Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Renton School District No. 403

For the period September 1, 2024 through August 31, 2025

Published May 28, 2026

Report No. 1039875

Office of the Washington State Auditor
Pat McCarthy

May 28. 2026

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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

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SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of Renton School District No. 403 are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

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 in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

ALN	Program or Cluster Title
84.010	Title I Grants to Local Educational Agencies
84.027	Special Education Cluster (IDEA) - Special Education Grants to States
84.173	Special Education Cluster (IDEA) - Special Education Preschool Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $750,000.

The District did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2025-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2025-002.

Renton School District No. 403
September 1, 2024 through August 31, 2025

2025-001 The District's financial condition puts it at risk of being unable to meet financial obligations and maintain current service levels.

Background

An elected, five-member Board of Directors governs the District. The Board appoints a superintendent to oversee the District's operations as well as its staff of 1,462 employees. The District serves about 14,130 students across four traditional high schools, four middle schools, 16 elementary schools, two alternative learning sites, and one early learning center. For the 2024-25 school year, its operating revenues and expenditures were about $300.2 million and $307.9 million, respectively.

Description of Condition

The Board of Directors and District management are responsible for monitoring the District's financial data to ensure it can meet its current and future financial obligations. The Board adopted a minimum fund balance policy of 4% of the current year expenditures to address potential general fund needs and to maintain an acceptable and adequate minimum fund balance for district operations. However, the District did not meet its minimum fund balance policy during the 2024-25 school year.

We reviewed the District's financial condition and noted that its ending general fund balance and fund balance sufficiency have declined since previous years.

Operating margin is a measure that shows the difference between operating revenues and expenditures, or if annual revenues are sufficient to cover annual expenditures. The following table shows the District's declining financial indicators since 2022, which increases its risk of being unable to sustain operations or provide the same level of services.

As of the year ending August 31:				
Operating margin ratio	**2022**	**2023**	**2024**	**2025**
General fund operating revenues (in millions)	$271.3	$290.6	$298.4	$300.2
General fund operating expenditures (in millions)	$273.3	$296.8	$302.3	$307.9
Net income as percent of revenues	-0.74%	-2.16%	-1.31%	-2.57%

The following table shows the District's declining ending general fund balance since 2022:

As of the year ending August 31:				
Change in fund balance ratio	**2022**	**2023**	**2024**	**2025**
Beginning general fund balance (in millions)	$31.2	$28.0	$21.7	$17.9
Ending general fund balance (in millions)	$28.0	$21.7	$17.9	$10.6
Percent change in fund balance	-10.17%	-22.51%	-17.18%	-41.05%

Fund balance sufficiency shows the number of days the District could sustain operations with cash on hand. The following table shows the District's lower fund balance sufficiency compared to previous years, which increases its risk of being unable to sustain operations or provide the same level of services.

As of the year ending August 31:				
Fund balance sufficiency ratio	**2022**	**2023**	**2024**	**2025**
Days of operating expenditures	37	26	21	12

As a result of the continuing declines, the District could sustain only 12 days of operating expenditures as of the end of the 2025 fiscal year.

Additionally, our audit found on February 13, 2026, the District entered into an interfund loan agreement between the capital projects fund and the general fund for $10 million, intended to provide short-term cash flow support to the general fund. The loan is scheduled to be repaid no later than August 31, 2026.

The Board and District management have taken steps to sustain operations and improve financial condition by establishing a plan to reduce planned expenditures for the 2025-26 school year. Further, the voters approved raising the lid to the local levy, which will bring in an additional $7 million, of which the District has stated publicly that additional revenue will be used to replenish the general fund balance.

Cause of Condition

The District has had a decrease in enrollment over the past decade, which has contributed to revenue decreases. Additionally, the District’s costs have increased while federal and state funding has decreased.

Effect of Condition

The District’s financial condition puts it at risk of being unable to sustain operations or continue providing the same levels of service in the future.

Recommendation

We recommend the District continue to make its financial condition a priority, and to closely monitor financial operations to ensure long-term sustainability. We further recommend the District review and update its response plans as needed based on the most current data.

District's Response

District leadership and the Board of Directors recognize the importance of maintaining adequate financial reserves to ensure the District can meet both current and future operational obligations while continuing to provide quality educational services to students.

The District has experienced significant financial pressures in recent years due to declining enrollment, increasing operational costs, and reductions in certain state and federal funding sources. These factors have negatively impacted operating margins and reduced available reserves. District management has closely monitored these trends and has taken proactive steps to address its financial condition.

During the 2024–2025 and 2025–2026 fiscal years, the District implemented more than $30 million in budget reductions and mitigation measures designed to align ongoing expenditures with available revenues. These efforts have included staffing and operational adjustments, reductions in discretionary spending, and freezing expenditures outside of direct classroom instruction and student services. District leadership continues to evaluate operational efficiencies while prioritizing the preservation of educational programs and support for students.

Subsequently during 2025-26, voters approved an increase to the local levy lid, which is expected to generate approximately $7 million in additional annual revenue. The District intends to use a portion of these additional revenues to restore and strengthen general fund reserves over time and mitigate ongoing inflationary cost pressure into the near future.

The interfund loan agreement executed in February 2026 was implemented as a short-term cash flow management strategy and is expected to be repaid by August 31, 2026, in accordance with governing board authorization. District management continues to monitor cash flow projections and fund balances regularly to ensure financial obligations are met.

The District agrees with the recommendation and will continue to prioritize long-term financial sustainability. Management and the Board will continue reviewing financial data, updating multi-year financial projections, monitoring enrollment trends, evaluating expenditures, and adjusting financial recovery strategies as needed based on the most current information available.

Auditor's Remarks

We thank the District for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the District's corrective action during our next regular audit.

Applicable Laws and Regulations

RCW 28A.505.110, Budget—Including receivables collectible in future years—Limitations.

RCW 28A.505.120, Withholding state funds upon district noncompliance—Notice of.

RCW 28A.505.130, Budget—Requirements for balancing estimated expenditures.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Renton School District No. 403
September 1, 2024 through August 31, 2025

2025-002 The District did not have adequate internal controls and did not comply with time-and-effort requirements.

Assistance Listing Number and Title:	84.010 – Title I Grants to Local Educational Agencies
Federal Grantor Name:	U.S. Department of Education
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Office of the Superintendent of Public Instruction (OSPI)
Pass-through Award/Contract Number:	GT-03188, GT-03331, GT-03681, GT-03776, GT-03993, GT-04029, GT-04089, GT-04368, GT-04378
Known Questioned Cost Amount:	$0
Prior Year Audit Finding:	N/A

Background

The objective of the Title I program is to improve the teaching and learning of children who are at risk of not meeting state academic standards and who reside in areas with high concentrations of children from low-income families. During the 2024-25 school year, the District spent $4,820,735 in Title I program funds.

Federal regulations require recipients to establish, document and maintain effective internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

The District is responsible for ensuring it supports all payroll costs it charges to the program with adequate time-and-effort documentation, as required by federal regulations and the awarding agency. Depending on the number and types of activities employees perform, time-and-effort documentation can be a semiannual certification or a monthly personnel activity report, such as a detailed time sheet. Time-and-effort documentation must also be signed and dated after employees complete the work.

Description of Condition

The District's internal controls were ineffective for ensuring it supported all salaries and benefits it charged to the program with appropriate time-and-effort documentation, as federal regulations and OSPI require.

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

Cause of Condition

District staff were aware of the federal time-and-effort certification requirements but overlooked the requirements in some cases and did not ensure to retain time-and-effort documentation.

Effect of Condition

Using a statistical sample, we found the District did not obtain adequate time-and-effort documentation for three out of 28 employees and substitutes (10.7%) tested whose payroll costs totaling $101,812 was charged to the program.

Without adequate time-and-effort documentation, the District cannot demonstrate compliance with the awarding agency's documentation requirements to support costs charged to the program.

During the audit, the District obtained and provided the signed time-and-effort records to support the payroll costs it charged to the program; therefore, we are not questioning these costs.

Recommendation

We recommend the District implement and follow internal controls to ensure it complies with federal and OSPI requirements for obtaining signed and dated time-and-effort documentation timely.

District's Response

The District has revised and strengthened its internal control procedures related to time-and-effort documentation for salaries and benefits charged to the Title I program. Corrective actions were implemented to improve the identification, monitoring, collection, and retention of required certifications and personnel activity documentation in accordance with federal and OSPI requirements.

To address the conditions identified, the District implemented the following:

1. *Revised procedures to identify all employees and substitutes requiring semi-annual certifications or personnel activity reporting, to include substitutes and subsequent corrections, at the beginning of each reporting cycle.*
2. *Augmentation of the centralized tracking process to monitor issuance, collection, review, and retention of required time-and-effort documentation.*
3. *Enhancement of formal certification follow-up procedures, including automated reminders, documented follow-up communications, and escalation procedures for outstanding certifications prior to reporting period closeout.*
4. *Additional training provided to applicable administrators, payroll personnel, and program staff regarding federal time-and-effort requirements, documentation standards, and retention expectations.*
5. *Implementation of periodic internal compliance reviews to verify supporting documentation is maintained consistently and in accordance with federal and state requirements.*

These corrective actions are intended to strengthen internal controls over payroll expenditures charged to federal programs and ensure timely compliance with federal and OSPI time-and-effort documentation requirements going forward.

Auditor's Remarks

We appreciate the steps the District is taking to resolve this issue. We will review the corrective action taken during our next audit.

Applicable Laws and Regulations

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, Uniform Guidance, Subpart E, Cost Principles, establishes requirements for determining allowable costs and supporting costs allocated to federal programs.

Office of Superintendent of Public Instruction Bulletin 039-24, Time and Effort (T&E) Reporting, establishes requirements for documenting time-and-effort

INDEPENDENT AUDITOR'S REPORT

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
September 1, 2024 through August 31, 2025

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, as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 21, 2026.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because, as described in Note 1, the *Accounting Manual for Public School Districts in the State of Washington* does not require the District to prepare the government-wide statements presenting the financial position and changes in financial position of its governmental activities as required by GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Our report includes information about the status of the District's financial condition. This information is more fully described in Finding 2025-001 in the Schedule of Audit Findings and Responses. The District's response to the finding was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

REPORT ON 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

May 21, 2026

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Renton School District No. 403
September 1, 2024 through August 31, 2025

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of Renton School District No. 403, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2025. The District's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2025- 02, that we consider to be a material weakness.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the other 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 the Uniform Guidance. 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.

Pat McCarthy, State Auditor

Olympia, WA

May 21, 2026

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Renton School District No. 403
September 1, 2024 through August 31, 2025

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of Renton School District No. 403, as of and for the year ended August 31, 2025, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)

As described in Note 1 the District has prepared these financial statements to meet the financial reporting requirements of state law and the accounting practices prescribed by the *Accounting Manual for Public School Districts in the State of Washington* (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 regulatory basis financial position of Renton School District No. 403, as of the year ended August 31, 2025, and the regulatory basis of changes in financial position thereof for the year then ended, on the basis of accounting as described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Renton School District No. 403, as of August 31, 2025, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Governmental Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and adverse audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the government-wide financial statements are prepared by the District in accordance with state law using accounting practices prescribed by the Accounting Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Matter of Emphasis

As discussed in Note 14 to the financial statements, in 2025, the District adopted new accounting guidance for compensated absences, as required by the Accounting Manual. Our opinion is not modified with respect to this matter.

Matter of Emphasis Regarding Financial Condition

As discussed in Note 19 to the financial statements and described in Finding 2025-001 in the Schedule of Audit Findings and Reponses, the District has suffered recurring losses from operations and is reliant on an interfund loan to manage cash flow. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 19. Our opinion is not modified with respect to this matter.

District's Response to Finding

The District's response to the finding above is described in the accompanying Schedule of Audit Findings and Responses. The District's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of state law and the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted 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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Long-Term Liabilities is 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2026 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 the effectiveness of 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.

Pat McCarthy, State Auditor

Olympia, WA

May 21, 2026

FINANCIAL SECTION

Renton School District No. 403
September 1, 2024 through August 31, 2025

FINANCIAL STATEMENTS

SUPPLEMENTARY AND OTHER INFORMATION

Renton School District No. 403

Balance Sheet - Governmental Funds

August 31, 2025

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Assets							
Cash and Cash Equivalents	9,641,369.24	1,450,313.22	25,648,343.09	241,556,205.75	5,310,947.24	0.00	283,607,178.54
Minus Warrants Outstanding	-4,488,805.47	-6,932.01	0.00	-2,010,459.75	0.00	0.00	-6,506,197.23
Taxes Receivable	21,131,293.85		30,030,376.09	14,611,002.49	0.00		65,772,672.43
Due From Other Funds	2,004,172.84	124,991.45	0.00	1,237,503.03	0.00	0.00	3,366,667.32
Due From Other Governmental Units	3,971,645.17	0.00	0.00	0.00	0.00	0.00	3,971,645.17
Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Leases Receivable	0.00		0.00	56,707.36	0.00	0.00	56,707.36
Interfund Loans Receivable	0.00			0.00	0.00		0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	544,203.17	0.00		0.00			544,203.17
Prepaid Items	3,807,897.51	0.00			0.00	0.00	3,807,897.51
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	**36,611,776.31**	**1,568,372.66**	**55,678,719.18**	**255,450,958.88**	**5,310,947.24**	**0.00**	**354,620,774.27**
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred Outflows of Resources - Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**36,611,776.31**	**1,568,372.66**	**55,678,719.18**	**255,450,958.88**	**5,310,947.24**	**0.00**	**354,620,774.27**
LIABILITIES							
Accounts Payable	1,515,367.72	21,677.36	0.00	13,962,215.58	202,475.59	0.00	15,701,736.25
Contracts Payable Current	0.00	0.00		975,223.64	0.00	0.00	975,223.64

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

Renton School District No. 403

Balance Sheet - Governmental Funds

August 31, 2025

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
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
LIABILITIES:							
Payroll Deductions and Taxes Payable	510,822.69	0.00		0.00			510,822.69
Leases Payable - Current	0.00		0.00	0.00	0.00	0.00	0.00
Due To Other Governmental Units	255,701.57	0.00		1,276.56	0.00	0.00	256,978.13
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	852,411.77						852,411.77
Due To Other Funds	1,362,494.48	5,435.44	0.00	1,998,737.40	0.00	0.00	3,366,667.32
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
TOTAL LIABILITIES	**4,496,798.23**	**27,112.80**	**0.00**	**16,937,453.18**	**202,475.59**	**0.00**	**21,663,839.80**
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	383,345.24	0.00	0.00	0.00	0.00	0.00	383,345.24
Unavailable Revenue - Leases	0.00		0.00	54,774.20	0.00	0.00	54,774.20
Unavailable Revenue - Taxes Receivable	21,131,293.85		30,030,376.09	14,611,002.49	0.00		65,772,672.43
TOTAL DEFERRED INFLOWS OF RESOURCES	**21,514,639.09**	**0.00**	**30,030,376.09**	**14,665,776.69**	**0.00**	**0.00**	**66,210,791.87**
FUND BALANCE:							
Nonspendable Fund Balance	4,352,100.68	0.00	0.00	0.00	0.00	0.00	4,352,100.68

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

Renton School District No. 403

Balance Sheet - Governmental Funds

August 31, 2025

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Restricted Fund Balance	3,164,456.14	1,541,259.86	25,648,343.09	178,242,705.01	5,108,471.65	0.00	213,705,235.75
Committed Fund Balance	0.00	0.00	0.00	33,446,684.94	0.00	0.00	33,446,684.94
Assigned Fund Balance	0.00	0.00	0.00	12,158,339.06	0.00	0.00	12,158,339.06
Unassigned Fund Balance	3,083,782.17	0.00	0.00	0.00	0.00	0.00	3,083,782.17
TOTAL FUND BALANCE	**10,600,338.99**	**1,541,259.86**	**25,648,343.09**	**223,847,729.01**	**5,108,471.65**	**0.00**	**266,746,142.60**
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	**36,611,776.31**	**1,568,372.66**	**55,678,719.18**	**255,450,958.88**	**5,310,947.24**	**0.00**	**354,620,774.27**

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, 2025

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	46,813,060.59	1,257,472.04	60,602,252.06	44,166,706.16	161,020.81		153,000,511.66
State	232,716,633.05		0.00	79,900.00	1,427,836.39		234,224,369.44
Federal	18,599,422.41		0.00	0.00	0.00		18,599,422.41
Other	2,082,961.77			0.00	0.00	0.00	2,082,961.77
TOTAL REVENUES	**300,212,077.82**	**1,257,472.04**	**60,602,252.06**	**44,246,606.16**	**1,588,857.20**	**0.00**	**407,907,265.28**
EXPENDITURES:							
CURRENT:							
Regular Instruction	144,275,684.51						144,275,684.51
Special Education	59,958,099.10						59,958,099.10
Vocational Education	18,523,000.49						18,523,000.49
Skill Center	0.00						0.00
Compensatory Programs	25,159,255.50						25,159,255.50
Other Instructional Programs	1,913,840.47						1,913,840.47
Federal Stimulus COVID-19	29,831.51						29,831.51
Community Services	3,305,853.01						3,305,853.01
Support Services	54,775,233.27						54,775,233.27
Student Activities/Other		985,136.69				0.00	985,136.69
CAPITAL OUTLAY:							
Sites				42,275,953.19			42,275,953.19
Building				60,651,931.60			60,651,931.60
Equipment				4,800,538.57			4,800,538.57
Instructional Technology				3,516,947.06			3,516,947.06
Energy				0.00	0.00		0.00
Transportation Equipment					202,475.59		202,475.59
Sales and Lease				0.00			0.00
Other	326,212.02						326,212.02
DEBT SERVICE:							
Principal	364,292.62		35,910,000.00	514,016.51	0.00		36,788,309.13

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, 2025

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Interest and Other Charges	294,330.04		23,543,987.50	12,244.14	0.00		23,850,561.68
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	**308,925,632.54**	**985,136.69**	**59,453,987.50**	**111,771,631.07**	**202,475.59**	**0.00**	**481,338,863.39**
REVENUES OVER (UNDER) EXPENDITURES	-8,713,554.72	272,335.35	1,148,264.56	-67,525,024.91	1,386,381.61	0.00	-73,431,598.11
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	271,202.15			1,577,433.34	0.00		1,848,635.49
Transfers In	765,616.39		0.00	0.00	0.00		765,616.39
Transfers Out (GL 536)	0.00		0.00	-765,616.39	0.00	0.00	-765,616.39
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	28,742.29		0.00	1,100.00	51,394.55		81,236.84
TOTAL OTHER FINANCING SOURCES (USES)	**1,065,560.83**		**0.00**	**812,916.95**	**51,394.55**	**0.00**	**1,929,872.33**
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	**-7,647,993.89**	**272,335.35**	**1,148,264.56**	**-66,712,107.96**	**1,437,776.16**	**0.00**	**-71,501,725.78**
BEGINNING TOTAL FUND BALANCE	**17,980,907.77**	**1,268,924.51**	**24,500,078.53**	**290,232,894.19**	**3,670,695.49**	**0.00**	**337,653,500.49**
Accounting Changes and Error Corrections	267,425.11	0.00	0.00	326,942.78	0.00	0.00	594,367.89
ENDING TOTAL FUND BALANCE	**10,600,338.99**	**1,541,259.86**	**25,648,343.09**	**223,847,729.01**	**5,108,471.65**	**0.00**	**266,746,142.60**

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

Renton School District
Notes to the Financial Statements
September 1, 2024 Through August 31, 2025

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.
(4) Property Taxes collected after the end of the fiscal period are not considered available for revenue accrual as described below.

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 (or expenses) 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 principal 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.

Permanent Funds

These funds are used to report resources that are legally restricted such that only earnings, and not principal, may be expended. Amounts in the Permanent Fund may only be spent in support of the District’s programs and may not be used to the benefit of any individual.

Fiduciary Funds

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

Pension (and Other Employee Benefit) Trust Fund

This fund is used to account for resources to be held for the members and beneficiaries of a pension plan or other employee benefit plans.

Custodial Funds

These funds are used to account for assets that the District holds on behalf of others in a purely custodial capacity.

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. Categorical program claims and interdistrict billings are measurable and available and are accrued. Property taxes not collected by the fiscal year end are measurable and recorded as a receivable, however the receivable is not considered available revenue and is recorded as a deferred inflow of resources.

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.

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.

<u>Nonspendable Fund Balance</u>. 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.

<u>Restricted Fund Balance</u>. 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 Superintendent, Chief Financial Officer, and Executive Director of Business Services 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

The District considers cash and cash equivalents to be cash on hand, demand deposits, and all highly liquid investments with a maturity of three months or less when purchased. Because the County Investment Pool is sufficiently liquid to effectively allow for deposit and withdrawal of cash at any time without prior notice or penalty as if it were a demand deposit account, equity in the pool is deemed to be a cash equivalent.

Capital Assets

The District maintains a comprehensive capital asset management system to safeguard assets and fulfill its stewardship responsibilities. Capital assets include land, improvements, buildings, vehicles, machinery, equipment, infrastructure, and intangible assets with a useful life of more than one year and a minimum value of $5,000, unless otherwise specified by the District. Capital assets are nonexpendable, retain their identity and functionality over time, and are used in operations.

A physical inventory of federally funded assets is conducted at least biennially in accordance with federal requirements. Missing or damaged capital assets are reported to the Board and removed from the property records upon Board approval.

The District also maintains records of theft-sensitive assets (e.g., laptops, small equipment) and conducts an annual inventory of such items. Unaccounted-for theft-sensitive assets are reported to the Board and removed from records by Board action.

Procedures for asset maintenance, internal controls, and disposal are established by the Superintendent to ensure proper management and maximize return on sales.

Inventory

The Renton School District maintains inventories of supplies and materials held for consumption including vehicle parts and food service goods. Inventories are recorded using the consumption method, under which expenditures are recognized when items are used rather than when purchased.

Inventories are stated at cost, determined using the first-in, first-out (FIFO) method. Donated commodities from the U.S. Department of Agriculture are recorded at their purchase price at the date of receipt.

A physical inventory is conducted at least annually, and inventory balances are reviewed for obsolescence or loss. Adjustments are made to reflect actual quantities on hand. The District maintains internal controls to safeguard inventory assets and ensure accurate financial reporting. An amount equal to inventories on hand at year-end is classified as nonspendable fund balance, as these assets are not available for appropriation or future spending. This classification ensures the fund balance reflects only those resources that are currently available for budgetary purposes.

Receivables and Payables

Receivables

Receivables at August 31, 2025, represent amounts due to the District from a variety of sources, including local property taxes, state and federal grant reimbursements, and miscellaneous sources. All receivables are considered collectible within one year unless otherwise noted.

Property tax receivables are recorded when the levy is certified and are recognized as revenue in the period in which they become measurable and available. Federal and state grant receivables are recorded when the underlying program expenditures have been incurred, and all eligibility requirements have been met.

Payables

Payables at August 31, 2025, represent liabilities incurred by the District for goods and services received prior to year-end and unpaid as of the close of the fiscal year. These include amounts due to vendors, contractors, other governmental entities, and accrued payroll and related benefits.

Payables are recorded when incurred and are expected to be liquidated with expendable available resources. The District follows board-adopted purchasing and expenditure policies to ensure proper authorization and accountability for all disbursements.

Capitalization Threshold for Leases and Subscription-Based Information Technology Arrangements (SBITAs)

The District follows the modified accrual basis of accounting in its treatment of leases and SBITAs. Agreements are evaluated regarding the lease term, payments, and discount rates as well as materiality to the District's financial position. The District's capitalization threshold for recognition of leases and SBITAs is $5,000. Arrangements that are considered short term or do not meet capitalization thresholds are treated as revenues and expenditures in the current year.

Compensated Absences

Employees earn vacation leave at varying rates in accordance with District policy. Accrued but unused vacation leave is payable upon termination or death, limited to 240 hours.

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 buyout of an amount up to the maximum annual accumulation of 12 days. For buyout purposes, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

In the governmental fund statements, expenditures are recognized in the amount normally liquidated with expendable, available resources. Liabilities are included in benefits payable, reported on a basis consistent with governmental fund accounting principles. The total estimated liability for the district's compensated absences is reported on the Schedule of Long-Term Liabilities. Additions and reductions in the liability are reported as a net change.

Accounting and Reporting Changes

Compensated Absences

For the year ended August 31, 2025 the District implemented guidance for the presentation and disclosures of Compensated Absences, as required by the School District Accounting Manual. These changes were in response to the provisions of GASB Statement No. 101. See Note 14 Accounting Changes and Error Corrections.

NOTE 2: DEPOSITS AND INVESTMENTS

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.

Bank balances for Washington governments are insured by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Statutes authorize the District to invest in (1) securities, certificates, notes, bonds, short-term securities, or other obligations of the United States, and (2) deposits in any bank approved by the Public Deposit Protection Commission.

The District's investments as of August 31, 2025, are as follows:

Type of Investment	Total
County Treasurer's Investment Pool	$286,834,447.30

The Renton School District is a participant in the King County Investment Pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The Renton School District reports its investment in the pool at amortized cost, which is the same as the value of the pool per share. The pool does not impose any restrictions on participant withdrawals / or disclose restrictions.

For more information about the King County Investment Pool, see the published financial statements of King County.

As of August 31, 2025, the district had the following investments:

Investment Type	Fair Value	Effective Duration
King County Investment Pool	$289,157,806.32	1.05

Impaired Investments. As of August 31, 2025, 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 District's share of the impaired investment pool principal is $28,143.66 and the district's fair value of these investments is $12,880.70.

Interest Rate Risk. As of August 31, 2025, the Pool's average duration was 1.05 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, 2025, 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, corporate notes (rated at least "A"), municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1"), certificates of deposits issued by qualified public depositaries, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

NOTE 3: PENSION PLANS

General Information

The Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, prepares a stand-alone annual comprehensive financial report that includes financial statements and required supplementary information for each pension plan. The pension plan's basic financial statement is accounted for using the accrual basis of accounting. The measurement date of the pension plans is June 30. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The school district is reporting the net pension liability in the notes and on the Schedule of Long-term Liabilities calculated as the district's proportionate allocation percentage multiplied by the total plan collective net pension liability. The DRS total collective net pension liabilities for the pension plans school districts participate in are shown here.

The Collective Net Pension Liability (Asset)

The collective net pension liability or asset for the pension plans districts participated in are reported in the following tables:

The Collective Net Pension Liability or (Asset) as of June 30, 2025				
	Total Pension Liability	Plan fiduciary net position	Participating employers' net pension liability or (Asset)	Plan fiduciary net position as a percentage of the total pension liability
PERS 1	10,789,754,000	9,610,758,000	1,178,996,000	89.07%
SERS 2/3	11,005,685,000	11,250,334,000	(244,649,000)	102.22%
TRS 1	7,987,466,000	7,037,456,000	950,010,000	88.11%
TRS 2/3	29,865,548,000	30,138,755,000	(273,207,000)	100.91%

Detailed information about the pension plans' fiduciary net position is available in the separately issued DRS report. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, P.O. Box 48380, Olympia, WA 98504-8380; or online at Annual Financial Reports or http://www.drs.wa.gov.

Membership Participation

Substantially all school district full-time and qualifying part-time employees participate in one of the following three contributory, multiple-employer, cost-sharing statewide retirement systems managed by DRS: Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS).

Membership & Plan Benefits

Certificated employees are members of TRS. Classified 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. TRS 1 and PERS 1 are closed to new entrants.

TRS Plan Information
TRS was established in 1938, and its retirement provisions are contained in Chapters 41.32 and 41.34 RCW. TRS eligibility for membership requires service as a certificated, public-school employee working in an instructional, administrative, or supervisory capacity. TRS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

TRS is comprised of three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is a single plan for accounting purposes.

TRS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are calculated using 2% of the member’s Average Final Compensation (AFC) times the member’s years of service – up to a maximum of 60%. AFC is the average of the member’s two consecutive highest-paid fiscal years.

Members are eligible for retirement at any age after 30 years of service, at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, and an optional cost-of-living adjustment (COLA).

TRS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits for Plan 2 are calculated using 2% of the member’s Average Final Compensation (AFC) times the member’s years of service. Retirement defined benefits for Plan 3 are calculated using 1% of AFC times the member’s years of service. AFC is the monthly average of the member’s 60 consecutive highest-paid service credit months. TRS Plan 2/3 has no cap on years of service credit.

Members are eligible for retirement with a full benefit at age 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. TRS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by a factor that varies according to age for each year before age 65. TRS Plan 2/3 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit.

Other TRS Plan 2/3 benefits include a Cost-of-Living Adjustment (COLA) based on the Consumer Price Index, capped at 3% annually.

Annuities purchased with plan 3 defined contributions that are invested within the WSIB TAP are considered defined benefits. Plan 3 WSIB TAP annuities are actuarially reduced if a survivor benefit is chosen and TAP annuities include a COLA of 3% annually.

TRS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contribution upon separation. Members have multiple withdrawal options, including purchase of an annuity.

PERS Plan Information

PERS was established in 1947, and its retirement benefit provisions are contained in Chapters 41.34 and 41.40 RCW. PERS is a cost-sharing, multiple-employer retirement system. PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are calculated as 2%

times the member's Average Final Compensation (AFC) times the member's years of services. AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from inactive status before age 65 may also receive actuarially reduced benefits. Other benefits include an optional Cost-of-Living Adjustment (COLA).

SERS Plan Information

SERS was established by the legislature in 1998, and the plan became effective in 2000. SERS retirement benefit provisions are established in Chapters 41.34 and 41.35 RCW. SERS members include classified employees of school districts and educational service districts.

SERS is a cost-sharing, multiple-employer retirement system comprised of two separate plans for membership purposes. SERS Plan 2 is a defined benefit plan and SERS Plan 3 is a defined benefit plan with a defined contribution component.

Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries. Therefore, Plan 2/3 is a single plan for accounting purposes.

SERS provides retirement, disability, and death benefits. Retirement benefits for Plan 2 are calculated as 2% times the member's Average Final Compensation (AFC) times the member's years of service. Defined benefits for Plan 3 are calculated using 1% times the member's AFC times the member's years of service. AFC is the monthly average of the member's 60 consecutive highest-paid service credit months.

Members are eligible for retirement with a full benefit at age 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. SERS members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by a factor that varies according to age for each year before age 65.

SERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen.

Other SERS Plan 2/3 benefits include a Cost-of-Living Adjustment (COLA) based on the Consumer Price Index, capped at 3% annually.

SERS 3 defined contributions benefits are totally dependent on employee contributions and the investment earnings on those contributions. Annuities purchased with plan 3 defined contributions that are invested within the WSIB TAP are considered defined benefits. Plan 3

WSIB TAP annuities are actuarially reduced if a survivor benefit is chosen and TAP annuities include a COLA of 3% annually.

Plan Contributions

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 methods used to determine the contribution requirements are established under state statue in accordance with Chapters 41.40 and 41.45 RCW for PERS, Chapters 41.35 and 41.45 RCW for SERS, and Chapters 41.32 and 41.45 RCW for TRS. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The employer and employee contribution rates for all plans were effective as of September 1, 2024. PERS contribution rates changed on July 1, 2025. The pension plan contribution rates (expressed as a percentage of covered payroll) for fiscal year 2025 are listed below:

	From this date	Through this date	Member rate	Employer rate	
PERS 1	9/1/2024	6/30/2025	6.00%	9.11%	
PERS 1	7/1/2025	8/31/2025	6.00%	5.58%	
SERS 2	9/1/2024	8/31/2025	7.76%	10.51%	
SERS 3	9/1/2024	8/31/2025	*	10.51%	**
TRS 1	9/1/2024	8/31/2025	6.00%	9.86%	
TRS 2	9/1/2024	8/31/2025	8.06%	9.86%	
TRS 3	9/1/2024	8/31/2025	*	9.86%	**
Note: The Employer rates include .0020 DRS administrative expense.					
* – TRS and SERS Plan 3 Employee Contribution Variable from 5% to 15% based on rate selected by the employee member.					
** – TRS and SERS Plan 2/3 Employer Contributions for defined benefit portion only.					

The School District’s Proportionate Share of the Net Pension Liability (Asset)

At June 30, 2025, the school district reported a total liability of $17,431,367 for its proportionate shares of the individual plans’ collective net pension liability and $8,128,666 for its proportionate shares of net pension assets. Proportions of net pension amounts are based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2025, the district's proportionate share of each plan's net pension liability or asset is reported below:

June 30, 2025	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions	$1,549,586	$4,565,689	$2,144,529	$10,922,750
Proportionate Share of the Net Pension Liability (Asset)	$3,313,389	($4,088,292)	$14,117,978	($4,040,374)

At June 30, 2025, the school district's percentage of the proportionate share of the collective net pension amount was as follows and the change in the allocation percentage from the prior period is illustrated below.

Change in Proportionate Shares	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share	0.281035%	1.671085%	1.486087%	1.478869%
Prior year proportionate share	0.296505%	1.682692%	1.449077%	1.503473%
Net difference percentage	-0.015471%	-0.011607%	0.037010%	-0.024604%

Actuarial Assumptions

The total pension liabilities for TRS 1, TRS 2/3, PERS 1 and SERS 2/3 were determined by actuarial valuation as of June 30, 2024, with the results rolled forward to June 30, 2025, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.75% total economic inflation, 3.25% salary inflation
Salary increases	In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.00%

Mortality Rates

OSA selected a 7.00% long-term expected rate of return on pension plan investments using a building-block method. In selecting the assumptions, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the Washington State Investment Board (WSIB) provided.

The CMAs contain three pieces of information for each class of assets the WSIB currently invest in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The expected future rates of return are developed by the WSIB for each major asset class.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2023, are summarized in the following table:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	% Long-term Expected Real Rate of Return
Fixed Income	19.00%	2.10%
Tangible Assets	8.00%	4.50%
Real Estate	18.00%	4.80%
Global Equity	30.00%	5.60%
Private Equity	25.00%	8.60%

The inflation component used to create the above table was 2.50% and represents WSIB's long-term estimate of broad economic inflation consistent with their 2023 CMAs.

Discount Rate
The discount rate used to measure the total pension liability was 7.00%. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members.

Based on the assumptions described in the DRS Certification Letter, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.00% on pension plan investments was applied to determine the total pension liability or (asset).

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following table presents the Renton School District's proportionate share of the collective net pension liability or asset calculated using the discount rate of 7.00%, as well as what the net pension liability or asset would be if it were calculated using a discount rate that is 1 percentage-point lower (6.00%) or 1 percentage-point higher (8.00%) than the current rate. Amounts are calculated using the school district's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability or asset.

Sensitivity of the Net Pension Liability or Asset to Changes in the Discount Rate			
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
PERS 1	$1,989,440,000	$1,178,996,000	$468,217,000
Allocation Percentage	0.281035%	0.281035%	0.281035%
Proportionate Share	$5,591,018	$3,313,389	$1,315,853
SERS 2/3	$1,301,271,000	($244,649,000)	($1,517,029,000)
Allocation Percentage	1.671085%	1.671085%	1.671085%
Proportionate Share	$21,745,342	($4,088,292)	($25,350,842)
TRS 1	$1,539,720,000	$950,010,000	$431,512,000
Allocation Percentage	1.486087%	1.486087%	1.486087%
Proportionate Share	$22,881,584	$14,117,978	$6,412,645
TRS 2/3	4,593,068,000	(273,207,000)	(4,227,395,000)
Allocation Percentage	1.478869%	1.478869%	1.478869%
Proportionate Share	$67,925,461	($4,040,374)	($62,517,636)

NOTE 4: ANNUAL OTHER POST-EMPLOYMENT BENEFIT COST AND NET OPEB OBLIGATIONS

The state, through the Health Care Authority (HCA), administers a defined benefit other post-employment benefit (OPEB) plan that is not administered through a qualifying trust. 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. Benefits purchased by PEBB include medical, dental, life insurance and long-term disability insurance. (5).

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one, which the employers and plan members understand the plan terms. This understanding is based on communications between the HCA, employers and plan members, and historical pattern of practice with regards to sharing of benefit costs.

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the K–12 school districts and ESDs. The District's retirees (approximately 757) are eligible to participate in the PEBB plan under this arrangement.

Eligibility

District members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) Under PERS 1, 2, 3; TRS 1, 2, or 3; or SERS 2 and 3 plans.

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

Medical Benefits

Upon retirement, members are permitted to receive medical benefits. The 2025 PEBB Retirees monthly rates for pre-65 medical coverage are available on the Washington State Health Care Authority website (www.hca.wa.gov).

Funding Policy

The School Employees Benefits Board (SEBB) Program administers health insurance and other benefits to all employees in school districts and charter schools, and union-represented employees of educational service districts in Washington. The SEBB studies, designs, and approves comprehensive and cost-effective insurance benefit plans for school employees and establishes eligibility criteria for participation in these plans. The SEB Board is separate and independent from the Public Employees Benefits Board (PEBB).

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

The SEBB collects benefit premiums from all school district entities for covered employees. The premium includes a fee, established in state law. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees who elect to purchase their health care benefits through the state Health Care Authority PEBB plan. The amount collected 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.

For the fiscal year 2024-25, the Renton School District paid 35,112,500 in total to HCA-SEBB.

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. These amounts are not shown on the financial statements.

For further information on the results of the actuarial valuation of the employer provided subsidies associated with the state's PEBB plan, refer to the Office of the State Actuary.
The plan does not issue a separate report; however, additional information is included in the State of Washington Annual Comprehensive Financial Report, which is available on the OFM website.

NOTE 5: NONGOVERNMENTAL OPEB PLANS

The state, through the Health Care Authority (HCA), administers a defined benefit other post-employment benefit (OPEB) plan that is not administered through a qualifying trust. 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. Benefits purchased by PEBB include medical, dental, life insurance and long-term disability insurance.

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees are not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one, which the employers and plan members understand the plan terms. This understanding is based on communications between the HCA, employers and plan members, and historical pattern of practice with regards to sharing of benefit costs.

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the K–12 school districts and ESDs. The District's retirees (approximately 757) are eligible to participate in the PEBB plan under this arrangement.

Eligibility

District members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) Under PERS 1, 2, 3; TRS 1, 2, or 3; or SERS 2 and 3 plans.

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

Medical Benefits

Upon retirement, members are permitted to receive medical benefits. The 2025 PEBB Retirees monthly rates for pre-65 medical coverage are available on the Washington State Health Care Authority website (www.hca.wa.gov).

NOTE 6: LEASES

The Renton School District recognizes lease agreements as capital lease transactions when they meet the following criteria: the lease is noncancelable, has an original term greater than one year, and includes annual payment obligations of $5,000 or more. At lease inception, the District records a Capital Outlay expenditure and a corresponding Other Financing Source in the governmental fund financial statements. In addition, the present value of future lease payments is reported as a lease liability on the Schedule of Long-Term Liabilities. Subsequent lease payments are allocated between principal repayment and interest expenditures, in accordance with the lease amortization schedule. The following lease information represents the current outstanding lease arrangements as of August 31, 2025:

1. On 10/1/2018, the Renton School District entered into a 60-month lease as Lessee for land use to accommodate portable classrooms to meet the need of instructional space at Campbell Hill Elementary located at 6418 S 124th Street, Seattle, WA. An initial lease liability was recorded at 09/1/2021 in the amount of $12,440.95. Subsequently, the District agreed to extend the lease beginning 10/01/2023 for an additional 5-year period in the amount of $27,557.95. As of 08/31/2025, the value of the lease liability is $17,509.57 with the Renton School District required to make monthly fixed payments of $500.00. Incorporated in the lease is an interest rate of 3.51%. The value of the right to use the asset as of 08/31/2025 is $27,557.95 with accumulated amortization of $10,563.90 ending in a lease asset balance of $16,994.07.

2. On 09/05/2022, the Renton School District entered into a 60-month lease as Lessee for the use of postal service metering equipment. An initial lease liability was recorded in the amount of $33,612.32. As of 08/31/2025, the value of the lease liability is $13,949.73. The Renton School District is required to make quarterly fixed payments of $1,793.52. The lease has an interest rate of 2.536%. The value of the right to use asset as of 08/31/2025 of $33,612.32 with accumulated amortization of $20,092.86 ending in a lease asset balance of $13,519.62.

3. On 12/01/2022, the Renton School District entered into three 60-month leases as Lessee for the use of copier equipment and accessories across facilities throughout the District. An initial lease liability was recorded in the amount of $743,196.10. As of 08/31/2025, the value of the lease liability is $349,648.68. The Renton School District is required to make monthly fixed payments of $13,455.23. The lease has an interest rate of 3.305%. The value of the right to use asset as of 08/31/2025 of $743,196.10 with accumulated amortization of $408,758.13 ending in a lease asset balance of $334,438.24.

4. On 01/01/2023, the Renton School District entered into two 60-month leases as Lessee for the use of copier equipment. An initial lease liability was recorded in the amount of $241,555.30. As of 08/31/2025, the value of the lease liability is $119,763.48. The Renton School District is required to make monthly fixed payments of $5,665.64. The lease has an interest rate of 2.682%. The value of the right to use asset as of 08/31/2025 of $241,555.30 with accumulated amortization of $128,829.44 ending in a lease asset balance of $112,725.80.

5. On 02/01/2023, the Renton School District entered into a 60-month lease as Lessee for the use of copier equipment. An initial lease liability was recorded in the amount of $157,920.68. As of 08/31/2025, the value of the lease liability is $85,122.21. The Renton School District is required to make monthly fixed payments of $5,073.50. The lease has an interest rate of 2.682%. The value of the right to use asset as of 08/31/2025 of $157,920.68 with accumulated amortization of $81592.31 ending in a lease asset balance of $76,328.33.

6. On 08/23/2023, the Renton School District entered into a 60-month lease as Lessee for the use of copier equipment. An initial lease liability was recorded in the amount of $54,616.18. As of 08/31/2025, the value of the lease liability is $33,159.16. Renton School District is required to make monthly fixed payments of $980.59. The lease has an interest rate of 2.31%. The value of the right to use asset as of 08/31/2025 of $54,616.18 with accumulated amortization of $22089.22 ending in a Lease Asset balance of $32,526.97.

7. On 02/21/2024, the Renton School District entered into a 60-month lease as Lessee for the use of copier equipment. An initial lease liability was recorded in the amount of $31,767.46. As of 08/31/2025, the value of the lease liability is $22,575.89. Renton School District is required to make monthly fixed payments of $560.08. The lease has an interest rate of 2.31%. The value of the right to use asset as of 08/31/2025 of $31,767.46 with accumulated amortization of $9530.28 ending in a Lease Asset balance of $22,237.22.

As of August 31, 2025, the principal and interest requirements to maturity are as follows:

Year ended August 31	Principal	Interest	Total
2026	$259,465	$15,730	$275,195
2027	$267,454	$7,741	$275,195
2028	$110,974	$930	$111,903
2029	$3,836	$24	$3,860

Changes in lease liabilities are presented in the accompanying Schedule of Long-Term Liabilities.

Lease of Capital Assets (owned by the District)

The District leases certain capital assets to external parties under agreements that generate rental income. These leases generally involve the use of parking lots and ancillary property and are subject to the terms and conditions outlined in the respective lease contracts. Revenue received from these lease agreements is reported as local revenue in the financial statements in the year it is received. The following information and schedule summarize lease activity and income for the fiscal year ended August 31, 2025.

1. On 06/1/2017, Renton School District, WA entered into a 120-month lease as Lessor for the use of District property for a telecommunications cell tower located at 405 Logan Avenue North, Renton, WA 98055. An initial lease receivable was recorded at 09/1/2021 in the amount of $80,104.65. As of 08/31/2025, the value of the lease receivable is $24,827.99. The lessee is required to make monthly fixed payments of $1,185.80. The lease has an interest rate of 0.324%. The value of the deferred inflow of resources as of 08/31/2025 was $24,379.68, and the Renton School District recognized lease revenue of $13,931.28 during the fiscal year. The lessee has 2 extension options, each for 60 months.

2. On 03/01/2021, Renton School District, WA entered into a 60-month lease extension as a Lessor for partial use of the Kohlwes Education Center (KEC) parking lot located at 300 SW 7th Street, Renton, WA 98057. An initial lease receivable was recorded at 09/1/2021 in the amount of $152,228.04. As of 08/31/2025, the value of the lease receivable is $17,184.38. The lessee is required to make monthly variable principal and interest payments of $2,871.00 based on the CPI index. The lease has an interest rate of 0.83%. The value of the deferred inflow of resources as of 08/31/2025 was $16,914.23, and the Renton School District recognized lease revenue of $33,828.48 during the fiscal year.

3. On 04/27/2021, Renton School District, WA entered into a 60-month lease extension as Lessor for the use of District property at Talley High School for a telecommunications cell tower located at 7800 South 132nd Street, Seattle, WA 98178. An initial lease receivable was recorded at 09/1/2021 in the amount of $98,588.83. As of 08/31/2025, the value of the lease receivable is $14,347.65. The lessee is required to make monthly fixed payments of $1,800.00. The lease has an interest rate of 0.972%. The value of the deferred inflow of resources as of 08/31/2025 was $14,084.12, and the Renton School District recognized lease revenue of $21,126.12 during the fiscal year. The lessee has 1 extension option for 60 months.

Lease income for the fiscal year ended August 31, 2025 is detailed below:

Lease Description and Location	Annual Income
Telecommunications Cell Tower Property Lease, 405 Logan Avenue North	$ 13,931.28
Kohlwes Education Center (KEC) Parking Lot Lease, 300 SW 7th Street	33,828.48
Telecommunications Cell Tower Property Lease, 7800 South 132nd Street	21,126.12
Total Lease Income	68,885.88

NOTE 7: SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The Renton School District enters into subscription-based information technology arrangements (SBITAs) in general to obtain access to software and related technology services, such as cloud-based networking systems and instructional platforms. The District recognizes a subscription liability and an associated subscription asset at the commencement of the subscription term for agreements meeting the criteria of a SBITA. The liability is included in the District's Schedule of Long-Term Liabilities. The following disclosure summarizes the District's significant SBITA activity for the fiscal year ended August 31, 2025:

1. On 12/24/2022, the Renton School District entered into a 33-month subscription for the use of data visualization software. An initial subscription liability was recorded in the amount of $420,744.28. As of 08/31/2025, the value of the subscription liability is $0. The Renton School District is required to make annual fixed payments of $173,503.94. The subscription has an interest rate of 3.238%. The value of the right to use asset as of 08/31/2025 of $12,660.31 with accumulated amortization of $408,083.99.

2. On 05/23/2023, the Renton School District entered into a 36-month subscription for the use of financial software. An initial subscription liability was recorded in the amount of $38,015.22. As of 08/31/2025, the value of the subscription liability is $0. The Renton School District is required to make annual fixed payments of $11,000.00 with $2,000 annual increases beginning May 23, 2024. The subscription has an interest rate of 2.3633%. The value of the right to use asset as of 08/31/2025 of $9,222.21 with accumulated amortization of $28,793.05.

3. On 04/19/2024, the Renton School District entered into a 60-month subscription for the use of website software. An initial subscription liability was recorded in the amount of $251,160.14. As of 08/31/2025, the value of the subscription liability is $154,899.64. The Renton School District is required to make fixed payments of $51,192 with 2.3% annual increases beginning June 2025. The subscription has an interest rate of 2.3633%. The value of the right to use asset as of 08/31/2025 of $181,816.26 with accumulated amortization of $69,343.95.

4. On 12/02/2024, the Renton School District entered into a 36-month subscription for the use of computer operating software. An initial subscription liability was recorded in the amount of $519,836.22. As of 08/31/2025, the value of the subscription liability is $342,566.79. The Renton School District is required to make fixed annual payments of $177,269.43. The subscription has an interest rate of 2.321%. The value of the right to use asset as of 08/31/2025 of $400,634.96 with accumulated amortization of $119,201.25.

5. On 01/09/25, the Renton School District entered into a 36-month subscription for the use of network software. An initial subscription liability was recorded in the amount of $148,466.37. As of 08/31/2025, the value of the subscription liability is $97,586.37. The Renton School District is required to make fixed annual payments of $50,880.00. The subscription has an interest rate of 2.838%. The value of the right to use asset as of 08/31/2025 of $121,385.01 with accumulated amortization of $27,081.39.

6. On 03/10/25, the Renton School District entered into a 66-month subscription for the use of business intelligence software. An initial subscription liability was recorded in the amount of $909,130.75. As of 08/31/2025, the value of the subscription liability is $821,038.75. The Renton School District is required to make fixed annual payments of $176,184.00. The subscription has an interest rate of 2.885%. The value of the right to use asset as of 08/31/2025 of $830,256.39 with accumulated amortization of $78,874.37.

7. On 05/16/25, the Renton School District entered into a 24-month subscription for the use of instructional software. An initial subscription liability was recorded in the amount of $31,519.70. As of 08/31/2025, the value of the subscription liability is $15,558.83. The Renton School District is required to make fixed annual payments of $15,960.87. The subscription has an interest rate of 2.584%. The value of the right to use asset as of 08/31/2025 of $30,556.60 with accumulated amortization of $963.10.

8. On 05/28/25, the Renton School District entered into a 36-month subscription for the use of instruction software. An initial subscription liability was recorded in the amount of $239,682.45. As of 08/31/2025, the value of the subscription liability is $157,721.20. The Renton School District is required to make fixed annual payments of $81,961.25. The subscription has an interest rate of 2.61%. The value of the right to use asset as of 08/31/2025 of $226,366.76 with accumulated amortization of $13,315.70.

As of August 31, 2025, the principal and interest requirements to maturity are as follows:

Year ended August 31	Principal	Interest	Total
2026	$ 524,029	$ 31,805	$ 555,835
2027	511,432	29,689	541,121
2028	216,225	16,070	232,295
2029	166,442	9,742	176,184
2030	171,244	4,940	176,184
Total	1,589,372	92,247	1,681,618

Changes in SBITA liabilities are presented in the accompanying Schedule of Long-Term Liabilities.

NOTE 8: OTHER SIGNIFICANT COMMITMENTS

The District has active construction projects as of August 31, 2025:

Project	Project Authorization Amount	Expended as of 8/31/25
Levy Projects:		
Building Envelope	3,580,000	2,365,912
Electrical	6,092,652	455,892
Fields and Grounds	3,247,525	861,278
Floors/Finishes	1,875,947	567,861
Interior Architecture	600,000	967
Major Remodel	7,616,397	6,957,360
Mechanical	4,077,225	1,677,634
Minor Remodel	10,956,500	1,941,576
Overhead	5,000,000	1,533,308
Plumbing	3,516,000	2,708,072
Roofing	2,750,000	2,459,802
Safety	1,525,812	704,285
Total Levy Commitments	50,838,058	22,233,947
Bond Projects:		
Electrical	9,300,482	6,412,536
Exterior Envelope	12,506,000	3,746,252
Fields and Grounds	23,298,866	7,248,013
Floor/Finishes	5,000,299	3,067,731
Major Construction	492,966,000	83,289,210
Major Remodel/Addition	159,098,589	82,343,487
Mechanical	19,236,899	9,278,059
Plumbing	113,381	108,142
Safety and Security	2,099,456	1,595,947
Safety/Security	22,019,000	8,823,163
Total Bond Commitments	745,638,972	205,912,540
Total Commitments	796,477,030	228,146,487

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, 2025:

Fund	Amount
General	$ 352,534
Capital Projects Fund	147,052,157
Transportation Vehicle Fund	1,166,407

NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of $200,000,000 for fiscal year 2025. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

NOTE 10: SHORT-TERM DEBT

During fiscal year 2024–25, the Capital Projects Fund provided a short-term interfund loan to the General Fund to bridge the gap between fluctuating State funding payments and consistent District expenditures, addressing temporary cash flow needs. The loan was initiated on February 23, 2025, in the amount of $10.0 million, and was repaid in full on August 31, 2025. The loan bore interest, resulting in an interest cost of $270,505 to the General Fund for the fiscal year. The interest rate applied to the loan averaged an annual rate of 5.12% and was based on the monthly rate-of-returns generated by the King County Investment Pool (KCIP).

Short-term debt activity for the year ended August 31, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
General Fund monthly cash flow mitigation	$ -	$ 10,000,000	$ (10,000,000)	$ -

NOTE 11: LONG-TERM DEBT

The Renton School District's outstanding long-term debt primarily consisting of general obligation bonds issued to finance the construction, renovation, and modernization of school facilities. The accompanying Schedule of Long-Term Liabilities provides more details of the outstanding debt and liabilities of the district and summarizes the district's debt transactions for year ended August 31, 2025.

The following is a summary of changes in long-term debt of the District for the fiscal year ended August 31, 2025:

Governmental activities	Balance at Sept. 1, 2024	Increases	Decreases	Balance at Aug. 31, 2025	Due within One Year
General Obligation Bonds	$543,620,000	-	$35,910,000	$507,710,000	$26,125,000

Long-term debt at August 31, 2025, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
General Obligation Bonds					
2014 UTGO Refunding	$ 37,800,000	$12,444,031	12/1/2025	3.75-5.00	$ 23,875,000
2015 UTGO	44,865,000	1,123,050	12/1/2035	3.00-5.00	28,610,000
2016 UTGO Refunding	58,545,000	3,160,313	12/1/2028	2.50-5.00	49,250,000
2017 UTGO Refunding	44,005,000	6,707,350	12/1/2031	3.00-5.00	38,145,000
2020 UTGO	100,500,000	4,147,000	12/1/2039	4.00-5.00	95,800,000
2022 UTGO Refunding	51,135,000	1,491,500	12/1/2031	5.00	22,595,000
2023 UTGO	299,345,000	19,183,050	12/1/2042	4.00-5.00	285,345,000
Total	636,195,000	48,256,294			507,710,000

Debt service requirements on long-term debt as of August 31, 2025, are as follows:

	Bonds		
Years Ending August 31	Principal	Interest	Total
2026	$26,125,000	$22,131,294	$48,256,294
2027	22,470,000	21,052,575	43,522,575
2028	23,415,000	19,929,725	43,344,725
2029	22,530,000	18,781,100	41,311,100
2030	24,685,000	17,622,075	42,307,075
2031-2035	110,820,000	71,262,300	182,082,300
2036-2040	150,295,000	43,507,025	193,802,025
2041-2042	127,370,000	8,202,275	135,572,275
Total	507,710,000	222,488,369	730,198,369

At August 31, 2025, the District had $25,643,636.92 available in the Debt Service Fund to service the general obligation bonds.

Bonds Authorized But Unissued

The bonds issued in March 2023 represented the first and most recent series under the bond authorization dated November 8, 2022. Following that issuance, the District has $ $476,000,000 remaining from the total authorized amount of $676,000,000.

NOTE 12: INTERFUND BALANCES AND TRANSFERS

The District transferred $765,616.39 from the Capital Projects Fund to the General Fund to reclassify technology software expenditures that did not meet the criteria for capitalization under state guidelines. The original expenditures were initially recorded in the Capital Projects Fund but were determined to represent software licensing more appropriately accounted for in the General Fund. This transfer was made in accordance with RCW 28A.320.330 and applicable Washington State school district accounting guidance.

Transferred From (Fund) 535 or 536	Transferred To (Fund) 965 9900 or 9901	Amount	Description
Capital Projects Fund	General Fund	$ 765,616.39	Amounts used to support the application of ongoing technology needs throughout the District.

NOTE 13: 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.
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 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 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 for each 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 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, 2025, the amount of liabilities totaled $682,320. This liability is the District's best estimate based on available information. Changes in the reported liability since August 31, 2024, resulted in the following:

	9/1/2024 Liability	Current Year Claims and Changes in Estimates	Claim Payments	8/31/2025 Balance
(Prior Year)	$ 495,251	$ 1,002,428	$ (1,092,622)	$ 405,508
(Current Year)	$ 405,508	1,406,952	(1,130,140)	682,320

At August 31, 2025, the General Fund recorded a current liability of $116,623.44 for purposes of funding the District's future claims.

NOTE 14: ACCOUNTING CHANGES AND ERROR CORRECTIONS

Compensated Absences: - Change in Accounting Principle

For the year ended August 31, 2025, the District implemented guidance for the presentation and disclosures of compensated absences, as required by the School District Accounting Manual. These changes were in response to the provisions of GASB Statement No. 101. As a result, beginning balances for compensated absences liabilities presented on the Schedule of Long-Term Liabilities have been restated to reflect implementation of these requirements. Information regarding the District's compensated absences is presented in Note 1.

Fund	8/31/2024 As previously reported	Change in accounting principle (A)	8/31/2024 As restated/ adjusted
General	6,198,087	18,621,781	24,819,868

Error Corrections:

During fiscal year 2025, the District identified errors related to prior-year financial transactions that were not cleared or recorded accurately within the District's accounting system. The affected transactions involved revenue and expenditure entries that were either duplicated, miscoded, or not properly reversed impacting the governmental funds balance sheet in subsequent periods.

In accordance with GASB Statement No. 100, Accounting Changes and Error Corrections, the District has reported these corrections as a restatement of beginning balances rather than as current-year adjustments. Accordingly, beginning fund balance and beginning fund balance as of September 1, 2024, have been restated as follows:

Funds	8/31/2024 As previously reported	Error(s) correction	8/31/2024 As restated/ adjusted
General	$ 17,980,908	$ 267,425	$ 18,248,333
Capital Projects	290,232,894	326,943	290,559,837

NOTE 15: 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 tax collections occurring after the end of the fiscal period are unavailable for revenue accrual. Therefore, the fall portion of property taxes is not accrued as revenue. Instead, the property taxes due after the end of the fiscal period are recorded as a deferred inflow of resources.

NOTE 16: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The District is a 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 $432,660.14 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 significant beneficiary of the Renton Schools Foundation (Foundation). The Foundation is a philanthropical not-for-profit organization that works to bridge the gap between inadequate state and federal funding and the cost of high-quality learning opportunities for every child, every day in every classroom. In collaboration with the Foundation, the Renton School District supplements its learning model with funds raised by their activities. During the fiscal year 2025, the Renton School District accepted $467,496 in donations from the Foundation. The District's ending fund balance designations reflect a residual restricted amount of $278,273 to be carried forward into the next fiscal year.

NOTE 17: 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	$4,352,101				
Restricted Fund Balance					
For Other Items	1,580,602				
For Fund Purpose		$1,541,260			$5,108,472
For Carryover of Restricted Revenues	1,202,931				
For Transition to Kindergarten	263,702				
For Debt Service				$25,648,343	
For Self-Insurance	117,220				
Restricted from Bond Proceeds			$176,470,838		
Restricted from Impact Fee Proceeds			1,771,867		
Committed Fund Balance					
Committed from Levy Proceeds			33,446,685		
Assigned Fund Balance					
Fund Purposes			12,158,339		
Unassigned Fund Balance	3,083,782				

NOTE 18: DEFINED CONTRIBUTION PENSION AND OPEB PLANS

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 of Washington Deferred Compensation Plan (DCP). The District does not make employer contributions to the plan.

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 two types of deferrals: elective deferrals (employee contribution) and non-elective contribution (employer matching) at {contribution rate in dollars or as a percentage of salary}. The employer contribution rate is set by {authority under which rates are established, such as the District's governing body or a union contract}.

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 US Omni. Plan assets are assets of the District employees, not the school district, and are therefore not reflected on the financial statements. For the year ended August 31, 2025, the District had a $139,775.92 liability for contributions at year end.

Voluntary Employees' Benefits Association (VEBA)

VEBA Trust is a non-profit, multiple employee voluntary employees' beneficiary association authorized under Internal Revenue Code 501(c)(g). The Trust is managed by a board of trustees appointed by the Association of Washington School Principals, Washington Association of School Administrators, and Washington Association of School Business Officials. The Trust provides health reimbursement plan for employees and eligible dependents. The plan can be used to reimburse employees for qualified health expenses during employment and after retirement. The terms of the collective bargaining arrangements specify that all bargaining groups may contribute Sick Leave Buy Back amounts upon separation from the District. The Renton Principals Association agreement elects a mandatory $50.00 (a month) per member contribution, renewed each contract year (June through July). Plan assets are assets of the District employees, not the school district, and are therefore not reflected on the financial statements. For the year ended August 31, 2025, the District had no liability for contributions at year end.

NOTE 19: FINANCIAL CONDITION

The Washington State Legislature passed ESSB 5293 in 2023, creating emergency rules allowing school districts to issue two-year interfund loans. These rules allow proceeds of an interfund loan to balance the budget of the borrowing fund. Districts are not required to accept binding conditions when using an interfund loan that exceeds the negative fund balance.

In recent years, the District has experienced ongoing financial pressures resulting from declining student enrollment, inflationary increases in operating costs, and changing student needs that have increased demand for educational, behavioral, and support services. These factors, combined with reductions in certain state and federal funding sources, have negatively impacted the District's operating margins and reduced available general fund reserves.

To address short-term cash flow needs and maintain operational stability while implementing long-term financial recovery measures, the District entered into a temporary interfund loan agreement in February 2026 between the Capital Projects Fund and the General Fund in the amount of $10 million. The loan is intended to provide temporary cash flow support to the General Fund and is scheduled to be repaid no later than August 31, 2026.

District management and the Board of Directors continue to monitor financial performance, cash flow projections, enrollment trends, and expenditure reductions as part of the District's ongoing efforts to restore financial stability and rebuild fund balance reserves.

Renton School District No. 403

Schedule of Long-Term Liabilities

For the Year Ended August 31, 2025

Description	**Beginning Outstanding Debt September 1, 2024**	**Amount Issued / Increased**	**Amount Redeemed / Decreased**	**Ending Outstanding Debt August 31, 2025**	**Amount Due Within One Year**
Voted Debt					
Voted Bonds	543,620,000.00	0.00	35,910,000.00	507,710,000.00	507,710,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt and Liabilities					
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
Leases	1,260,775.32	1,848,635.49	878,310.57	2,231,100.24	783,494.15
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	24,819,868.44	28,196,718.84	15,995,506.44	37,021,080.84	14,114,165.84
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
Other Liabilities					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities:					
Net Pension Liabilities TRS 1	16,074,572.99	0.00	1,956,594.81	14,117,978.18	
Net Pension Liabilities TRS 2/3	3,012,810.00	0.00	3,012,810.00	0.00	
Net Pension Liabilities SERS 2/3	0.00	0.00	0.00	0.00	
Net Pension Liabilities PERS 1	5,268,419.80	0.00	1,955,030.90	3,313,388.90	
Total Long-Term Liabilities	**594,056,446.55**	**30,045,354.33**	**59,708,252.72**	**564,393,548.16**	**522,607,659.99**

Other postemployment benefits other than pensions (OPEB) liabilities are not presented in the Schedule of Long Term Liabilities.

Refer to the notes to the financial statements for more information.

Renton School District No. 403
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2025

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	School Breakfast Program	10.553	None	1,006,570	-	1,006,570	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	None	3,908,519	-	3,908,519	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	None	734,616	-	734,616	-	3
			Total ALN 10.555:	**4,643,135**	**-**	**4,643,135**	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Summer Food Service Program for Children	10.559	None	57,176	-	57,176	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Fresh Fruit and Vegetable Program	10.582	None	82,607	-	82,607	-	
			Total Child Nutrition Cluster:	**5,789,488**	**-**	**5,789,488**	-	
Schools and Roads Cluster								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via Office of State Treasurer)	Schools and Roads - Grants to States	10.665	None	18,988	-	18,988	-	
			Total Schools and Roads Cluster:	**18,988**	**-**	**18,988**	-	

The accompanying notes are an integral part of this schedule.

Renton School District No. 403
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2025

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Environmental Science Center)	Environmental Education Grants Program	66.951	NE-02J25001-0	1,736	-	1,736	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	GT--03776	30,985	-	30,985	-	2, 4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	GT--04029	26,431	-	26,431	-	2, 4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	GT--04089	27,000	-	27,000	-	2, 4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	GT--03681	47,625	-	47,625	-	2, 4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	GT--03331	49,999	-	49,999	-	2, 4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	GT--04378	29,230	-	29,230	-	2, 4

The accompanying notes are an integral part of this schedule.

Renton School District No. 403
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2025

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	GT--04368	28,239	-	28,239	-	2, 4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	GT--03993	26,770	-	26,770	-	2, 4
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	GT--03188	4,554,456	-	4,554,456	-	2, 4
			Total ALN 84.010:	**4,820,735**	**-**	**4,820,735**	-	
Special Education Cluster (IDEA)								
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	GT--03927	3,285,241	-	3,285,241	-	2
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	GT--HNI25-00051	392,281	-	392,281	-	2
			Total ALN 84.027:	**3,677,522**	**-**	**3,677,522**	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	GT--03927	86,827	-	86,827	-	2

The accompanying notes are an integral part of this schedule.

Renton School District No. 403
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2025

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	GT--03259	8,602	-	8,602	-	2
			Total ALN 84.173:	**95,429**	**-**	**95,429**	-	
			Total Special Education Cluster (IDEA):	**3,772,951**	**-**	**3,772,951**	-	
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA OSPI)	Career and Technical Education -- Basic Grants to States	84.048	GT-02087	161,636	-	161,636	-	2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	Indian Education Grants to Local Educational Agencies	84.060	S060A240390	-	97,621	97,621	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Twenty-First Century Community Learning Centers	84.287	GT-00373	344,137	-	344,137	-	2
OFFICE OF POSTSECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via University of Washington)	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	UWSC10924	535,374	-	535,374	-	2
OFFICE OF POSTSECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via University of Washington)	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	UWSC16201	69,815	-	69,815	-	2

The accompanying notes are an integral part of this schedule.

Renton School District No. 403
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2025

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
			Total ALN 84.334:	**605,189**	**-**	**605,189**	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	English Language Acquisition State Grants	84.365	GT--03188	597,246	-	597,246	-	2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	GT--03188	517,260	-	517,260	-	2
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	Student Support and Academic Enrichment Program	84.424	GT--03188	328,205	-	328,205	-	2
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	Student Support and Academic Enrichment Program	84.424	GT--02196	330,340	-	330,340	-	2
			Total ALN 84.424:	**658,545**	**-**	**658,545**	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	459028	15,844	-	15,844	-	2
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	459594	14,883	-	14,883	-	2

The accompanying notes are an integral part of this schedule.

Renton School District No. 403
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2025

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
			Total ALN 84.425:	**30,727**	**-**	**30,727**	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA OSPI)	Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	GT--02084	66,127	-	66,127	-	2
Medicaid Cluster								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via HCA)	Grants to States for Medicaid	93.778	None	456,213	-	456,213	-	
			Total Medicaid Cluster:	**456,213**	**-**	**456,213**	-	
			Total Federal Awards Expended:	**17,840,978**	**97,621**	**17,938,599**	**-**	

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ending August 31, 2025

NOTE 1—BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Renton School District's financial statements. The Renton School 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—FEDERAL INDIRECT RATE

The Renton School District applied the federal restricted indirect cost rate of 2.48%, except for ESSER III ARP grants, for which the District elected to use the award year federal restricted rate of 3.00%, as permitted under the Uniform Guidance

NOTE 3—NONCASH AWARDS

The amount of the commodities reported on the schedule is the value of commodities distributed by the Renton School District during the current year and priced as prescribed by the United States Department of Agriculture (USDA).

NOTE 4—SCHOOLWIDE PROGRAMS

The Renton School District operates a "schoolwide program" in ten 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 Renton School District in its schoolwide programs: Title I (84.010) $ 4,820,735.59

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Renton School District No. 403
September 1, 2024 through August 31, 2025

This schedule presents the corrective action planned by the District for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding ref number: 2025-001	**Finding caption:** The District's financial condition puts it at risk of being unable to meet financial obligations and maintain current service levels.

Name, address, and telephone of District contact person:

Jason Franklin

Executive Director, Business Services

Renton School District

300 SW 7th St, Renton, WA 98057

Corrective action the auditee plans to take in response to the finding:

To address the District's declining financial indicators and strengthen fiscal stability, the District has implemented and will continue the following corrective actions:

1. *Continued implementation of budget reductions and cost containment measures.*

   During the 2024–2025 and 2025–2026 fiscal years, the District implemented more than $30 million in budget reductions and mitigation measures to better align expenditures with ongoing revenues. These actions included staffing and operational adjustments, reductions in discretionary spending, and freezes on expenditures outside of direct classroom instruction and student services.

2. *Enhanced Financial Monitoring*

   District management and the Board will continue to closely monitor monthly financial reports, cash flow projections, enrollment trends, and fund balance levels to identify financial risks early and make timely adjustments as needed.

3. *Multi-Year Financial Planning*

   The District will continue updating and reviewing multi-year financial forecasts to evaluate the long-term impact of enrollment changes, state and federal funding levels, staffing costs, and operational expenditures. These projections will be used to support informed budgetary and operational decisions.

4. General Fund Balance Restoration Efforts *Following voter approval of the levy lid increase, the District expects to receive approximately $7 million in additional annual revenue. The District intends to use a portion of these revenues to gradually rebuild and strengthen general fund reserves.* *5. Cash Flow Management* *The District will continue actively managing cash flow needs and monitoring interfund borrowing activity to ensure obligations are met timely and in compliance with applicable requirements. The February 2026 interfund loan was implemented as a temporary cash flow strategy and is expected to be repaid by August 31, 2026.* *6. Ongoing Review of Operational Efficiencies* *District leadership will continue evaluating operational efficiencies and expenditure reductions while prioritizing the preservation of student learning, classroom instruction, and essential student support services.* *The District believes these corrective actions will improve financial stability, strengthen fiscal oversight, and support long-term operational sustainability*
Anticipated date to complete the corrective action: June 1, 2026

<table>
<tr><td>Finding ref number:
2025-002</td><td>Finding caption:
The District did not have adequate internal controls and did not comply with time-and-effort requirements.</td></tr>
<tr><td colspan="2">Name, address, and telephone of District contact person:
Jason Franklin
Executive Director, Business Services
Renton School District
300 SW 7th St, Renton, WA 98057</td></tr>
<tr><td colspan="2">Corrective action the auditee plans to take in response to the finding:
Corrective action the auditee plans to take in response to the finding:
To address this issue and strengthen compliance controls, the District has implemented and will continue the following corrective actions:
1. Standardized Time-and-Effort Procedures
The District has revised and standardized procedures for collecting, reviewing, and retaining time-and-effort documentation for all federally funded employees and substitutes charged to Title I and other federal programs.
2. Training and Guidance
District staff responsible for payroll processing, federal program oversight, and school-level administration will receive annual training regarding federal time-and-effort requirements, including requirements for semiannual certifications, personnel activity reports, signature and date requirements, and retention expectations.
3. Centralized Monitoring and Review
The District has updated its centralized review process to verify that all required time-and-effort documentation is completed accurately and retained timely before payroll expenditures are finalized and charged to federal programs. This review includes periodic monitoring by Business Services and Program staff.
4. Tracking and Documentation Controls
The District is updating its tracking mechanisms, including standardized forms, submission deadlines, and periodic compliance checklists, to ensure required certifications are collected and retained for all applicable employees each reporting period.
5. Ongoing Compliance Monitoring
District management will conduct periodic internal reviews of federally funded payroll documentation throughout the fiscal year to ensure continued compliance and to promptly address any deficiencies identified.
The District expects these corrective actions to strengthen internal controls and ensure ongoing compliance with federal and OSPI requirements for time-and-effort documentation.</td></tr>
<tr><td colspan="2">Anticipated date to complete the corrective action: June 1, 2026</td></tr>
</table>

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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- Email: webmaster@sao.wa.gov