

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

Bainbridge Island School District
No. 303
Kitsap County

Audit Period
September 1, 2009 through August 31, 2010

Report No. 1005600

Issue Date
May 16, 2011



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

May 16, 2011

Board of Directors
Bainbridge Island School District No. 303
Bainbridge Island, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Bainbridge Island School District No. 303's financial statements and compliance with federal laws and regulations.

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Kitsap County
September 1, 2009 through August 31, 2010**

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Federal Summary

**Bainbridge Island School District No. 303
Kitsap County
September 1, 2009 through August 31, 2010**

The results of our audit of Bainbridge Island School District No. 303 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unqualified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

We noted no instances of noncompliance that were material to the financial statements of the District.

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
84.027	Special Education Cluster - Grants to States (IDEA, Part B)
84.173	Special Education Cluster - Preschool Grants (IDEA Preschool)
84.391	ARRA - Special Education Cluster, IDEA Part B (Recovery Act)
84.392	ARRA - Special Education Cluster, Preschool Grants (Recovery Act)
84.394	ARRA - State Fiscal Stabilization Fund - Education State Grants (Recovery Act)

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.

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

Bainbridge Island School District No. 303
Kitsap County
September 1, 2009 through August 31, 2010

Board of Directors
Bainbridge Island School District No. 303
Bainbridge Island, Washington

We have audited the financial statements of Bainbridge Island School District No. 303, Kitsap County, Washington, as of and for the year ended August 31, 2010, and have issued our report thereon dated April 4, 2011.

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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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". The signature is fluid and cursive, with a large initial "B" and "S".

BRIAN SONNTAG, CGFM
STATE AUDITOR

April 4, 2011

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct
and Material Effect on Each Major Program and
on Internal Control over Compliance in
Accordance with OMB Circular A-133**

Bainbridge Island School District No. 303
Kitsap County
September 1, 2009 through August 31, 2010

Board of Directors
Bainbridge Island School District No. 303
Bainbridge Island, Washington

COMPLIANCE

We have audited the compliance of Bainbridge Island School District No. 303, Kitsap County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2010. The District's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2010.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.



BRIAN SONNTAG, CGFM
STATE AUDITOR

April 4, 2011

Independent Auditor's Report on Financial Statements

**Bainbridge Island School District No. 303
Kitsap County
September 1, 2009 through August 31, 2010**

Board of Directors
Bainbridge Island School District No. 303
Bainbridge Island, Washington

We have audited the accompanying financial statements of Bainbridge Island School District No. 303, Kitsap County, Washington, as of and for the year ended August 31, 2010, as listed on page 9. 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 Bainbridge Island School District No. 303, as of August 31, 2010, and the 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 the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 the District. 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

April 4, 2011

Financial Section

**Bainbridge Island School District No. 303
Kitsap County
September 1, 2009 through August 31, 2010**

FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds – 2010
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2010
Statement of Fiduciary Net Assets – Fiduciary Funds – 2010
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – 2010
Notes to Financial Statements – 2010

SUPPLEMENTAL INFORMATION

Schedule of Long-Term Debt – 2010
Schedule of Expenditures of Federal Awards – 2010
Notes to the Schedule of Expenditures of Federal Awards – 2010

Balance Sheet

Governmental Funds

August 31, 2010

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	1,729,594.99	155,852.23	304,283.63	328,839.76	49.56	30.00	2,518,650.17
Minus Warrants Outstanding	-942,262.42	-20,476.98	0.00	-322,892.31	0.00	0.00	-1,285,631.71
Taxes Receivable	3,954,896.58		3,850,554.61	766,793.49	0.00	0.00	8,572,244.68
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	171,439.02	0.00	0.00	0.00	0.00	0.00	171,439.02
Accounts Receivable	73,822.57	0.00	0.00	0.00	0.00	0.00	73,822.57
Interfund Loans Receivable	0.00		0.00	0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	158,983.46	0.00					158,983.46
Prepaid Items	6,000.00	0.00		0.00	0.00	0.00	6,000.00
Investments	1,801,878.14	352,103.57	2,161,554.54	25,367,355.29	220,534.12	11,198.15	29,914,623.81
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	6,954,352.34	487,478.82	6,316,392.78	26,140,096.23	220,583.68	11,228.15	40,130,132.00
LIABILITIES:							
Accounts Payable	327,071.75	0.00	0.00	1,071,160.92	0.00	0.00	1,398,232.67
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	74,588.27	0.00		0.00			74,588.27
Revenue Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	588.81			0.00			588.81
Due To Other Governmental Units	801.49	629.35		3,000.00	0.00	0.00	4,430.84
Deferred Compensation Payable	0.00			0.00			0.00
Estimated Employee Benefits Payable	0.00						0.00
Due To Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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

Bainbridge Island School District No. 303

Balance Sheet

Governmental Funds

August 31, 2010

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
LIABILITIES:							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
Deferred Revenue	4,081,893.12	128,113.07	3,850,554.61	766,793.49	0.00	0.00	8,827,354.29
TOTAL LIABILITIES	4,484,943.44	128,742.42	3,850,554.61	1,840,954.41	0.00	0.00	10,305,194.88
FUND BALANCE:							
Reservation Of Fund Balance	210,000.00	0.00	0.00	20,982,387.17	0.00	0.00	21,192,387.17
Unreserved, Designated Fund Balance	0.00	0.00		0.00		0.00	0.00
Unreserved, Undesignated Fund Balance	2,259,408.90	358,736.40	2,465,838.17	3,316,754.65	220,583.68	11,228.15	8,632,549.95
TOTAL FUND BALANCE	2,469,408.90	358,736.40	2,465,838.17	24,299,141.82	220,583.68	11,228.15	29,824,937.12
TOTAL LIABILITIES AND FUND BALANCE	6,954,352.34	487,478.82	6,316,392.78	26,140,096.23	220,583.68	11,228.15	40,130,132.00

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

Bainbridge Island School District No. 303

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2010

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	10,721,930.46	409,209.58	7,762,087.73	1,939,320.69	3,865.53		20,836,413.99
State	24,031,621.86		0.00	429,413.36	192,945.58		24,653,980.80
Federal	1,296,279.23		126,362.19	0.00	0.00		1,422,641.42
Federal Stimulus	840,304.80						840,304.80
Other	0.00			0.00	37,000.00	170.07	37,170.07
TOTAL REVENUES	36,890,136.35	409,209.58	7,888,449.92	2,368,734.05	233,811.11	170.07	47,790,511.08
EXPENDITURES:							
CURRENT:							
Regular Instruction	21,091,448.47						21,091,448.47
Federal Stimulus	840,682.46						840,682.46
Special Education	4,712,073.95						4,712,073.95
Vocational Education	679,682.48						679,682.48
Skills Center	0.00						0.00
Compensatory Programs	570,311.83						570,311.83
Other Instructional Programs	57,653.33						57,653.33
Community Services	21,868.64						21,868.64
Support Services	7,733,836.42						7,733,836.42
Student Activities/Other		431,203.34				0.00	431,203.34
CAPITAL OUTLAY:							
Sites				173,945.73			173,945.73
Building				4,030,973.49			4,030,973.49
Equipment				619,906.56			619,906.56
Energy				0.00			0.00
Transportation Equipment					0.00		0.00
Other	15,946.52						15,946.52
DEBT SERVICE:							
Principal	7,027.31		4,930,000.00	0.00	0.00		4,937,027.31
Interest and Other Charges	1,320.00		3,381,185.30	163,530.00	0.00		3,546,035.30
TOTAL EXPENDITURES	35,731,851.41	431,203.34	8,311,185.30	4,988,355.78	0.00	0.00	49,462,595.83
REVENUES OVER (UNDER) EXPENDITURES	1,158,284.94	-21,993.76	-422,735.38	-2,619,621.73	233,811.11	170.07	-1,672,084.75

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

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2010

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
OTHER FINANCING SOURCES (USES) :							
Bond Sales & Refunding Bond Sales	0.00		223,279.05	21,045,455.25	0.00		21,268,734.30
Long-term Financing	0.00			0.00	0.00		0.00
Transfers In	44,558.80		100,325.00	0.00	0.00		144,883.80
Transfers Out (GL 536)	0.00		0.00	-44,558.80	-100,325.00	0.00	-144,883.80
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	0.00		0.00	0.00	0.00		0.00
TOTAL OTHER FINANCING SOURCES (USES)	44,558.80		323,604.05	21,000,896.45	-100,325.00	0.00	21,268,734.30
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,202,843.74	-21,993.76	-99,131.33	18,381,274.72	133,486.11	170.07	19,596,649.55
BEGINNING TOTAL FUND BALANCE	1,266,565.16	380,730.16	2,564,969.50	5,917,867.10	87,097.57	11,058.08	10,228,287.57
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	2,469,408.90	358,736.40	2,465,838.17	24,299,141.82	220,583.68	11,228.15	29,824,937.12

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

Statement Of Fiduciary Net Assets

Fiduciary Funds

August 31, 2010

ASSETS:	Private Purpose Trust	Other Trust
Imprest Cash	0.00	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	62.21	0.00
Minus Warrants Outstanding	0.00	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	45,884.33	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	0.00
Capital Assets, Land	0.00	0.00
Capital Assets, Buildings	0.00	0.00
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	0.00
Accum Depreciation, Equipment	0.00	0.00
TOTAL ASSETS	45,946.54	0.00
LIABILITIES:		
Accounts Payable	0.00	0.00
Due To Other Funds	0.00	0.00
TOTAL LIABILITIES	0.00	0.00
NET ASSETS:		
Net assets held in trust for:		
Reserved for Other Items	0.00	0.00
Reserved for Self Insured Risk	0.00	0.00
Reserved for Trust Principal	0.00	0.00
Unreserved, Designated for Other Items	0.00	0.00
Unreserved, Undesignated Fund Balance	45,946.54	0.00
TOTAL NET ASSETS	45,946.54	0.00

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

Bainbridge Island School District No. 303
Statement of Changes in Fiduciary Net Assets

Fiduciary Funds
For the Year Ended August 31, 2010

	Private Purpose Trust	Other Trust
ADDITIONS:		
Contributions:		
Private Donations	0.00	0.00
Employer Members		0.00
Other	0.00	0.00
TOTAL CONTRIBUTIONS	0.00	0.00
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	766.14	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	766.14	0.00
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	766.14	0.00
DEDUCTIONS:		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	1,500.00	
Other	0.00	0.00
TOTAL DEDUCTIONS	1,500.00	0.00
Net Increase (Decrease)	-733.86	0.00
Net Assets--Beginning	46,680.40	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
NET ASSETS--ENDING	45,946.54	0.00

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

BAINBRIDGE ISLAND SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 1, 2009 - August 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Bainbridge Island 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 Bainbridge Island School District includes all funds, and organizations 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 Bainbridge Island 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 districtwide 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 (or expenses), 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 Fund

These funds account for the proceeds of specific revenue sources legally restricted for specific purposes. The Associated Student Body Program 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 support resources legally restricted such that only earnings, and not principal, may be used to support the district's programs.

FIDUCIARY FUNDS

Fiduciary funds that include private purpose trust 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 28A505.020. This manual allows for a practice, which differs from generally accepted accounting principals 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 on the notes to the financial statements and on the Schedule of Long-Term Debt. The Schedule of Long-Term Debt is required supplemental information.
- 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

receivables 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 purchase 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 has 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 a modified accrual basis as prescribed in law for all governmental funds. Fund balance is budgeted as available resources and, under statute, may not be negative, unless the district enters into binding contracts with state oversight pursuant to RCW 28A.505.110.

e. Assets, Liabilities, And Fund Equity

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

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

The district's year-end investments are as follows:

	<u>Carrying Amt.</u>	<u>Market Value</u>
County Treasurer's		
Investment Pool	<u>29,960,508</u>	<u>29,960,508</u>
Total Investments	<u>29,960,508</u>	<u>29,960,508</u>

Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method. The "consumption method" of inventory is used, which charges inventory as an expenditure when it is consumed. 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. (Such reserves for inventory indicate that a portion of net current assets is set aside to replace or increase the inventory.) USDA commodity inventory

consists of food donated by the U.S. Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

f. Revenues 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 Chapter 28A.400.210 RCW, 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-back of an amount up to the maximum annual accumulation of 12 days. For buy-back 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 vesting method. The vesting method assumes that once an employee reaches a certain milestone they become eligible for termination payment for unused sick leave.

g. Fund Balance – May contain restrictions, commitments, or assignments.

Restrictions are legal restrictions placed on spending of the fund balance of a district based upon statute, WAC or other legal requirements beyond the discretion of the board of directors of the district. Examples include anticipated carryover or recovery of revenues previously received and restricted as to usage.

Commitments represent formal actions taken by the board of directors to commit funds for specific purposes. Funds that have been committed cannot be used for another purpose unless the board of directors takes a specific action to end the commitment.

Assignments are used to set aside financial resources for specific purposes. These accounts reflect tentative management plans for future financial resource use such as the replacement of equipment or the assignment of resources for contingencies.

NOTE 2 – CAPITAL ASSETS

The district's fixed assets were insured in the amount of \$122,776,429 for fiscal 2009-10. In the opinion of the district's insurance consultant, this amount is sufficient to adequately fund replacement of the district's assets.

NOTE 3 - PENSIONS

A. General Information

Substantially all Bainbridge Island 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 State of Washington Department of Retirement Systems (DRS): Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS). Participation in the programs was as follows:

Membership by retirement system program as of June 30, 2009:

<u>Program</u>	<u>Active Members</u>	<u>Inactive Vested Members</u>	<u>Retired Members</u>
TRS 1	5,204	843	36,032
TRS 2	9,174	2,472	2,104
TRS 3	<u>53,010</u>	<u>5,345</u>	<u>1,791</u>
Total	67,388	8,660	39,927
PERS 1	10,354	2,125	54,147
PERS 2	121,800	22,824	19,790
PERS 3	<u>27,081</u>	<u>3,125</u>	<u>920</u>
Total	159,235	28,074	74,857
SERS 2	20,197	4,644	2,870
SERS 3	<u>32,277</u>	<u>4,549</u>	<u>1,759</u>
Total	52,474	9,193	4,629

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

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

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

Plan 3 under the TRS and SERS programs are defined benefit, defined contribution pension plans whose members joined on or after July 1, 1996 or September 1, 2000 for SERS and TRS, respectively. Members are eligible to retire with full benefits after five years of credited service and attainment of age 60 or after ten years of credited service and attainment of age 55 with the 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 TRS, PERS, 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 provision for a cost-of-living adjustment. For Plan 2 TRS, PERS 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 it is the AFC multiplied by 1 percent per year of service with provision for a cost of living adjustment.

The employer contribution rates for PERS, TRS, and SERS (Plan 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are 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, 41.32, and 41.35 RCW for PERS, TRS and SERS respectively.

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

B. Contributions

Employee contribution rates as of August 31, 2010:

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	3.36%	Plan 2 SERS	3.14%
Plan 3 TRS & SERS	5.00%(minimum)		15.0%(maximum)

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

Employer contribution rates as of August 31, 2010:

Plan 1 TRS	6.14%	Plan 1 PERS	5.31%
Plan 2 TRS	6.14%	Plan 2 SERS	5.44%
Plan 3 TRS	6.14%	Plan 3 SERS	5.44%

Includes DRS Administrative Expense Rate of .16%.

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

<u>Plan</u>	<u>FY 07-08</u>	<u>FY 08-09</u>	<u>FY 08-09</u>
Plan 1 TRS	\$ 82,916	\$ 120,392	\$ 81,104
Plan 2 TRS	\$156,348	\$ 241,058	\$177,539
Plan 3 TRS	\$735,648	\$1,131,415	\$813,400
Plan 1 PERS	\$ 13,534	\$ 18,258	\$ 5,897
Plan 2 SERS	\$123,547	\$ 164,058	\$116,347
Plan 3 SERS	\$213,336	\$ 275,563	\$194,162

Historical trend information showing TRS, PERS and SERS progress in accumulating sufficient assets to pay benefits when due is presented in the State of Washington's June 30, 2010, comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

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

NOTE 4 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction in progress is composed of:

<u>Project</u>	<u>Project Authorization Amount</u>	<u>Expended As of 8/31/10</u>	<u>Additional Local Funds Committed</u>
BHS Modernization/Addition	33,246,300	35,572,224	- 0
Blakely Improvements	1,065,770	504,201	561,569
Ordway Improvements	769,255	710,206	59,049
Wilkes Improvements	1,154,075	134,521	1,019,554
Sakai/Woodward Schools	115,403	42,530	72,873
Commodore Improvements	1,286,120	1,183,190	102,930
Communications Upgrade	508,175	787,080	0
District-wide Paving	171,325	51,856	119,469
Maintenance Facility	3,097,435	3,543,197	0
Field Renovations	2,419,870	2,350,063	69,807
CP Administration/Const. Mgmt.	1,451,450	1,904,578	0
Tech Levy Improvements	6,100,000	4,511,970	1,588,030
Wilkes Replacement	31,349,005	503,801	30,845,204
District Office Renovations	125,000	10,850	114,150
CPAdmin/Constr. Mgmt 09 Bond	2,098,150	203	2,097,947
TOTAL	84,957,333	51,810,470	36,650,582

NOTE 5 - RISK MANAGEMENT

WASHINGTON SCHOOLS RISK MANAGEMENT POOL

The district is a member of the Washington Schools Risk Management Insurance Pool, a public entity risk pool. Oversight responsibility for the Pool's operations is vested with the Board of Directors comprised of one representative from each member district. The purpose of the pool is to provide its members the capability and authority to jointly purchase property/liability insurance, provide a plan of self-insurance coverage and provide related reserves to pay for self-insurance coverage, and provide related services, including a cooperative program of risk management.

The pool self-insures the first \$1,500,000 of loss, and purchases excess insurance for losses up to \$15,000,000. Because the pool is a cooperative program, there is a joint liability among the participating districts for losses incurred.

The pool charges member districts premiums based on the level of coverage chosen by the district. All costs of the self-insurance program provided by the pool are funded by annual contributions charged to the member districts participating in the programs each fiscal year. Additional assessments may be imposed in addition to the annual contributions in the event that losses payable exceed funds available in the pool's fund. The district made payments totaling \$268,550 to this pool for fiscal year 2009-10.

ESD 114 REGION WORKERS' COMPENSATION TRUST

The Bainbridge Island School District is a member of the ESD 114 Region Workers' Compensation Trust. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on April 15, 1984 when Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services for workers' compensation. Fifteen districts have joined the pool.

Members make an annual contribution to fund the pool. The pool acquires reinsurance to reduce its exposure to large losses that is subject to a per-occurrence deductible of \$350,000. Insurance carriers cover all losses over \$175,000 to the maximum limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members.

New districts applying for membership may do so on approval of a majority vote of the advisory board. Members contract to remain in the pool for one year, and must give notice 30 days before terminating participation. The Interlocal Governmental Agreement is renewed automatically each year after the initial one-year period. Even after termination, a member is still responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

The pool is fully funded by its member participants. Members file claims with ESD 114. Fees paid to ESD 114 for the year ended August 31, 2010 were \$ 274,406.

A board of directors governs the pool, which is comprised of one designated representative from each participating member. An executive committee is elected by the board and is responsible for advising the pool administrator regarding the business affairs of the pool.

UNEMPLOYMENT COMPENSATION INSURANCE POOL COOPERATIVE

The Bainbridge Island School District is a member of the Unemployment Compensation Insurance Pool Cooperative. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed in January 1981 when districts in the state of Washington joined together by signing the Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services for unemployment insurance. Sixteen districts have joined the pool.

Members make an annual contribution to fund the pool. Since the pool is a cooperative program, there is a joint liability among the participating members.

New districts applying for membership may do so on approval of a majority vote of the advisory board. Members contract to remain in the pool for one year, and must give notice 45 days before terminating participation. The Interlocal Governmental Agreement is renewed automatically each year after the initial one year period. Even after termination, a member is still responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

The pool is fully funded by its member participants. Claims are managed by Employer's Unity, Inc., which has been contracted to perform claims management services for the pool. Fees paid to the third party administrator under this arrangement for the years ended August 31, 2010 were \$8,098.

A board of directors governs the pool, which is comprised of one designated representative from each participating member. An executive committee is elected by the board and is responsible for advising the pool administrator regarding the business affairs of the pool.

NOTE 6 - LEASE OBLIGATIONS AND CONDITIONAL SALES CONTRACT OBLIGATIONS

For the fiscal year ended August 31, 2010, the district had incurred long-term debt as follows:

Long-Term Commitments

<u>Lender</u>	<u>Initial Amount</u>	<u>Annual Payment</u>	<u>Final Payment</u>	<u>Interest Rate</u>	<u>Balance Due</u>
John Deere (Lease)	37,257	7,028	11/2/12	7.0%	15,999

NOTE 7 - LONG-TERM DEBT

Bonds payable at August 31, 2010, are comprised of the following individual issue:

<u>Issue Name</u>	<u>Amount Authrzd</u>	<u>Annual Instllmts</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Amount Outstand.</u>
2003 LGO	3,415,000	95,000	06/01/12	2.00-4.00%	185,000
2004 UTGO (Rfdg)	20,285,000	3,045,000	12/01/16	2.00-5.00%	17,650,000
2006 UTGO	24,935,000	0	12/01/25	4.00-5.00%	23,985,000
2007 UTGO	19,815,000	1,800,000	12/01/26	4.00-5.00%	15,730,000
2009 UTGO	4,925,000	0	12/01/19	2.00-4.00%	4,925,000
2009 BABS	16,075,000	400,000	12/01/29	.650-5.848%	16,075,000
Total General Obligation Bonds					<u>\$78,550,000</u>

The following is a summary of general obligation long-term debt transactions of the district for the year ended August 31, 2010.

Long-Term Debt Payable at 9/1/09	\$62,480,000
Debt Retired	(4,930,000)
Debt Addition	<u>21,000,000</u>
Long-Term Debt Payable at 8/31/10	\$78,550,000

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

<u>Years Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	5,335,000	3,786,664	9,121,664
2012	2,390,000	3,612,689	6,002,689
2013	3,385,000	3,504,664	6,889,664
2014	3,900,000	3,360,664	7,260,664
2015	1,145,000	3,200,276	4,345,276
2016-2020	18,390,000	13,745,267	32,135,267
2021-2025	24,310,000	8,559,787	32,869,787
2026-2030	19,695,000	2,579,577	22,274,577
Total	<u>78,550,000</u>	<u>42,349,588</u>	<u>120,899,588</u>

At August 31, 2010 the district had \$2,465,838 available in the Debt Service Fund to service the general obligation bonds.

NOTE 8 - SUMMARY OF SIGNIFICANT CONTINGENCIES

Litigation

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

Arbitrage Rebate

The Tax Reform Act of 1986 requires the district to rebate the earnings on the investment of bond and revenue anticipation notes proceeds, in excess of their yield, to the Federal Government. This requirement is effective for the district's 1997 bond issues. Of the rebate, 90 percent is due and payable 5 years from the date bonds were issued and at 5-year intervals thereafter. The remaining 10 percent is payable 60 days after they are retired. Because positive arbitrage can be offset against negative arbitrage, the rebatable amount fluctuates each year and may or may not be owing at the payment intervals. The district is not contingently liable for arbitrage rebate at August 31, 2010.

NOTE 9- 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 district's current equity of \$58,066 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 10 annual allocations of merchandise or 15 annual payments.

NOTE 10 - SUBSEQUENT EVENTS

On October 28, 2010 the district issued \$14,000,000 Unlimited Tax General Obligation Bonds, 2010 (Taxable Qualified School Construction Bonds – Direct Payment). The Bonds constitute the third series of bonds to be issued under the Bond Authorization approved by voters on November 3, 2009. In December 2009, the district sold Unlimited Tax General Obligation Bonds, 2009A in the principal amount of \$4,925,000, and Unlimited Tax General Obligation Bonds, 2009B (Taxable Build America Bonds – Direct Payment) in the principal amount of \$16,075,000. The proceeds of the bonds will be used for the purpose of financing the costs of constructing a new elementary school and equipping, repairing and making certain capital improvements to the facilities of the district.

NOTE 11 - GROWTH MANAGEMENT ACT - IMPACT FEES

The City of Bainbridge Island is authorized under SEPA and GMA legislation to collect fees to mitigate the impact of new development on school facilities. The City began collecting such fees under an ordinance effective in January 1992. An interlocal agreement between the District and the City specifies that the City will keep the fees in an interest bearing account until needed by the District to pay for growth related facilities. Between September 1, 2009 and August 31, 2010, the City had collected a total of \$79,710 in fees, and earned interest of \$1,549 on the total balance held in the account. Fees by the City to administer this account include a set-up charge equal to 1.0% of fees collected for the year and a maintenance charge equal to 1.0% of the balance per annum-assessed monthly.

Bainbridge Island School District No. 303

Schedule of Long-Term Debt

For the Year Ended August 31, 2010

Description	Beginning Outstanding Debt September 1, 2009	Amount Issued/Increased	Amount Redeemed/Decreased	Ending Outstanding Debt August 31, 2010
Total Voted Bonds	62,205,000.00	21,000,000.00	4,840,000.00	78,365,000.00
Total Non-Voted Notes/Bonds	275,000.00	0.00	90,000.00	185,000.00
Qualified Zone Academy Bonds (QZAB)	0.00	0.00	0.00	0.00
Qualified School Construction Bonds (QSCB)	0.00	0.00	0.00	0.00
Other Long-Term Debt:				
Capital Leases	0.00	0.00	0.00	0.00
Contracts Payable (GL 603)	22,353.03	0.00	7,027.60	15,325.43
NonCancellable Operating Leases	0.00	0.00	0.00	0.00
Claims & Judgments	0.00	0.00	0.00	0.00
Compensated Absences	1,272,643.47	169,630.50	0.00	1,442,273.97
Other Long-Term Debt	0.00	0.00	0.00	0.00
Total Other Long-Term Debt	1,294,996.50	169,630.50	7,027.60	1,457,599.40
TOTAL LONG-TERM DEBT	63,774,996.50	21,169,630.50	4,937,027.60	80,007,599.40

**BAINBRIDGE ISLAND SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the year ending August 31, 2010

1	2	3	4	5	6	7	8	9
Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number	From Direct Awards	From Pass Through Awards	Total	Footnote
USDA	WA OSPI	School Breakfast Program	10.553			\$6,894.08	\$6,894.08	1
		National School Lunch-Cash Assistance	10.555			\$112,569.57	\$112,569.57	1
		National School Lunch-Non Cash	10.555			\$47,233.06	\$47,233.06	3
		Asst. Food Commodities						
	Office of State Treasurer	Schools & Roads-Grants to States	10.665			\$1,565.05	\$1,565.05	1
		Subtotal US Department of Agriculture			\$0.00	\$168,261.76	\$168,261.76	
US Dept. of Ed.	WA OSPI	Title 1 Grants to LEAs	84.010	200220		\$96,146.00	\$96,146.00	1,2
		Special Education Grants to State	84.027	303455		\$677,490.00	\$677,490.00	1,4
		Special Education Grants to State	84.027	337217		\$189,344.00	\$189,344.00	1
		Safety Net						
		Career & Technical Education -	84.048	171667		\$11,895.75	\$11,895.75	1
		Basic Grants to States						
		Indian Education Grants to LEAs	84.060	S060A091224	\$10,227.00		\$10,227.00	1,2
		Special Education Preschool Grants	84.173	365138		\$30,972.00	\$30,972.00	1,4
		Safe & Drug Free Schools & Communities- State Grants	84.186	950579		\$6,605.00	\$6,605.00	1
		Improving Teacher Quality State Grants	84.367	529145		\$94,989.00	\$94,989.00	1
		Educational Technology State Grants	84.318	721520		\$518.00	\$518.00	1,4
		ARRA-Education Technology State Grants	84.386	724011		\$1,273.00	\$1,273.00	1,4,5
		ARRA-Special Education Grants to States	84.391	310078		\$371,854.80	\$371,854.80	1,5
		ARRA-Special Education Preschool Grants	84.392	370278		\$28,396.00	\$28,396.00	1,5
		ARRA-State Fiscal Stabilization Funds	84.394	995622		\$438,781.00	\$438,781.00	1,4,5
		Subtotal US Department of Education			\$10,227.00	\$1,948,264.55	\$1,958,491.55	
TOTAL FEDERAL AWARDS EXPENDED					\$10,227.00	\$2,116,526.31	\$2,126,753.31	

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

NOTES TO THE SCHEDULE

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Bainbridge Island School District's financial statements. The Bainbridge Island School District uses the modified accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 - PROGRAM COSTS/MATCHING CONTRIBUTIONS

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

NOTE 3 - NON CASH AWARDS - FOOD COMMODITIES

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

NOTE 4 - FEDERAL INDIRECT RATE

The Bainbridge Island School District used the federal restricted rate of .039% and the unrestricted rate of .190%.

NOTE 5 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

The funding for this program was provided by the American Recovery and Reinvestment Act (ARRA) of 2009.



ABOUT THE STATE AUDITOR'S OFFICE

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

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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