

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

Burlington-Edison School District
No. 100
Skagit County

Audit Period
September 1, 2003 through August 31, 2004

Report No. 68371

Issue Date
April 22, 2005



Washington _____
State Auditor

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April 22, 2005

Board of Directors
Burlington-Edison School District No. 100
Burlington, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Burlington-Edison School District No. 100's financial statements and compliance with federal laws and regulations.

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

In addition to this work, we look at other areas of our audit clients' operations for compliance with state laws and regulations. The results of that review will be included in our regular audit report, which will be issued separately.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Skagit County
September 1, 2003 through August 31, 2004

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Federal Summary

Burlington-Edison School District No. 100 Skagit County September 1, 2003 through August 31, 2004

The results of our audit of Burlington-Edison School District No. 100 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

- We issued an unqualified opinion on the District's financial statements.
- We noted no instances of noncompliance that were material to the financial statements of the District.
- We noted significant deficiencies in the design or operation of internal control over major federal programs that we consider to be reportable conditions.
- We issued an unqualified opinion on the District's compliance with requirements applicable to its major federal programs.
- We reported a finding, which is required to be disclosed under OMB Circular A-133.
- We noted in our Independent Auditor's Report on Financial Statements that the Schedule of Expenditures of Federal Awards was fairly presented.
- The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.
- The District did not qualify as a low-risk auditee under OMB Circular A-133.
- The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.553/555	Child Nutrition Cluster
10.665	Schools and Roads
84.027/173	Special Education Cluster

Schedule of Federal Audit Findings

Burlington-Edison School District No. 100 Skagit County September 1, 2003 through August 31, 2004

1. The District does not have adequate internal controls over monitoring of compliance with bid law requirements.

Description of Condition

The District received \$479,693 in federal Child Nutrition Program funds (CFDA 10.553/555). Of this amount, \$179,742 was spent to purchases of food and supplies. Federal regulations require districts to adhere to state bid laws when making purchases of food and supplies with these funds. State law requires school districts to competitively bid purchases of \$50,000 or more. The District contracted with a vendor through a bid awarded by another public agency. The District did not have supporting documentation or a system in place to ensure the other public agency complied with bid law requirements.

Additionally, with non-federal funds, the District spent \$22,691 for roof repairs. For public work purchases between \$15,000 and \$50,000, state law requires school districts to either use a small works roster or to competitively bid purchases by obtaining quotations. The repairs were done on five buildings so the District considered the repairs five separate projects and not subject to bid laws. However, the services provided were the same for each project and total payments exceeded \$15,000. Therefore, the District should have requested quotes for the project. The vendor was on the District's small works roster but the District was unaware of this and did not use the small works roster to procure the services.

Cause of Condition

The District did not establish and follow adequate internal controls to ensure all bid law requirements were met.

Effect of Condition

The District did not have an adequate system in place to ensure compliance with state bid laws and federal regulations.

Recommendation

We recommend the District improve internal controls to meet bid law requirements and to obtain documentation to verify bid law requirements have been met.

District's Response

The District agrees with the facts as presented in the first part of the finding as pertaining to the Child Nutrition Program. The District was well aware of the state law requiring competitive bids for food purchases, as they were anticipated to be well above the \$50,000 threshold. To meet this requirement, the District renewed its purchasing cooperative contract with Northwest Educational Service District 189 (ESD 189) that had been in effect since August 1, 1999.

The District relied on ESD 189, as the fiscal agent of the purchasing cooperative, to comply with state bid laws; it is our understanding that the ESD 189 did in fact follow state bid laws in acting as the purchasing cooperative's fiscal agency.

The reason for the audit finding, from our understanding, was that the District did not have supporting bid documentation or a system in place to ensure ESD 189 complied with bid law requirements, which includes copies of affidavit of publication, bid documents, and any other documentation that would have been required to have been retained had the District conducted the bid process itself.

The District was not aware of this requirement when it joined ESD 189's purchasing cooperative. We will make every effort to comply with this requirement for any future purchasing cooperative agreement in which we participate.

The second part of the finding deals with \$22,691 of roof repairs. The District concurs, in hindsight, that quotations should have been obtained as the total roof repairs for the year exceeded the threshold of \$15,000 as set by state bid law. However, since the repair work was preformed at five separate buildings at varying times throughout the year, and due to the unpredictability of the cost and extent of roof repairs, the District did not know it would exceed \$15,000 with the vendor until after the fact. The District will make every effort to monitor these types of situations in the future to prevent similar future occurrences.

Auditor's Remarks

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

Applicable Laws and Regulations

Office of Management and Budget Circular A133, Section 300, subpart C states in part:

The auditee shall:

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

RCW 39.34.030, as amended by HB 2615 (effective June 10, 2004) states in part:

(5) No agreement made pursuant to this chapter relieves any public agency of any obligation or responsibility imposed upon it by law except that: . . .

(b) With respect to one or more public agencies purchasing or otherwise contracting through a bid, proposal, or contract awarded by another public agency or by a group of public agencies, any statutory obligation to provide notice for bids or proposals that applies to the public agencies involved is satisfied if the public agency or group of public agencies that awarded the bid, proposal, or contract complied with its own statutory requirements and either (I) posted the bid or solicitation notice on a web site established and maintained by a public agency, purchasing cooperative, or similar service provider, for purposes of posting public notice of bid or proposal solicitations or (II) provided an access link on the state's web portal to the notice.

RCW 28A.335.190 Advertising for bids--Competitive bid procedures--Telephone or written quotation solicitation, limitations—Emergencies, states in part:

(3) Every building, improvement, repair or other public works project, the cost of which is estimated to be in excess of (a) fifteen thousand dollars, for districts with fifteen thousand five hundred or more full-time equivalent students; or (b) for districts with fewer than fifteen thousand five hundred full-time equivalent students, fifteen thousand dollars if more than one craft or trade is involved with the school district improvement or repair, or ten thousand dollars if a single craft or trade is involved with the school district improvement or repair, shall be on a competitive bid process. Whenever the estimated cost of a public works project is fifty thousand dollars or more, the public bidding process provided in subsection (1) of this section shall be followed unless the contract is let using the small works roster process in RCW 39.04.155 or under any other procedure authorized for school districts. One or more school districts may authorize an educational service district to establish and operate a small works roster for the school district under the provisions of RCW 39.04.155.

Title 7, Code of Federal Regulations, Section 210.21

(a) General. State agencies and school food authorities shall comply with the requirements of 7 CFR part 3015 concerning the procurement of supplies, food, equipment and other services with Program funds. These requirements ensure that such materials and services are obtained for the Program efficiently and economically and in compliance with applicable laws and executive orders . . .

(c) Procurement procedure. The State agency or school food authority may use its own procurement procedures which reflect applicable State and local laws and regulations, provided that procurements made with Program funds adhere to the standards set forth in 7 CFR part 3015.

Independent Auditor's Report on Compliance and Internal Control over Financial Reporting in Accordance with Government Auditing Standards

**Burlington-Edison School District No. 100
Skagit County
September 1, 2003 through August 31, 2004**

Board of Directors
Burlington-Edison School District No. 100
Burlington, Washington

We have audited the financial statements of Burlington-Edison School District No. 100, Skagit County, Washington, as of and for the year ended August 31, 2004, and have issued our report thereon dated February 25, 2005. We conducted our audit in accordance with governmental auditing standards generally accepted in the United States of America, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Board of Directors, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is

not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

February 25, 2005

Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Burlington-Edison School District No. 100
Skagit County
September 1, 2003 through August 31, 2004

Board of Directors
Burlington-Edison School District No. 100
Burlington, Washington

COMPLIANCE

We have audited the compliance of Burlington-Edison School District No. 100, Skagit County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal programs for the year ended August 31, 2004. The District's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with governmental auditing standards generally accepted in the United States of America, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended August 31, 2004.

INTERNAL CONTROL OVER COMPLIANCE

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to

significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Federal Audit Findings as Finding 1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of management, the Board of Directors, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a stylized, cursive script.

BRIAN SONNTAG, CGFM
STATE AUDITOR

February 25, 2005

Independent Auditor's Report on Financial Statements

Burlington-Edison School District No. 100 Skagit County September 1, 2003 through August 31, 2004

Board of Directors
Burlington-Edison School District No. 100
Burlington, Washington

We have audited the accompanying financial statements of Burlington-Edison School District No. 100, Skagit County, Washington, for the year ended August 31, 2004. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our financial audit in accordance with governmental auditing standards generally accepted in the United States of America, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the District prepares its financial statements on the basis of accounting that demonstrates compliance with Washington State statutes and the *Accounting Manual for Public Schools in the State of Washington*, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Burlington-Edison School District No. 100, for the year ended August 31, 2004, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards* in the United States of America, we will issue our report on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Long-Term Debt is also presented for purposes of additional analysis as required by the prescribed Accounting manual. These supplemental schedules are not a required part of the financial statements. Such supplemental information has been subjected to the auditing procedures applied in the audit of the

financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

February 25, 2005

Financial Statements and Schedules

Burlington-Edison School District No. 100
Skagit County
September 1, 2003 through August 31, 2004

FINANCIAL STATEMENTS

Balance Sheet – 2004
Statement of Revenues, Expenditures and Changes in Fund Balance – 2004
Statement of Changes in Fiduciary Net Assets – 2004
Notes to Financial Statements – 2004

SUPPLEMENTAL INFORMATION

Schedule of Long-Term Debt – 2004
Schedule of Expenditure of Federal Awards – 2004
Notes to the Schedule of Expenditures of Federal Awards – 2004

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund
ASSETS:						
Cash & Cash Equivalents	870,022.70	24,109.21	22,317.52	584,439.10	333,088.51	
Minus Outstanding Warrants	842,461.32	10,554.56		554,440.53	332,994.53	
Taxes Receivable	2,328,479.16		2,038,747.73			
Due From Other Funds						
Accounts Receivable	109,306.44					
Interfund Loans Receivable	67,836.46					
Accrued Interest Receivable						
Inventory	11,489.72					
Prepaid Items	315,088.74	9,596.18				
Investments	1,129,500.73	234,700.00	3,432,179.72	3,188,130.94	216,568.60	
Investments/Cash W/Trustees						
Investments-Deferred Comp						
Self-Insur Security Dep						
TOTAL ASSETS	3,988,262.63	257,850.83	5,493,244.97	3,218,129.51	216,662.58	
LIABILITIES:						
Accounts Payable	256,269.19	4,245.87		829,347.22		
Contracts Payable Current						
Accrued Interest Payable						
Accrued Salaries						
Rev Anticipation Notes Pay						
Vacation Leave Payable-Current						
Sick Leave Payable-Current						
Payroll Ded & Taxes Pay	7,903.44					
Due to Other Govt. Units						
Deferred Compensation Pay						
Est Employee Benefits Pay						
Due to Other Funds						
Interfund Loans Payable						
Deposits			5,000.00			
Matured Bonds Payable						
Matured Bond Interest Pay						
Arbitrage Rebate Payable						
Deferred Revenue	2,328,479.16		2,038,747.73			
TOTAL LIABILITIES	2,592,651.79	4,245.87	2,043,747.73	829,347.22		
FUND BALANCE:						
Reservation of Fund Balance						
Unreserve Desig. Fund Balance						
Unreserve Undesig. Fund Balance	1,395,610.84	253,604.96	3,449,497.24	2,388,782.29	216,662.58	
TOTAL FUND BALANCE	1,395,610.84	253,604.96	3,449,497.24	2,388,782.29	216,662.58	
TOTAL LIAB & FUND BALANCE	3,988,262.63	257,850.83	5,493,244.97	3,218,129.51	216,662.58	

REPORT F196
E.S.D. 189
COUNTY: 29 SKAGIT

BURLINGTON EDISON SCHOOL DISTRICT NO. 100
Statement of Revenues, Expenditures and Changes in Fund Balance
For The Year Ended August 31, 2004

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	General Fund	Assoc. Student Body	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund
REVENUES:						
Local	5,647,687.61					
State	17,766,603.12			693,936.70	5,866.83	
Federal	1,985,994.82	513,245.82	4,268,366.05	1,686,017.38	129,796.13	
Other	111,217.96		58,403.42			
TOTAL REVENUES	25,511,503.51	513,245.82	4,326,769.47	2,379,954.08	135,662.96	
EXPENDITURES:						
CURRENT:						
Regular Instruction	12,647,504.30					
Special Education	2,687,957.15					
Vocational Education	1,017,659.16					
Skills Center						
Compensatory Programs	2,003,611.68					
Other Instructional Progs	284,971.79					
Community Services						
Support Services	6,154,868.97					
Student Activities/Other		563,092.16				
CAPITAL OUTLAY:						
Sites						
Building				461,301.30		
Equipment				7,323,481.83		
Energy				540.19		
Transportation Equipment	409,113.93				383,924.44	
Other						
DEBT SERVICE:						
Principal			1,943,074.18			
Interest and Other Charges			2,152,131.91	10,018.56-		
TOTAL EXPENDITURES	25,205,686.98	563,092.16	4,095,206.09	7,775,304.76	383,924.44	
REVENUES OVER (UNDER) EXP:	305,816.53	49,846.34-	231,563.38	5,395,350.68-	248,261.48-	
OTHER FINANCING SOURCES(USES) :						
Bond Sales & Refund Bond Sales						
Long-Term Financing						
Transfers In			40,129.80			
Transfers Out						
Other Financing Uses (GL 535)	40,129.80-					
Other						
TOTAL OTHER FINANCING SOURCES (USES)	40,129.80-		40,129.80			
EXCESS OF REVS & OTHER FIN SOURCES OVER (UNDER) EXP AND OTHER FIN USES	265,686.73	49,846.34-	271,693.18	5,395,350.68-	248,261.48-	
BEGINNING TOTAL FUND BALANCE	1,129,924.11	303,451.30	3,177,804.06	7,784,132.97	464,924.06	
Prior Year(s) Corrections or Restatements						
ENDING TOTAL FUND BALANCE	1,395,610.84	253,604.96	3,449,497.24	2,388,782.29	216,662.58	

REPORT F196
E.S.D. 189
COUNTY: 29 SKAGIT

BURLINGTON EDISON SCHOOL DISTRICT NO. 100
Statement of Changes in Fiduciary Net Assets
Other Trust & Agency Funds
For The Year Ended August 31, 2004

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Private Purpose Trust	Other Trust
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ADDITIONS:		
Contributions:		
Private Donations	895.00	
Employer Members		
Other		
Total Contributions	895.00	
Investment Earnings:		
Net Increase (Decrease) in Fair Value of Investments		
Interest	5.00	
Dividends		
Total Investment Earnings	5.00	
Less Investment Expense		
Net Investment Earnings	5.00	
Rent or Lease Revenue		
Total Additions	900.00	

DEDUCTIONS:		
Benefits		
Refund of Contributions		
Administrative Expenses		
Scholarships		
Other	374.29	
Total Deductions	374.29	
Changes in Net Assets		

Net Assets--Beginning of Year	1,472.86
Prior Year(s) Corrections or Restatements	
Net Assets--End of Year	1,998.57

Burlington-Edison School District No. 100
Notes to Financial Statements
September 1, 2003 Through August 31, 2004

Note 1 Summary of Significant Accounting Policies

a. Reporting Entity

The Burlington-Edison School District is a municipal corporation organized pursuant to Title 28A *Revised Code of Washington* (RCW) for the purpose of providing public school services to students in grades 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.

For financial reporting purposes, the Burlington-Edison School District includes all funds and organizations that are controlled by or dependent on the district's board of directors. Control by or dependence on the district was determined on the basis of budget adoption, taxing authority, outstanding debt secured by the general credit of the district, obligation of the district to finance any deficits that may occur, or receipt of significant subsidies from the district.

b. Basis of Presentation—Fund Accounting

The Burlington-Edison School District presents governmental fund financial statements and related notes on the modified accrual basis of accounting as prescribed by generally accepted accounting principles (GAAP), and required by its regulatory agencies, the Office of Superintendent of Public Instruction and the State Auditor's Office. However, the district elects to not present district-wide financial statements, and management's discussion and analysis, which are departures from GAAP. Long-term debt is reported on a required supplementary schedule. The accounts of the district are organized on the basis of funds, each of which is considered a separate accounting entity. The regulatory agencies require all funds be presented as major funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures as appropriate. 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 those required to be accounted for in another fund. In keeping with the principle of as few funds as necessary, food services, maintenance, data processing, printing, and transportation activities are included in the fund.

Capital Projects Funds

These funds account for financial resources to be used for the construction or acquisition of major capital assets. The capital projects fund type consists of 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 capital assets.

Transportation Vehicle Fund—This fund is used to account for the purchase, major repair, rebuilding, and debt service expenditures related 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, interest, and related expenditures.

Special Revenue Funds

These funds account for the proceeds of specific revenue sources that are legally restricted for specific purposes. The Associated Student Body Fund (ASB Fund) is the only fund of this type. This fund is accounted for as a special revenue fund since the financial resources legally belong to the district.

Permanent Funds

These funds are used to report resources legally restricted such that only earnings, and not principle, may be used to support the district's programs.

FIDUCIARY FUNDS

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

Private-Purpose Trust Fund This fund is used to account for resources legally held in trust where principal and income benefit individuals, private organizations, or other governments.

c. Basis of Accounting

The district's accounting policies, as reflected in the accompanying financial statements, conform to the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor 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 allows for a practice that differs from generally accepted accounting principles in the following manner:

- (1) District-wide statements are not presented.
- (2) The financial statements do not report capital assets.

- (3) Debt is not reported on the face of the financial statements. It is reported in the notes to the financial statements and on the Schedules of Long-Term and Short-Term Debt, which are required parts of the financial statements.
- (4) The original budget is not presented. This information is available through the Office of Superintendent of Public Instruction.
- (5) The Management Discussion and Analysis is not required.

The modified accrual basis of accounting is used for all governmental funds. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and the district considers all revenues available if they are collected within 60 days after year-end to pay liabilities of the current period. Property taxes receivable are measurable but not available and are, therefore, not accrued. However, categorical program claims and inter-district billings are measurable and available and are, therefore, accrued.

Expenditures are recognized under the modified 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. The fund liability is incurred when the goods or services have been received. For federal grants, the recognition of expenditures is dependent on the obligation date, (obligations means purchased order issued, contracts awarded, or goods and services received).

All governmental funds reporting focus primarily on the sources, uses, and balances of current financial resources and often have a budgetary orientation. This means that only current assets and current liabilities are included on their balance sheets.

d. Budgetary Data

General Budgetary Policies

Chapter 28A.505 RCW and Chapter 392-123 *Washington Administrative Code* (WAC) mandate school district budget policies and procedures. The board adopts the budget after a public hearing. An appropriation is a prerequisite to expenditure. Appropriations lapse at the end of the fiscal period.

Budgetary Basis of Accounting

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

e. Assets, Liabilities, and Fund Equity

The district's investments (excluding investments for deferred compensation plans) are categorized as follows to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the district or its agent in the district's name. Category 2 includes uninsured and

unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the district's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or its trust department or agent but not in the district's name.

Description	Category			Carrying Amount	Market Value
	1	2	3		
U.S. Government Securities					
Bankers' Acceptances					
Commercial Paper		\$ 1,997,417		\$ 1,997,417	\$ 1,997,417
Time Certificates of Deposit	\$ 2,800,327			\$ 2,800,327	\$ 2,800,327
State Treasurer's Investment Pool	\$ 3,403,480			\$ 3,403,480	\$ 3,403,480
Total Investments	\$ 6,203,807	\$ 1,997,417		\$ 8,201,224	\$ 8,201,224

Receivables and Payables

All receivables are expected to be collected within one year.

Inventory

Inventory is valued at cost using the weighted average method. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. Reservation of fund balance is not necessary. Management may reserve a portion of fund balance in any amount as a budgetary technique to ensure the availability of resources at the appropriate time. USDA commodities, which consist of food donated by the United States Department of Agriculture, are not included in inventory.

f. Revenue and Expenditure Recognition

Debt Service

Principal and interest on general long-term debt is recognized only when due.

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 option of paying all taxes on April 30 or one-half then and one-half on October 31. Typically, slightly more than half of the collections are made on the April 30 date. The October 31 collection is not available in time to cover liabilities for the fiscal period ended August 31. Therefore, the fall portion of property taxes is not accrued as revenue. Instead, the taxes due on October 31 are recorded as deferred revenue.

Compensated Absences

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

Under the provisions of RCW 28A.400.210, sick leave accumulated by district employees is reimbursed at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buy out of an amount up to the maximum annual accumulation of 12 days. For buy out purposes employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

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

Vacation pay, including benefits, that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it.

No unrecorded liability exists for other employee benefits.

Note 2 Self-Insurance

Until June 30, 1994 the district was a member of an industrial self-insurance trust that was administered by Educational Service District No. 189 on behalf of several local school districts. The trust was operated in the district's benefit in lieu of participating in the state-operated workers' compensation system. The trust established an average rate per employee hour that was directly related to each participating district's historical experience. The trust assumed liability for all claims to the extent there were available resources. Due to the loss of effective reinsurance, it was decided among the members of the trust that this cooperative could no longer compete with the price of insurance offered through the State of Washington. Beginning July 1, 1994 the trust discontinued providing coverage to the members and each had to either individually self-insure or return to the state system. The Burlington-Edison School District decided to rejoin the state system. The district is entitled to a liquidated share of the assets of the trust and to participate in any residual liability of the trust upon dissolution; however, the specific date of dissolution and the amount of the residual liability is indeterminable at this time.

Note 3 Capital Assets

The district's capital assets are insured in the amount of \$73,310,994. In the opinion of the district's insurance consultant, this amount is sufficient to adequately fund replacement of the district's assets.

Note 4 Pensions

A. General Information

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

The Teachers' Retirement System (TRS) includes certificated staff of 296 public school district employers and other public employers. As of September 30, 2003, it includes 72,635 active and inactive vested members.

The Public Employees' Retirement System (PERS) includes non-certificated staff of 296 public school district employers and other public employers. As of September 30, 2003, it includes 174,551 active and inactive vested members.

The School Employees' Retirement System (SERS) includes non-certificated staff of 296 public school district employers. As of September 30, 2003, it includes 52,764 active and inactive vested members.

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

Plan 3 for TRS was established effective July 1, 1996. This plan is a combination defined benefit, defined contribution plan. The Pension Funding Council establishes employer contribution rates each biennium. The state actuary calculates the rates and the Pension Funding Council adopts the rates for the defined benefit portion of the plan. The Employee Retirement Benefits Board (ERBB) establishes employee rate choices. These rates fund the defined contribution portion of the plan.

The new retirement system for school employees, SERS, was established effective September 1, 2000 and includes a Plan 3. This plan is a combination defined benefit, defined contribution plan. The Pension Funding Council establishes employer contribution rates each biennium. The state actuary calculates the rates and the Pension Funding Council adopts the rates, for the defined benefit portion of the plan. The Employee Retirement Benefits Board (ERBB) establishes employee rate choices. These rates fund the defined contribution portion of the plan. Employer contribution rates for Plans 1, 2 and 3 of each system have been set at rates reflective of amounts that have been appropriated by the State Legislature. The district contribution represents its full liability under all systems, except that future rates may be adjusted to meet the system needs.

B. General System Information by Internal Benefit Plans

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

Plan 1 (employment on or before September 30, 1977) members of TRS and PERS are eligible to retire with full benefits after five years of credited service and attainment of age 60, or after 25 years of credited service and attainment of age 55, or after 30 years of credited service.

Plan 2 (employment on or after October 1, 1977) members of TRS and SERS are eligible to retire with full benefits after five years of credited service and attainment of age 65 or after 20 years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65.

Plan 3 (employment on or after July 1, 1996) members of TRS are eligible to retire with full benefits after ten years of credited service and attainment of age 65 or after ten years of credited service and attainment of age 55 with benefit actuarially reduced from age 65.

Plan 3 (employment on or after September 1, 2000) members of SERS are eligible to retire with full benefits after ten years of credited service and attainment of age 65 or after ten years of credited service and attainment of age 55 with benefit actuarially reduced from age 65.

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

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

C. Contributions

Employee contribution rates as of August 31, 2004:

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	0.87%	Plan 2 SERS	0.85%
Plan 3 TRS and SERS	5.00% (minimum),	15.00% (maximum)	

For Plan 3 TRS and SERS, rates adjusted based upon age may be chosen. The optional rates range begins at 5 percent and increase to a maximum of 8.5 percent.

Employer contribution rates as of August 31, 2004:

Plan 1 TRS	1.39%*	Plan 1 PERS	1.40%*
Plan 2 TRS	1.39%*	Plan 2 SERS	1.07%*
Plan 3 TRS	1.39%*	Plan 3 SERS	1.07%*

* Includes DRS Administrative Expense Rate of 0.22%

Under current law the employer must contribute 100 percent of the employer-required contribution. Employer required contributions in dollars (TRS: July 1–June 30, PERS: January 1–December 31):

Plan	FY 2003-04	FY 2002-03	FY 2001-02
Plan 1 TRS	\$ 34,913.79	\$ 36,940.65	\$ 120,299.59
Plan 2 TRS	\$ 5,179.63	\$ 4,400.89	\$ 9,588.31
Plan 3 TRS	\$ 111,930.83	\$ 98,997.48	\$ 258,197.65
Plan 1 PERS	\$ 4,059.44	\$ 5,572.40	\$ 13,652.96
Plan 2 SERS	\$ 11,718.28	\$ 13,943.47	\$ 40,953.52
Plan 3 SERS	\$ 37,588.49	\$ 41,855.36	\$ 96,720.52

Historical trend information showing TRS and PERS progress in accumulating sufficient assets to pay benefits when due is presented in the state of Washington's June 30, 2003, comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

State of Washington
Office of Financial Management
300 Insurance Building
PO BOX 43113
Olympia, WA 98504-3113

Note 5 Construction and Other Significant Commitments

Construction in progress is composed of:

Project	Project Authorization Amount	Expended as of 8/31/2004	Additional Local Funds Committed	Additional Local Funds Committed
District-wide Improvements	\$ 25,549,277	\$ 21,525,793	\$ -	\$ -
Total	\$ 25,549,277	\$ 21,525,793	\$ -	\$ -

Note 6 Deferred Compensation Plan

District employees have the option of participating in an IRC, Section 457, deferred compensation plan administered by the district, a state retirement system, or another governmental entity. The district retains a right of legal access to the plan assets (valued at market) until paid or made available to the employees, subject only to the claims of the district's general creditor.

Note 7 Risk Management

The district is exposed to various risks of loss related to its property and liability exposures. The Burlington-Edison School District is one of 72 school districts, six educational service districts, and four inter-local cooperative members of the Washington Schools Risk Management Pool, which was formed on August 30, 1986 pursuant to Chapter 48.62 of the Revised Code of Washington. The purpose of the pool is to join together in a cooperative manner to provide its members the capability and authority to jointly purchase property and liability insurance, establish and maintain a reserve to pay for self-insurance coverage, provide a plan of self-insurance, and provide related services, including a cooperative program of risk management.

The district pays an annual premium contribution to the pool for its coverage. For the period 09/01/2003 to 08/31/2004, the Pool provided liability limits of \$15 million per occurrence. For the period 09/01/2003 to 08/31/2004, the Pool provided property limits of \$500 million per occurrence (for covered claims). The Pool purchases excess insurance to provide for property claims in excess of \$1 million per occurrence and for liability claims in excess of \$1.5 million per occurrence.

Pool underwriting and rate-setting policies have been established by the Pool Executive Board after consultation with actuaries. Pool members are subject to supplemental assessment in the event of deficiencies. There is no limit on the amount of annual premium contribution increases. If the assets of the Pool were to be exhausted, members would be responsible for the Pool's liabilities. The allocation of the liabilities would be determined by the Executive Board. If the Pool were dissolved, the members would receive the net assets. The allocation would be in proportion to each member's contribution less obligations (including incurred but not reported claims).

The Washington Schools Risk Management Pool has produced its own financial report for the year ended August 31, 2003, which can be obtained from:

David K. Hayasaka
Executive Director
Washington Schools Risk Management Pool
P.O. Box 66838
Burien, WA 98166-0838

At August 31, 2004, no General Fund investments were held for purposes of funding the district's future claims liabilities. As a result, no General Fund balance is designated for payment of future claims liabilities.

Note 8 Lease Obligations and Conditional Sales Contract Obligations

For the fiscal year ended August 31, 2004, the district had no additional long-term debt.

Note 9 Debt

Long-Term Debt

Bonds payable at August 31, 2004, are comprised of the following individual issues:

General Obligation Bonds

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
UTGO Bonds, 1994	\$ 4,490,000	\$275,000 - \$300,000	12/1/2004	6.00% - 6.10%	\$ 300,000
UTGO Noncallable Bonds, 1995	\$ 4,490,000	\$0 - \$250,000	12/1/2010	7.625%	\$ 250,000
UTGO Refunding Bonds, 1997	\$ 6,355,000	\$40,000 - \$3,395,000	12/1/2012	4.40% - 5.00%	\$ 4,625,000
UTGO Refunding Bonds, 1998	\$ 8,485,000	\$865,000 - \$1,540,000	12/1/2009	4.10% - 4.75%	\$ 7,195,000
UTGO Refunding Bonds, 1999	\$ 2,940,000	\$40,000 - \$590,000	12/1/2010	3.90% - 4.30%	\$ 2,745,000
UTGO Bonds, 2001	\$ 17,000,000	\$0 - \$4,925,000	12/1/2015	4.15% - 5.625%	\$ 16,830,000
UTGO Refunding Bonds, 2001	\$ 3,395,000	\$10,000 - \$2,440,000	12/1/2010	4.25% - 5.00%	\$ 3,345,000
UTGO Bonds, 2002	\$ 2,950,000	\$0 - \$1,190,000	12/1/2016	3.75% - 4.875%	\$ 2,950,000
UTGO Refunding Bonds, 2003	\$ 3,760,000	\$60,000 - \$775,000	12/1/2008	2.00% - 3.25%	\$ 3,700,000
Total General Obligation Bonds					\$ 41,940,000

Limited General Obligation Bonds (Non-Voted)

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
LTGO, 2000	\$ 1,500,000	\$0 - 170,000	12/1/2015	4.70% - 6.00%	\$ 1,500,000
State of WA - Energy Upgrades	\$ 325,000	\$13,297 - \$19,635	12/1/2011	4.37848%	\$ 254,206
Total Ltd. General Obligation Bonds					\$ 1,754,206

The following is a summary of long-term debt (general obligation and limited general obligation) transactions of the district for the fiscal year ended August 31, 2004.

Long-Term Debt Payable at 9/1/2003	\$ 45,547,280
New Issues	\$ 3,760,000
Debt Retired	\$ 5,613,074
Long-Term Debt Payable at 8/31/2004	\$ 43,694,206

The following is a schedule of annual requirements to amortize long-term debt at August 31, 2004:

Years Ending August 31,	Principal	Interest	Total
2005	\$ 2,224,316.86	\$ 2,079,101.26	\$ 4,303,418.12
2006	\$ 2,450,614.54	\$ 1,994,626.26	\$ 4,445,240.80
2007	\$ 2,656,969.67	\$ 1,895,526.26	\$ 4,552,495.93
2008	\$ 2,848,384.78	\$ 1,783,851.26	\$ 4,632,236.04
2009	\$ 3,119,862.52	\$ 1,666,275.01	\$ 4,786,137.53
2010	\$ 3,336,405.69	\$ 1,530,158.76	\$ 4,866,564.45
2011	\$ 3,578,017.14	\$ 1,365,741.26	\$ 4,943,758.40
2012	\$ 3,834,635.04	\$ 1,181,303.76	\$ 5,015,938.80
2013	\$ 4,105,000.00	\$ 974,371.88	\$ 5,079,371.88
2014	\$ 4,425,000.00	\$ 738,337.50	\$ 5,163,337.50
2015	\$ 4,780,000.00	\$ 480,365.63	\$ 5,260,365.63
2016	\$ 5,145,000.00	\$ 202,209.38	\$ 5,347,209.38
2017	\$ 1,190,000.00	\$ 29,006.25	\$ 1,219,006.25
Totals	\$ 43,694,206.24	\$ 15,920,874.47	\$ 59,615,080.71

At August 31, 2004 the district had \$3,449,497.24 in the Debt Service Fund to service the general obligation bonds and limited general obligation bonds (non-voted).

Note 10 Inter-fund Loans

For the year ended August 31, 2004, the district had no inter-fund loans.

Note 11 Summaries of Significant Contingencies

Litigation

The Burlington-Edison School District has no known legal obligations that would materially impact the financial position of the district.

Note 12 Other Disclosures

The district is a member of the King County Directors' Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association by approving an agreement dated May 21, 1974, and has remained in the joint venture ever since. The district's current equity of \$48,973.66 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.

Note 13 Subsequent Events

There were no events after the balance sheet date that would have a material impact on the next or future years.

BURLINGTON EDISON SCHOOL DISTRICT NO. 100
Schedule of Long-Term Debt
For The Year Ended August 31, 2004

Description	(1) Beginning Outstanding Debt 9/1/2003	(2) Amount Issued/ Increased	(3) Amount Redeemed/ Decreased	(4) Ending Outstanding Debt 8/31/2004 (1)+(2)-(3)
Total Voted Bonds	43,765,000.00	3,760,000.00	5,585,000.00	41,940,000.00
Total Non-Voted Notes/Bonds	1,782,280.42		28,074.18	1,754,206.24
Other Long-Term Debt:				
Capital Leases				
Contracts Payable (GL 603)				
NonCancellable Operating Leases				
Claims & Judgements				
Compensated Absences	508,663.36	52,437.01		561,100.37
OZAB				
Other Long-Term Debt				
Total Other Long-Term Debt	508,663.36	52,437.01		561,100.37
Total Long-Term Debt	46,055,943.78	3,812,437.01	5,613,074.18	44,255,306.61

Schedule of Expenditure of Federal Awards For Fiscal Year Ending August 31, 2004

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BURLINGTON-EDISON SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards

**Note 1 - BASIS OF
ACCOUNTING**

The Schedule of Expenditures of Federal Awards is prepared on the 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 - UNIT COST CONTRACTS

Under certain programs the district receives a fixed amount for the activity, regardless of the district's expenditures. Expenditures for these programs are listed at the amount received from the grantor.

Note 3 - NON-CASH AWARDS

The amount of food commodities reported on the schedule is the market value of commodities distributed by the School District during the current year. The value is determined by the USDA.