

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

Burlington-Edison School District
No. 100
Skagit County

Audit Period
September 1, 2004 through August 31, 2005

Report No. 70344

Issue Date
April 7, 2006



Washington _____
State Auditor

Brian Sonntag



**Washington State Auditor
Brian Sonntag**

April 7, 2006

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 in order to provide information on the District's financial condition.

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Skagit County
September 1, 2004 through August 31, 2005

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Federal Summary

Burlington-Edison School District No. 100
Skagit County
September 1, 2004 through August 31, 2005

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.

- An unqualified opinion was issued on the District's financial statements.
- We noted no instances of noncompliance that were material to the financial statements of the District.
- We issued an unqualified opinion on the District's compliance with requirements applicable to its major federal programs.
- We reported no findings which are 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 qualified 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 Grants to States

Schedule of Prior Federal Audit Findings

Burlington-Edison School District No. 100 Skagit County September 1, 2004 through August 31, 2005

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of Burlington-Edison School District No. 100. The State Auditor's Office has reviewed the status as presented by the District.

Audit Period: FY 2004	Report Reference Number: 68371	Finding Reference Number: 1	CFDA Number(s): 10.553/555
Federal Program Name and Granting Agency: Child Nutrition Program Funds		Pass-Through Agency Name: Office of Superintendent of Public Instruction	
Finding Caption: The District does not have adequate internal controls over monitoring of compliance with bid law requirements.			
Background: The District received \$479,693 in federal Child Nutrition Program funds (CFDA 10.553/555). Of this amount, \$179,742 was spent to purchase 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 works 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 and the District considered the repairs five separate projects, 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.			
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No corrective action taken <input type="checkbox"/> Finding is considered no longer valid			

Corrective Action Taken:

Since the audit finding, the District has joined the Puget Sound Joint Purchasing Cooperative (Cooperative). In order to ensure that this audit finding does not occur in the future, the District maintains the following on file regarding the Cooperative:

- Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion
- Purchasing Cooperative Agreement
- Call for Bid
- Price List
- Request for Affidavit of Publication
- Bid Responses

By maintaining these records on file, we believe that we have satisfactorily monitored the Cooperative, and as a result, fully complied with all bid law requirements.

As to the roof repair situation, we continue to make every effort to monitor these types of situations to prevent a similar occurrence. Our efforts have been aided by the fact that the District recently revised Procedure 6220P, Bid Requirements (effective September 1, 2005), which increases the threshold for various types of purchases and public works projects.

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

Burlington-Edison School District No. 100
Skagit County
September 1, 2004 through August 31, 2005

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, 2005, and have issued our report thereon dated February 6, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, 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 noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information and use of management, the Board of Directors, 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 6, 2006

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, 2004 through August 31, 2005

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, 2005. 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 auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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, 2005.

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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Board of Directors, 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", written in a cursive style.

BRIAN SONNTAG, CGFM
STATE AUDITOR

February 6, 2006

Independent Auditor's Report on Financial Statements

Burlington-Edison School District No. 100 Skagit County September 1, 2004 through August 31, 2005

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, as of and for the year ended August 31, 2005, as listed on page 10. 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 using accounting practices prescribed by Washington State statutes and the *Accounting Manual for Public Schools in the State of Washington*, which demonstrates compliance with the regulatory basis of accounting which differs from accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and the accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Burlington-Edison School District No. 100, as of August 31, 2005, changes in financial position, thereof, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing 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 schedules are not a required part of the financial statements. Such information has been

subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information and use of the governing body and management of Burlington-Edison School District No. 100. 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, flowing script.

BRIAN SONNTAG, CGFM
STATE AUDITOR

February 6, 2006

Financial Section

Burlington-Edison School District No. 100
Skagit County
September 1, 2004 through August 31, 2005

FINANCIAL STATEMENTS

Balance Sheet – 2005
Statement of Revenues, Expenditures and Changes in Fund Balance – 2005
Statement of Fiduciary Net Assets – Other Trust and Agency Funds – 2005
Statement of Changes in Fiduciary Net Assets – Other Trust and Agency Funds – 2005
Notes to Financial Statements – 2005

SUPPLEMENTAL INFORMATION

Schedule of Long-Term Debt – 2005
Schedule of Expenditure of Federal Awards – 2005
Notes to the Schedule of Expenditures of Federal Awards – 2005

REPORT F196

E.S.D. 189
COUNTY: 29 SKAGIT

BURLINGTON EDISON SCHOOL DISTRICT NO. 100
Balance Sheet as of August 31, 2005

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ANNUAL FINANCIAL STATEMENTS

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund
ASSETS:						
Cash & Cash Equivalents	1,132,513.87	61,171.47	13,932.81	640,434.47	70.77	
Minus Outstanding Warrants	1,098,200.20	21,376.59		603,044.31		
Taxes Receivable	2,450,307.02		2,065,181.96			
Due From Other Funds						
Due From Other Gov. Units	133,922.71					
Accounts Receivable	18,496.92					
Interfund Loans Receivable						
Accrued Interest Receivable						
Inventory	14,110.47					
Prepaid Items	309,802.53	25,321.68				
Investments	1,105,000.00	266,100.00	3,556,000.00	2,930,506.83	326,854.38	
Investments/Cash W/Trustees						
Investments-Deferred Comp						
Self-Insur Security Dep						
TOTAL ASSETS	4,065,953.32	331,216.56	5,635,114.77	2,967,896.99	326,925.15	
LIABILITIES:						
Accounts Payable	239,291.15	348.80		342,070.76		
Contracts Payable Current						
Accrued Interest Payable						
Accrued Salaries	11,682.91					
Rev Anticipation Notes Pay						
Vacation Leave Payable-Current						
Sick Leave Payable-Current						
Payroll Ded & Taxes Pay	10,934.43					
Due to Other Govt. Units						
Deferred Compensation Pay						
Est Employee Benefits Pay						
Due to Other Funds						
Interfund Loans Payable						
Deposits						
Matured Bonds Payable						
Matured Bond Interest Pay						
Arbitrage Rebate Payable						
Deferred Revenue	2,459,387.02	23,523.00	2,065,181.96			
TOTAL LIABILITIES	2,721,295.51	23,871.80	2,065,181.96	342,070.76		
FUND BALANCE:						
Reservation of Fund Balance						
Unreserve Desig. Fund Balance	1,344,657.81	307,344.76	3,569,932.81	2,625,826.23	326,925.15	
Unreserve Undesig. Fund Balanc	1,344,657.81	307,344.76	3,569,932.81	2,625,826.23	326,925.15	
TOTAL FUND BALANCE	4,065,953.32	331,216.56	5,635,114.77	2,967,896.99	326,925.15	
TOTAL LIAB & FUND BALANCE						

The accompanying notes are an integral part of this financial statement

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

BURLINGTON EDISON SCHOOL DISTRICT NO. 100
Statement of Revenues, Expenditures and Changes in Fund Balance
For The Year Ended August 31, 2005

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	General Fund	Assoc. Student Body	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund
REVENUES:						
Local	5,861,879.55					
State	19,157,660.11					
Federal	2,137,727.37					
Other	110,702.74					
TOTAL REVENUES	27,267,969.77	612,001.50	4,277,681.12	358,552.36	8,429.55	
			116,855.74	1,501,219.91	188,419.47	
		612,001.50	4,394,536.86	1,859,772.27	196,849.02	
EXPENDITURES:						
CURRENT:						
Regular Instruction	14,083,347.19					
Special Education	2,863,626.94					
Vocational Education	1,120,370.69					
Skills Center						
Compensatory Programs	2,126,223.61					
Other Instructional Progs	333,360.94					
Community Services						
Support Services	6,473,532.64					
Student Activities/Other						
CAPITAL OUTLAY:		558,261.70				
Sites						
Building						
Equipment						
Energy						
Transportation Equipment						
Other	278,330.99					
DEBT SERVICE:						
Principal						
Interest and Other Charges						
TOTAL EXPENDITURES	27,278,793.00	558,261.70	2,209,817.15	77,378.58	86,586.45	
			2,104,413.94	4,863,034.58		
			4,314,231.09			
REVENUES OVER (UNDER) EXP:	10,823.23 -	53,739.80	80,305.77	3,003,262.31 -	110,262.57	
OTHER FINANCING SOURCES(USES) :						
Bond Sales & Refund Bond Sales						
Long-Term Financing						
Transfers In						
Transfers Out						
Other Financing Uses (GL 535)						
Other	40,129.80 -					
TOTAL OTHER FINANCING SOURCES (USES)	40,129.80 -		40,129.80	3,240,306.25		
EXCESS OF REVS & OTHER FIN SOURCES OVER (UNDER) EXP AND OTHER FIN USES	50,953.03 -	53,739.80	120,435.57	237,043.94	110,262.57	
BEGINNING TOTAL FUND BALANCE	1,395,610.84	253,604.96	3,449,497.24	2,388,782.29	216,662.58	
Prior Year(s) Corrections or Restatements						
ENDING TOTAL FUND BALANCE	1,344,657.81	307,344.76	3,569,932.81	2,625,826.23	326,925.15	

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

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

BURLINGTON EDISON SCHOOL DISTRICT NO. 100
Statement of Fiduciary Net Assets
Other Trust & Agency Funds
For The Year Ended August 31, 2005

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Private
Purpose
Trust

1,799.54
80.22

ASSETS:
Imprest Cash
Cash on Hand
Cash on Deposit with Cty Treasurer
Minus Warrants Outstanding
Due From Other Funds
Accounts Receivable
Accrued Interest Receivable
Investments
Investments/Cash W/Trustees
Other Assets
Capital Assets, Land
Capital Assets, Buildings
Capital Assets, Equipment
Accum. Depreciation, Buildings
Accum. Depreciation, Equipment
TOTAL ASSETS

1,879.76

LIABILITIES:
Accounts Payable
Due to Other Funds
TOTAL LIABILITIES

Net Assets Held in Trust:
Reserved for Other Items
Reserved for Trust Principal
Unreserved, Designated for Other Items
Unreserved, Undesignated Fund Balance
Total Net Assets Held in Trust

1,879.76
1,879.76

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

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, 2005

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Private
Purpose
Trust

Other
Trust

150.00

150.00

7.05

7.05

7.05

157.05

275.86

275.86

1,998.57

1,879.76

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

DEDUCTIONS:
Benefits
Refund of Contributions
Administrative Expenses
Scholarships
Other
Total Deductions
Changes in Net Assets
Net Assets--Beginning of Year
Prior Year(s) Corrections or Restatements
Net Assets--End of Year

The accompanying notes are an integral part of this financial statement

Burlington-Edison School District No. 100
Notes to Financial Statements
September 1, 2004 through August 31, 2005

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	\$ 997,050	\$ 3,319,427		\$ 4,316,477	\$ 4,316,477
Time Certificates of Deposit	\$ 1,038,303			\$ 1,038,303	\$ 1,038,303
State Treasurer's Investment Pool	\$ 2,829,761			\$ 2,829,761	\$ 2,829,761
Total Investments	\$ 4,865,114	\$ 3,319,427		\$ 8,184,541	\$ 8,184,541

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 \$75,371,595. 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, 2004, it includes 73,380 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, 2004, it includes 177,287 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, 2004, it includes 54,317 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, 2005:

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, 2005:

Plan 1 TRS	1.37%*	Plan 1 PERS	2.44%*
Plan 2 TRS	1.37%*	Plan 2 SERS	1.04%*
Plan 3 TRS	1.37%*	Plan 3 SERS	1.04%*

* The DRS administrative rate of 0.19% for 2005 is included in the employer rate.

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 2004-05	FY 2003-04	FY 2002-03
Plan 1 TRS	\$ 32,212.01	\$ 34,913.79	\$ 36,940.65
Plan 2 TRS	\$ 6,354.91	\$ 5,179.63	\$ 4,400.89
Plan 3 TRS	\$ 123,579.48	\$ 111,930.83	\$ 98,997.48
Plan 1 PERS	\$ 4,142.76	\$ 4,059.44	\$ 5,572.40
Plan 2 SERS	\$ 11,505.47	\$ 11,718.28	\$ 13,943.47
Plan 3 SERS	\$ 38,273.09	\$ 37,588.49	\$ 41,855.36

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, 2004, 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 8/31/2005	Additional Local Funds Committed	Additional Local Funds Committed
District-wide Improvements	\$ 25,959,277	\$ 23,592,652	\$ -	\$ -
Total	\$ 25,959,277	\$ 23,592,652	\$ -	\$ -

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 Burlington-Edison School District is one of 67 school districts, six educational service districts, and four inter-local cooperative members of the Washington Schools Risk Management Pool (WSRMP), 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 09/01/2004 to 08/31/2005, WSRMP self-insures the first \$1million per occurrence for property and purchases excess property insurance to a limit of \$500 million per occurrence. WSRMP self-insures the first \$3 million per occurrence for liability, including errors & omissions and employment practices liability and purchases liability reinsurance to a limit of \$15 million per occurrence.

The WSRMP Executive Board sets rates annually, after consultation with an independent actuarial firm, based on actual loss experience. An independent actuarial firm also performs an annual solvency report, which WSRMP is in excess of an 80% confidence level. Should the assets of WSRMP be exhausted, members would be responsible for WSRMP's liabilities, based on an allocation in proportion to each member's contribution.

The Washington Schools Risk Management Pool is audited independently by the Washington State Auditor's Office and has a completed audit on file on their website.

David K. Hayasaka
Executive Director
Washington Schools Risk Management Pool
P.O. Box 88700
Tukwila, WA 98138-2700

Note 8 Lease Obligations and Conditional Sales Contract Obligations

For the fiscal year ended August 31, 2005, the district had no additional long-term debt.

Note 9 Debt

Long-Term Debt

Bonds payable at August 31, 2005, are comprised of the following individual issues:

General Obligation Bonds

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
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%	\$ 4,585,000
UTGO Refunding Bonds, 1998	\$ 8,485,000	\$865,000 - \$1,540,000	12/1/2009	4.10% - 4.75%	\$ 6,245,000
UTGO Refunding Bonds, 1999	\$ 2,940,000	\$40,000 - \$590,000	12/1/2010	3.90% - 4.30%	\$ 2,705,000
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%	\$ 3,335,000
UTGO Bonds, 2002	\$ 2,950,000	\$0 - \$1,190,000	12/1/2016	3.75% - 4.875%	\$ 2,820,000
UTGO Refunding Bonds, 2003	\$ 3,760,000	\$60,000 - \$775,000	12/1/2008	2.00% - 3.25%	\$ 2,975,000
Total General Obligation Bonds					\$ 39,745,000

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%	\$ 224,889
LTGO, 2004	\$ 3,175,000	\$0 - 270,000	12/1/2024	3.25% - 5.375%	\$ 3,175,000
Total Ltd. General Obligation Bonds					\$ 4,899,889

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, 2005.

Long-Term Debt Payable at 9/1/2004	\$ 43,694,206
New Issues	\$ 3,175,000
Debt Retired	\$ 2,224,317
Long-Term Debt Payable at 8/31/2005	\$ 44,644,889

The following is a schedule of annual requirements to amortize long-term debt at August 31, 2005:

Years Ending August 31,	Principal	Interest	Total
2006	\$ 2,450,614.54	\$ 2,213,725.27	\$ 4,664,339.81
2007	\$ 2,656,969.67	\$ 2,043,408.89	\$ 4,700,378.56
2008	\$ 2,848,384.78	\$ 1,930,318.78	\$ 4,778,703.56
2009	\$ 3,119,862.52	\$ 1,811,264.79	\$ 4,931,127.31
2010	\$ 3,486,405.69	\$ 1,671,167.87	\$ 5,157,573.56
2011	\$ 3,728,017.14	\$ 1,500,076.42	\$ 5,228,093.56
2012	\$ 3,994,635.04	\$ 1,308,531.12	\$ 5,303,166.16
2013	\$ 4,270,000.00	\$ 1,095,069.38	\$ 5,365,069.38
2014	\$ 4,595,000.00	\$ 852,547.50	\$ 5,447,547.50
2015	\$ 4,955,000.00	\$ 588,063.13	\$ 5,543,063.13
2016	\$ 5,325,000.00	\$ 303,161.88	\$ 5,628,161.88
2017	\$ 1,380,000.00	\$ 122,928.75	\$ 1,502,928.75
2018	\$ 195,000.00	\$ 86,412.50	\$ 281,412.50
2019	\$ 205,000.00	\$ 78,412.50	\$ 283,412.50
2020	\$ 205,000.00	\$ 70,212.50	\$ 275,212.50
2021	\$ 220,000.00	\$ 60,200.00	\$ 280,200.00
2022	\$ 235,000.00	\$ 47,971.88	\$ 282,971.88
2023	\$ 245,000.00	\$ 35,071.88	\$ 280,071.88
2024	\$ 260,000.00	\$ 21,500.00	\$ 281,500.00
2025	\$ 270,000.00	\$ 7,256.25	\$ 277,256.25
Totals	\$ 44,644,889.38	\$ 15,847,301.29	\$ 60,492,190.67

At August 31, 2005 the district had \$3,569,932.81 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, 2005, 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 \$47,026.50 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 or future years.

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

BURLINGTON EDISON SCHOOL DISTRICT NO. 100
Schedule of Long-Term Debt
For The Year Ended August 31, 2005

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Description	(1) Beginning Outstanding Debt 9/1/2004	(2) Amount Issued/ Increased	(3) Amount Redeemed/ Decreased	(4) Ending Outstanding Debt 8/31/2005 (1)+(2)-(3)
Total Voted Bonds	41,940,000.00		2,195,000.00	39,745,000.00
Total Non-Voted Notes/Bonds	1,754,206.24	3,175,000.00	29,316.86	4,899,889.38
Qualified Zone Academy Bonds				
Other Long-Term Debt:				
Capital Leases				
Contracts Payable (GL 603)				
NonCancellable Operating Leases				
Claims & Judgements	561,100.37		14,392.19	546,708.18
Compensated Absences				
Other Long-Term Debt	561,100.37		14,392.19	546,708.18
Total Other Long-Term Debt	44,255,306.61	3,175,000.00	2,238,709.05	45,191,597.56
Total Long-Term Debt				

BURLINGTON-EDISON SCHOOL DISTRICT							
SKAGIT COUNTY							
EIN: 91-0793880							
Schedule of Expenditure of Federal Awards							
For Fiscal Year Ending August 31, 2005							
Federal Catalog Number	Federal Agency Name	Federal Program Title	Pass Thru Agency	Pass Thru Amount	Direct Fund Amount	Total Funds Expended	Foot Note
10.550	Dept of Agriculture	Food Distribution	OSPI	71,445		71,445	
10.553		School Breakfast Program (A)	OSPI	90,180		90,180	
10.555		Nat'l School Lunch Program (A)	OSPI	406,816		406,816	
10.665		School & Roads Grants to State	OSPI	111,288		111,288	
		Dept of Agriculture Subtotal		679,729	0	679,729	
12.999	Dept of Defense	JROTC		51,524		51,524	
		Dept of Defense Subtotal		51,524	0	51,524	
47.076	Natl Sci Found	NCOPC	WWU	7,216		7,216	
		National Science Foundation		7,216	0	7,216	
84.010	Dept of Education	Title 1 Grants to LEAs	OSPI	352,051		352,051	
84.010		District Improvement	OSPI	35,000		35,000	
84.011		Migrant Ed - Basic State	OSPI	49,924		49,924	
84.027		Special Ed - State Grants	OSPI	650,096		650,096	
84.048		Voc Ed Basic Grants to States	OSPI	25,248		25,248	
84.173		Special Ed - Preschool Grants	OSPI	26,999		26,999	
84.186		Safe & Drug Free Schools & Comm - S	NW ESD	8,261		8,261	
84.243		Tech Prep Grants	OSPI				
84.281		Eisenhower Professional Dev State Gra	NW ESD 189				
84.287		21st Century	LaConne	25,570		25,570	
84.298		Innovative Ed Program Strategies	OSPI	17,262		17,262	
84.318		Technology Literacy Challenge Funds	OSPI	9,627		9,627	
84.332		Comprehensive School Reform Demo	OSPI	5,000		5,000	
84.340		Class Size Reduction	OSPI				
84.365		Title III LEP	OSPI	38,695		38,695	
84.367A		Teacher Principal Quality	OSPI	122,038		122,038	
		Dept of Education Subtotal		1,365,771	0	1,365,771	
93.959	Health/Human Svcs	DASA	Lakewoo	8,005		8,005	
93.778		Medicaid-Medical Assist Program		41,315		41,315	
		Health/Human Services Dept Subtotal		49,320	0	49,320	
		Totals		2,153,560	0	2,153,560	

Burlington-Edison School District No. 100
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2005

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the District's financial statements. The District uses the modified accrual basis of accounting for all governmental funds.

NOTE 2 – PROGRAM COSTS

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

NOTE 3 – NONCASH AWARDS

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