund Balance. In the General Fund, amounts that are reported as Unassigned are those net spendable resources of the District that are not otherwise Restricted, Committed, or Assigned, and may be used for any purpose within the General Fund.

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

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

## **Cash and Cash Equivalents**

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

## **Receivables and Payables**

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

## **Inventory**

Inventory is valued at cost using the first-in, first-out (FIFO) method. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. A portion of fund balance, representing inventory, is considered Nonspendable. USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

## **NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

The King County Treasurer is the *ex officio* treasurer for the District and holds all accounts of the District. The District directs the County Treasurer to invest those financial resources of the District that the District has determined are not needed to meet the current financial obligations of the District.

All of the District's investments except for investments of deferred compensation plans during the year and at year-end were insured or registered and held by the District or its agent in the District's name.

The District's investments as of August 31, 2014, are as follows:

	Fair Value
County Treasurer's Investment Pool	\$ 88,684,483
Total Investments	\$ 88,684,483

### **Impaired Investments**

As of August 31, 2014 all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The Impaired Pool also held the residual investments in 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 \$277,996 and the District's fair value of these investments is \$166,161.

### **Interest Rate Risk**

As of August 31, 2014 the Pool's average duration was 1.34 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

### **Credit Risk**

As of August 31, 2014 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.

## **NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES**

The District has no known significant contingencies as of August 31, 2014.



## Litigation

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

## Arbitrage Rebate

The Tax Reform Act of 1986 requires the District to rebate the earnings on the investment of bond and revenue anticipation note proceeds, in excess of their yield, to the federal government. Currently, this requirement does not apply to the District because of the way the District manages bond proceeds.

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

In September 2014 the District issued \$37,800,000 in Unlimited Tax General Obligation Bonds to refund the 2004 and 2006 bonds. The interest rate on the notes is five percent and the maturity date is December 1, 2025.

## **NOTE 5: ANNUAL PENSION COST AND NET PENSION OBLIGATIONS**

### 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): Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS). Participation in the programs was as follows:

Membership by retirement system program as of June 30, 2012:

Program	Active Members	Inactive Vested Members	Retired Members
TRS	65,357	9,545	42,918
PERS	150,590	30,515	82,242
SERS	51,558	10,920	7,651

Membership by retirement system program as of June 30, 2013:

Program	Active Members	Inactive Vested Members	Retired Members
TRS	65,935	9,823	44,220
PERS	150,706	31,047	85,328
SERS	52,295	11,588	9,079

Data is as of last actuarial valuation date of June 30, 2013.

Certificated public employees are members of TRS. Noncertificated public employees are members of PERS (if Plan 1) or SERS.

Plan 1 under the TRS and PERS programs are defined benefit pension plans whose members joined the system on or before September 30, 1977. Plan 1 members are eligible to retire with full benefits after five years of credited service and attainment of age 60, after 25 years of credited service and attainment of age 55, or after 30 years of credited service.

Plan 2 under the TRS or SERS programs are defined benefit pension plans whose members joined on or after October 1, 1977, but before June 30, 1996 or August 31, 2000, for TRS or SERS programs, respectively. Members of TRS and SERS are eligible to retire with full benefits after five years of credited service and attainment of age 65, after 20 years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65, or 30 years of credited service and receive either a reduced benefit or stricter return-to-work rules.

Plan 3 under the TRS and SERS programs are defined benefit, defined contribution pension plans whose members joined on or after July 1, 1996, or September 1, 2000, for TRS and SERS, respectively. Members are eligible to retire with full benefits at age 65, or they may retire at age 55 with at least ten service years with a reduced benefit amount, or they may retire at age 55 with at least 30 service years and receive either a reduced benefit or stricter return-to-work rules.

Average final compensation (AFC) of Plan 1 TRS and PERS members is the highest average salary during any two consecutive years. For Plan 2 and Plan 3 TRS and SERS members, it is the highest average salary during any five consecutive years.

The retirement allowance of Plan 1 TRS and PERS members is the AFC multiplied by 2 percent per year of service capped at 60 percent with a cost-of-living adjustment. For Plan 2 TRS and SERS members, it is the AFC multiplied by 2 percent per year of service with provision for a cost-of-living adjustment. For the defined benefit portion of Plan 3 TRS and SERS it is the AFC multiplied by 1 percent per year of service with a cost-of-living adjustment.

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at 6 percent and does not vary from year to year. The employer rate is the same for all plans in a system. The methods used to determine the contribution requirements are established under chapters 41.40, 41.32, and 41.35 RCW for PERS, TRS and SERS respectively.

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

## B. Contributions

Employee contribution rates effective September 1, 2013 through August 31, 2014:

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	4.96%	Plan 2 SERS	4.64%
Plan 3 TRS and SERS	5.00% (minimum), 15.00% (maximum)		

For Plan 3 TRS and SERS, rates adjusted based upon age may be chosen. The optional rates range begins at 5 percent and increase to a maximum of 15 percent.

Employer contribution rates effective September 1, 2013 through August 31, 2014:

Plan 1 TRS	10.39%	Plan 1 PERS	9.21%
Plan 2 TRS	10.39%	Plan 2 SERS	9.82%
Plan 3 TRS	10.39%	Plan 3 SERS	9.82%

Under current law the employer must contribute 100 percent of the employer-required contribution. Employer required contributions in dollars (Participant information for all plans is as of August 31):

<u>Plan</u>	<u>2013-2014</u>	<u>2012-2013</u>	<u>2011-2012</u>
Plan 1 TRS	\$ 239,334	\$ 235,767	\$ 285,442
Plan 2 TRS	\$ 1,512,115	\$ 1,062,159	\$ 932,092
Plan 3 TRS	\$ 5,474,723	\$ 3,908,630	\$ 3,621,572
Plan 1 PERS	\$ 60,711	\$ 50,440	\$ 48,215
Plan 2 SERS	\$ 1,023,715	\$ 677,506	\$ 592,852
Plan 3 SERS	\$ 1,541,068	\$ 1,075,446	\$ 947,508

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, 2014, 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  
 PO BOX 43113  
 Olympia, WA 98504-3113

**NOTE 6: ANNUAL OTHER POST-EMPLOYMENT BENEFIT COST AND NET OPEB OBLIGATIONS**

The State, through the Health Care Authority (HCA), administers an agent multi-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 insurance and long-term disability insurance.

Employers participating in the plan include the State of Washington (which includes general government agencies and higher education institutions), 57 of the state's K-12 school districts and educational service districts (ESDs), and 206 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 247 K-12 school districts and ESDs. The District's retirees are eligible to participate in the PEBB plan under this arrangement.

According to state law, the Washington State Treasurer collects a fee from all school district entities which have employees that are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the state Health Care Authority. For the fiscal year 2013-14,

the District was required to pay the HCA \$66.64 per month per full-time equivalent employee to support the program, for a total payment of \$1,271,968. This assessment to the District is set forth in the State's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

The District has no control over the benefits offered to retirees, the rates charged to retirees, nor the fee paid to the Health Care Authority. The District does not determine its Annual Required Contribution nor the Net Other Post-Employment Benefit obligation associated with this plan. Accordingly, these amounts are not shown on the financial statements. This is a departure from GAAP.

## **NOTE 7: COMMITMENTS UNDER NONCAPITALIZED (OPERATING) LEASES**

For the fiscal year ended August 31, 2014, the District had incurred additional long-term debt as follows:

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 2013-2014 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
2014-15	\$ 15,000	\$ 39,468	\$ 14,308	\$ 68,776
2015-16	15,000	39,468	14,308	68,776
2016-17	15,000	-	14,308	29,308
2017-18	15,000	-	14,308	29,308
2018-19	15,000	-	14,308	29,308

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.

Operating Leases for the Year Ending August 31, 2014			
Year	Copiers	Rent	Total
2015	\$ 579,251	\$ -	\$ 579,251
2016	425,550	-	425,550
2017	59,237	-	59,237
2018	-	-	-
2019	-	-	-
Total Minimum Payments Required	\$ 1,064,038	\$ -	\$ 1,064,038

**NOTE 8: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS, INCLUDING ENCUMBRANCES**

Construction in progress is composed of:

Project	Project Authorization Amount	Expended as of 8/31/14	Additional Local Funds Committed
Honey Dew Furniture	\$ 492,000	\$ 478,688	
Covered Play Areas	885,329	827,319	
Dimmitt Field Improvements	2,509,889	2,402,014	
Dimmitt Building Improvements	4,536,245	4,351,419	
Nelsen Field Improvements	2,001,117	1,407,058	
Nelsen Building Improvements	6,106,683	5,784,123	
New Middle School	47,000,000	3,743,793	
Hazen Classroom Improvements	13,259,585	13,007,574	
Lindbergh Building Improvements	11,682,168	11,551,246	
Lindbergh Pool	7,025,000	434,572	
Renton High Field Improvements	251,706	251,705	
Renton High Building Improvements	2,667,747	2,667,747	
Secondary Alt Campus	30,481,876	29,613,475	
Black River Annex	4,381,777	3,977,564	
Renton Academy	10,358,635	8,860,882	
Building Finishes	1,674,376	1,192,559	
Portable Classrooms	8,171,420	3,776,660	
Early Childhood Center	29,122,698	27,877,293	1,132,032

(Continued)			
Project	Project Authorization Amount	Expended as of 8/31/14	Additional Local Funds Committed
Stadium Improvements	14,981,236	14,698,688	
KEC Reconfiguration	511,500	470,802	
Building Upgrades	4,910,000	424,836	
Roof Upgrades	5,455,000	2,802,860	
Grounds Upgrades	6,550,000	1,008,645	
Transportation	15,000	-	
Transition/Moving	200,000	55,429	
Fire Alarms	537,500	304,004	
Sidewalks & Resurfacing	617,500	150,657	
Fencing	222,642	29,885	
Accessibility	614,468	519,264	
Access Controls	575,000	380,224	
Security Upgrades	710,142	522,231	
Safety & Security	5,465,000	86,604	
Emergency Communication System	100,000	20,355	
Facility Enhancement	3,185,000	88,642	
Energy Conservation	16,423,302	8,208,187	
Technology Levy	33,479,752	22,205,156	
Land Acquisition	5,000,000	-	
Sale of Lake Boren	60,000	30,931	
Sale of Tiffany Park MS	60,000	50,994	
Hazelwood Site Sale	2,916	2,916	
<b>Total</b>	<b>\$ 282,284,209</b>	<b>\$ 174,267,001</b>	<b>\$ 1,132,032</b>

Additional Local Funds Committed are due to an interlocal agreement between the District and the City of Renton for the Meadow Crest playground project.

### Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. The following encumbrance amounts were re-encumbered by fund on September 1, 2014:

Fund	Amount
General	\$ 2,162,355
ASB Fund	\$ -
Capital Projects Fund	\$ 117,730,674
Transportation Vehicle Fund	\$ -

### **NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS**

The District's capital assets are insured in the amount of \$150,000,000 for fiscal year 2014. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

## **NOTE 10: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES**

### **Long-Term Debt**

Bonds payable at August 31, 2014, are comprised of the following individual issues:

Issue Name	Issue Date	Amount Issued	2013-14 Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
2003 Unlimited GO Bond	11/06/2003	\$100,000,000	\$ 1,019,375	12/01/2022	2.00-5.25	\$ -
2004 Refunding Bond	09/15/2004	9,890,000	1,690,713	06/01/2016	3.00-5.375	2,870,000
2005 Refunding Bond	02/15/2005	72,000,000	15,049,000	12/01/2016	3.00-5.00	24,935,000
2006 Unlimited GO Bond	08/09/2006	50,000,000	1,864,750	12/01/2025	4.75-5.00	37,900,000
2008 Unlimited GO Bond	12/03/2008	10,000,000	457,500	12/01/2027	4.55-4.60	10,000,000
2009 Unlimited GO Bond	04/29/2009	75,000,000	2,794,238	12/01/2028	2.50-5.00	57,810,000
2011 Unlimited GO Bond	08/23/2011	60,005,000	2,616,500	12/01/2031	5.00	60,005,000
2012 Refunding Bond	09/05/2012	64,010,000	3,543,175	12/01/2022	5.00	43,700,000
2012 Unlimited GO Bond	09/05/2012	45,325,000	3,149,950	12/01/2031	3.00-5.00	62,985,000
<b>Total General Obligation Bonds</b>		<b>\$486,230,000</b>	<b>\$32,184,500</b>			<b>\$ 300,205,000</b>

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

The following is a summary of general obligation long-term debt transactions of the District for the fiscal year ended August 31, 2014:

Long-Term Debt Payable at 9/1/2013	\$ 317,600,000
New Issues	\$ -
Debt Retired	\$ 17,395,000
Long-Term Debt Payable at 8/31/2014	\$ 300,205,000

The following is a schedule of annual requirements to amortize debt at August 31, 2014:

Years Ending August 31	Principal	Interest	Total
2015	\$ 17,615,000	\$ 13,921,288	\$ 31,536,288
2016	11,415,000	13,072,663	24,487,663
2017	13,395,000	12,379,363	25,774,363
2018	14,085,000	11,717,513	25,802,513
2019	14,770,000	11,014,388	25,784,388
2020-2024	85,425,000	43,284,788	128,709,788
2025-2029	106,935,000	21,298,056	128,233,056
2030-2032	36,565,000	2,374,350	38,939,350
<b>Total</b>	<b>\$ 300,205,000</b>	<b>\$ 129,062,409</b>	<b>\$ 429,267,409</b>

At August 31, 2014, the District had \$5,757,803 available in the Debt Service Fund to service the general obligation bonds.

### **Bonds Authorized But Unissued**

The District has \$47,000,000 of bonds authorized by voter approval in 2012 that have not yet been issued.

## **NOTE 11: INTERFUND BALANCES AND TRANSFERS**

Renton School District did not participate in any interfund loan activity.

## **NOTE 12: ENTITY RISK MANAGEMENT ACTIVITIES**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In September 1995 the District joined together with other school districts in the state to form the Schools Insurance Association of Washington (SIAW), a public entity risk pool currently operating as a common risk management and insurance program for property and casualty insurance. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the SIAW provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of various amounts depending on the insured event.

Beginning in January 1970, the District began covering all claim settlements and judgments out of its General Fund. The District currently reports all of its risk management activities in its General Fund. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not recorded.

At August 31, 2014, the amount of liabilities totaled \$289,524. This liability is the District's best estimate based on available information. Changes in the reported liability since August 31, 2014, resulted in the following:

	9/1/20XX Liability	Current Year Claims and Changes in Estimates	Claim Payments	8/31/20XX Balance
2012-2013	\$ 81,344	\$ 388,397	\$ 371,781	\$ 97,960
2013-2014	\$ 97,960	\$ 571,076	\$ 379,512	\$ 289,524

At August 31, 2014, General Fund investments of \$150,300 were held for purposes of funding the District's future claims liabilities. As a result, \$150,300 of General Fund balance is considered Restricted for payment of future claim liabilities.

## **NOTE 13: PROPERTY TAXES**

Property tax revenues are collected as the result of special levies passed by the voters in the District. Taxes are levied on January 1. The taxpayer has the obligation of paying all taxes on April 30 or one-half then and one-half on October 31. Typically, slightly more than half of the collections are made on the April 30 date. The October 31 collection is not available in time to cover liabilities for the fiscal period ended August 31. Therefore, the fall portion of property taxes is not accrued as revenue. Instead, the property taxes due on October 31 are recorded as deferred revenue.



**NOTE 14: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS**

The District is an originating member of the King County Director’s Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts’ purchasing power. The board authorized joining the association by signing an agreement dated April 18, 1974, and has remained in the joint venture ever since. The District’s current equity of \$177,024 is the accumulation of the annual assignment of KCDA’s operating surplus based upon the percentage derived from KCDA’s total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

The District is a member of the Puget Sound Joint Purchasing Cooperative (PSJPC). PSJPC is comprised of over 110 school districts throughout Washington formed to insure districts receive competitive bid pricing for food, supplies, and commodity processing. The primary focus of the PSJPC is Child Nutrition Programs. Memberships are automatically renewed each year unless a termination request is submitted by May 1<sup>st</sup> of the current school year. During the 2013-2014 year the District acted as the fiscal agent for the PSJPC.

**NOTE 15: FUND BALANCE CLASSIFICATION DETAILS**

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

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items	\$ 215,374				
Uninsured Risks	\$ 137,500				
Restricted Fund Balance					
Grant Use	\$ 103,201				
Specified Donation Use	\$ 592,504				
Food Services	\$ 923,781				
Labor and Industries Expenditures	\$ 150,300				
Employment Security	\$ 50,000				
Self-Funded Vision	\$ 169,920				
Communities in Schools	\$ 15,103				
Contingency	\$ 3,310				
Student Activities		\$1,124,938			
Debt Service				\$ 5,757,803	
Bond Proceeds			\$ 53,407,362		
State Proceeds			\$ 10		
Other Capital Projects			\$ 1,139,209		
Transportation					\$ 1,808,802
Committed Fund Balance					
Other Commitments			\$ 8,381,554		

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Assigned Fund Balance					
Grant Use	\$ 767,069				
Specified Donation Use	\$ 5,542				
Rebates	\$ 7,450				
Educational Use	\$ 507,740				
E-Rate	\$ 184,353				
Start Up for Schools	\$ 500,000				
Capital Projects			\$ 641,899		
Unassigned Fund Balance	\$ 7,113,012				

**NOTE 16: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS**

**457 Plan – Deferred Compensation Plan**

District employees have the option of participating in a deferred compensation plan as defined in §457 of the Internal Revenue Code that is administered by the state deferred compensation plan, or the District.

**403(b) Plan – Tax Sheltered Annuity (TSA)**

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under one type of deferral: elective deferrals (employee contribution).

The District complies with IRS regulations that require school districts to have a written plan to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by a third party administrator (OMNI). The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements.

**NOTE 17: TERMINATION BENEFITS**

**Compensated Absences**

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

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

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

Renton School District No. 403  
 Schedule of Long-Term Liabilities: GENERAL FUND

For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
<b>Non-Voted Debt and Liabilities</b>					
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Non-Cancellable Operating Leases	822,930.40	3,803.24	360,756.02	465,977.62	294,376.83
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	3,257,862.00	3,679,296.00	3,497,291.00	3,439,867.00	2,557,100.28
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
<b>Other Liabilities</b>					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
<b>Total Long-Term Liabilities</b>	<b>4,080,792.40</b>	<b>3,683,099.24</b>	<b>3,858,047.02</b>	<b>3,905,844.62</b>	<b>2,851,477.11</b>

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

Renton School District No. 403  
 Schedule of Long-Term Liabilities: DEBT SERVICE FUND

For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
<b>Voted Debt</b>					
Voted Bonds	317,600,000.00	0.00	17,395,000.00	300,205,000.00	17,615,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
<b>Non-Voted Debt</b>					
Non-Voted Bonds	0.00	0.00	0.00	0.00	0.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
<b>Total Long-Term Liabilities</b>	<b>317,600,000.00</b>	<b>0.00</b>	<b>17,395,000.00</b>	<b>300,205,000.00</b>	<b>17,615,000.00</b>

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

Renton School District No. 403  
 Schedule of Long-Term Liabilities: CAPITAL PROJECTS FUND  
 For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
<b>Non-Voted Debt and Liabilities</b>					
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	0.00	0.00	0.00	0.00	0.00
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
<b>Other Liabilities</b>					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	0.00	0.00	0.00	0.00	0.00

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

Renton School District No. 403

Schedule of Long-Term Liabilities: TRANSPORTATION VEHICLE FUND

For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
<b>Non-Voted Debt and Liabilities</b>					
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
<b>Other Liabilities</b>					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	0.00	0.00	0.00	0.00	0.00

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

**RENTON SCHOOL DISTRICT NO. 403**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ending August 31, 2014

**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	Footnote
<b>U.S. Dept of Agriculture</b>								
	WA OSPI	School Breakfast Program	10.553	N/A		621,477	621,477	6
	WA OSPI	National School Lunch Program - Cash Assistance	10.555	N/A		3,302,531	3,302,531	6
	WA OSPI	National School Lunch Program - Non Cash Assistance - Commodities	10.555	N/A		377,649	377,649	4, 6
	WA OSPI	Summer Food Service Program for Children	10.559	N/A		95,006	95,006	6
<b>Subtotal Child Nutrition Cluster</b>					-	<b>4,396,663</b>	<b>4,396,663</b>	
	Office of State Treasurer	School & Roads - Grants to States	10.665	N/A		8,419	8,419	6
<b>Subtotal US Dept of Agriculture</b>					-	<b>4,405,082</b>	<b>4,405,082</b>	
<b>US Dept of Education</b>								
	WA OSPI	Special Education - Grants to States	84.027	304075 & 337622		3,486,743	3,486,743	7
	WA OSPI	Special Education - Preschool Grants	84.173	364805		88,194	88,194	7
<b>Subtotal Special Education Cluster</b>					-	<b>3,574,937</b>	<b>3,574,937</b>	
	WA OSPI	Title I Grants to LEA	84.010	201430, 229533, 228615		3,549,595	3,549,595	5, 7
		Indian Education Grants to LEA	84.060	A060A14039	64,940		64,940	7
	WA OSPI	Career & Technical Education Basic Grants to States	84.048	173170		171,832	171,832	7
	WA OSPI	English Language Acquisition State Grants	84.365	401876		356,784	356,784	8
	WA OSPI	Improving Teacher Quality State Grants	84.367	523317		443,724	443,724	7
	WA OSPI	School Improvement Grants	84.377	225336		654,556	654,556	7
	WA OSPI	Race to the Top - District Grants	84.416	8423, 8398, 8366, 8246, 5817, 8563, 8532, 8279,		543,871	543,871	
<b>Subtotal Dept of Education</b>					<b>64,940</b>	<b>9,295,298</b>	<b>9,360,238</b>	
<b>U.S. Dept of Labor Employment Training Administration</b>								
	Workforce Devel Council	WIA Youth Activities	17.259	N/A		6,495	6,495	6
<b>Subtotal Dept of Labor, Employment Training Admin</b>					-	<b>6,495</b>	<b>6,495</b>	
<b>U.S. Dept of Health &amp; Human Services</b>								
	School's Out	Refugee and Entrant Assistance Discretionary Grants	93.576	N/A		15,000	15,000	6, 8
	ESD 121	Head Start	93.600	N/A		731,794	731,794	6
	WA DSHS	Medical Assistance Program	93.778	N/A		385,430	385,430	6
<b>Subtotal Dept of Health &amp; Human Services</b>					-	<b>1,132,224</b>	<b>1,132,224</b>	
<b>TOTAL FEDERAL AWARDS</b>					<b>64,940</b>	<b>14,839,099</b>	<b>14,904,039</b>	1, 2, 3

The Accompanying Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of this Schedule.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ending August 31, 2014**

**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—AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) of 2009**

Of the amount shown for this program, \$0 was paid from ARRA funds.

**NOTE 3—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 4—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 5—SCHOOLWIDE PROGRAMS**

The district operates a "schoolwide program" in three 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 school wide program. Title I (84.010) \$2,588,220.

**NOTE 6—NOT AVAILABLE (N/A)**

The district was unable to obtain other identification number.

**NOTE 7—FEDERAL INDIRECT RATE**

The district used the federal restricted rate of 4.01 percent for this program.

**NOTE 8—INDIRECT RATE**

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



**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED  
UNDER OMB CIRCULAR A-133**

**Renton School District No. 403  
King County  
September 1, 2013 through August 31, 2014**

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the Renton School District No. 403.

<p><b>Finding ref number:</b> 2014-001</p>	<p><b>Finding caption:</b> The District did not have adequate internal controls to ensure compliance with federal procurement requirement for its Race to the Top program.</p>
<p><b>Name, address, and telephone of auditee contact person:</b> Ron Ellis 425-204-2394 Jenna Valach 425-204-2380 300 S.W. 7th Street Renton, WA 98057</p>	
<p><b>Corrective action the auditee plans to take in response to the finding:</b> <i>The District's current procedure requires the purchaser to complete a sole source justification form prior to completing a sole source purchase. The purpose of this form is to explain how a sole source determination is made.</i>  <i>The District is working on updating the justification form as well as creating a contract cover sheet. One of the questions on the cover sheet is whether the contract is a sole source. If so it states a justification form must be filled out and adequate documentation must be attached to demonstrate an allowable purpose. The contract cover sheet will need to be initialed before the contract is started.</i>  <i>The District has also initiated a series of training sessions that includes both program/departments managers and staff. At one of the upcoming sessions we will review procurement procedures concerning the use of federal funds (not just RTTT). Specifically, sole source justification will be reviewed.</i>  <i>The District has requested the State Auditor's Office to provide examples of other school districts that have adequate documentation for their sole source purchases.</i></p>	
<p><b>Anticipated date to complete the corrective action:</b> June 30, 2015</p>	

## 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 to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

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.

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 as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

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