

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

Bridgeport School District No. 75
Douglas County

Audit Period
September 1, 2012 through August 31, 2013

Report No. 1012025

Issue Date
May 30, 2014



Washington State Auditor
Troy Kelley

Independence • Respect • Integrity



**Washington State Auditor
Troy Kelley**

May 30, 2014

Board of Directors
Bridgeport School District No. 75
Bridgeport, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Bridgeport School District No. 75'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,

TROY KELLEY
STATE AUDITOR

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Douglas County
September 1, 2012 through August 31, 2013

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Federal Summary

Bridgeport School District No. 75 Douglas County September 1, 2012 through August 31, 2013

The results of our audit of Bridgeport School District No. 75 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified 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 unmodified 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>
10.553	Child Nutrition Cluster - School Breakfast Program
10.555	Child Nutrition Cluster - National School Lunch Program
10.559	Child Nutrition Cluster - Summer Food Service Program

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.

Schedule of Audit Findings and Responses

Bridgeport School District No. 75 Douglas County September 1, 2012 through August 31, 2013

1. The District's internal controls over financial accounting are inadequate to ensure accurate reporting.

Background

District management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. Our audit identified deficiencies in controls that adversely affect the District's ability to produce reliable financial statements.

Description of Condition

Our audit identified deficiencies in internal controls over financial reporting that, when taken together, is considered a material weakness.

The District did not have sufficient knowledge and understanding of the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual) to perform appropriate journal entries and inter-fund loans. We identified the following:

- The District entered two incorrect journal entries to remove a negative fund balance of \$43,491 in the Capital Projects Fund affecting both the General Fund and Capital Projects Fund.
- The District made a \$60,000 inter-fund loan in September 2012 from the Transportation Vehicle Fund, a restricted fund as defined by WAC 392-125-140, to the Capital Projects Fund. This loan was not allowable.
- The Capital Projects Fund did not have sufficient funds to make the payments on the inter-fund loan from the Transportation Vehicle Fund. As of March 2014, \$44,000 remained outstanding on the loan. Additionally, the loan repayment extended longer than the one year allowed and was not repaid at the county warrant interest rate, as required by WAC 392-123-150.

In addition, the District did not have procedures in place, such as monitoring or oversight, to ensure its accounting and financial reporting were in compliance with the Accounting Manual and the District's ending fund balances met minimum requirements, as required by its policy.

Cause of Condition

The District Board and management did not dedicate the necessary staff time or resources, including training for staff, to ensure its financial report was accurate and complete. Specifically, the District did not seek additional technical guidance before making the accounting entries.

Effect of Condition

The District corrected its audited financial statements and had to report a negative fund balance in the Capital Projects Fund. See Finding No. 2.

Without accurate accounting and financial reporting, District management and users of the financial statements cannot make informed and reliable decisions.

The internal control deficiencies make it possible additional errors could be reported in the financial statements and not be detected by District management.

Recommendation

We strongly recommend the District Board and management perform the following:

- Dedicate the necessary resources, such as staff time, training and technical guidance, to ensure accounting and financial preparation in accordance with applicable reporting requirements.
- Establish a technical review process of the financial statements by a person knowledgeable of the Accounting Manual and reporting requirements to ensure accurate preparation and reporting of the District's financial statements. The review process should be at the appropriate level of detail to detect material or significant errors.
- Establish monitoring of the Districts accounting funds to ensure the ending fund balances comply with minimum requirements set by District policy.

District's Response

The District understands an error was made in reporting and will strengthen its internal controls.

Auditor's Remarks

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

Applicable Laws and Regulations

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

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

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, as follows:

.07 For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows: . . .

Material weakness. A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

RCW 43.09.200, Local government accounting -- Uniform system of accounting, states:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived there from; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the

office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs. The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

Bridgeport School District No. 75, Resolution 417, states in part:

Therefore, be it resolved, that the amounts of \$60,000 be loaned from the Transportation Vehicle Fund to the Capital Projects Fund, and that repayment of this amount will be made on or before June 30, 2013, at the current money market rate.

WAC 392-123-150, Interfund loans - Payment of Interest, states:

Interest shall be charged by the loaning fund to be paid by the borrowing fund. The rate of interest shall be not less than the current warrant interest rate prevailing in the county which the school district is considered to be located. The interest shall be credited to the loaning fund and shall not be transferred to any other fund.

WAC 392-123-140, Interfund loans allowable, states:

Loans are allowable to the general fund, the transportation vehicle fund, the capital projects, fund and the debt service fund. Loans are allowable from the general fund and the capital projects fund. Loans shall not be made to the detriment of any function or project for which the fund was established.

Accounting Manual for Public School Districts in the State of Washington (Accounting Manual), Chapter 3, page 7, Receivables, states in part:

Interfund receivables and payables may result from services rendered or goods provided by a department financed from one fund to a department financed from another fund or from interfund loans. Each fund, being a separate entity, should reflect the amounts due from other funds, as well as the amounts owed to other funds. The receivables and payables should not be offset (netted) netted in the accounts, but they may be report at the net amounts in the respective fund balance sheets (BASB Cod. Sec. 1300.120)

Accounting Manual for Public School Districts in the State of Washington (Accounting Manual), Chapter 3, and page 32, Interfund Transactions, states in part:

Interfund activity is classified as reciprocal and non-reciprocal. Reciprocal interfund activity is the internal counterpart to exchange and exchange-like transactions and includes interfund loans and interfund services.

Nonreciprocal activity is the internal counterpart to non-exchange transactions and includes interfund transfers.

Accounting Manual for Public School Districts in the State of Washington (Accounting Manual), Chapter 3, and page 33, Interfund Transfers states in part:

GAAP defines interfund transfers as “flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment.

Schedule of Audit Findings and Responses

Bridgeport School District No. 75
Douglas County
September 1, 2012 through August 31, 2013

2. **The District's financial condition increases the risk of not being able to meet its financial obligations and maintain current service levels.**

Description of Condition

The District attempted to pass voter-approved bonds to fund middle and elementary school repairs and remodeling projects without success. As a result, the District has funded maintenance work on its middle school building and purchased portable buildings through emergency grants, loans and fund balance reserves. Over the past three years, the District transferred approximately \$230,000 from its General Fund to the Capital Projects Fund to cover those costs. Additionally, the District spent \$125,000 from the General Fund to purchase capital assets, such kitchen equipment, wood shop equipment, and computers.

During our audit, we noted the District's declining fund balance in its General Fund, see the chart below:

Year	General Fund, unassigned fund balance
2009-2010	478,117
2010-2011	292,294
2011-2012	256,219
Restated 2012-2013	216,701
March 2014	(113,773)

Cause of Condition

The District did not react to economic events and establish a formal plan to improve its financial position by altering current operation or reducing expenses. The District anticipates receiving enough funding in April to pay all outstanding expenditures and an inter-fund loan.

The District did not adequately plan to ensure the borrowing fund had the resources to cover an inter-fund loan.

Effect of Condition

At year end, the District reported a negative fund balance in the Capital Projects Fund. Also, the District made an inappropriate inter-fund loan and made material errors in the financial statements to correct the negative fund balance. See Finding No. 1.

As of March 2014, the District has been unable to pay approximately \$100,000 in vendor payments timely and reported a negative fund balance in its General Fund from November 2013 through March 2014. The District has three portable elementary classrooms in need of extensive repairs or replacement and has not passed a bond to cover those expenses. It does not have reserves to cover these expenses.

The District projects the fiscal year 2014 financial position will not be improved. This puts the District at risk of not meeting its financial obligations or maintaining its current level of services.

Recommendation

We strongly recommend the District Board and management take immediate action to:

- Work closely with the North Central Educational Service District (NCESD) on ways to improve its fund balance and to create financial stability.
- Assess its financial operations and make necessary adjustments to expenditures and/or services.
- Establish a written comprehensive plan to address its financial condition and to ensure its expenditures do not exceed revenue.
- Monitor and evaluate the District's financial condition to ensure the plan is followed and the desired results are achieved. The plan should be revised as needed to resolve financial issues.

District's Response

As of April 2014, the ending fund balance was \$206,947.51 with all vendor payments current. The District will continue to work with NCESD on a budgeting tool, which will allow district administrators an in-depth view of the budget and assist in decision making. The District will develop a plan to bring the fund balance up to an acceptable level, with ongoing monitoring.

Auditor's Remarks

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

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**Bridgeport School District No. 75
Douglas County
September 1, 2012 through August 31, 2013**

Board of Directors
Bridgeport School District No. 75
Bridgeport, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Bridgeport School District No. 75, Douglas County, Washington, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 27, 2014. Our report includes information about the status of the District's financial condition. This information is more fully described in Finding 2 in the Schedule of Audit Findings and Responses. The District's response to the finding was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 1 to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

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

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

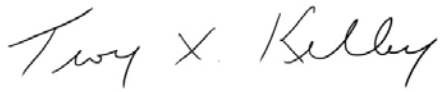
DISTRICT'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

May 27, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**Bridgeport School District No. 75
Douglas County
September 1, 2012 through August 31, 2013**

Board of Directors
Bridgeport School District No. 75
Bridgeport, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Bridgeport School District No. 75, Douglas 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, 2013. The District's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR

May 27, 2014

Independent Auditor's Report on Financial Statements

Bridgeport School District No. 75 Douglas County September 1, 2012 through August 31, 2013

Board of Directors
Bridgeport School District No. 75
Bridgeport, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Bridgeport School District No. 75, Douglas County, Washington, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 18.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)

As described in Note 1, the District has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and the Accounting Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The difference in these accounting practices is also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bridgeport School District No. 75, as of August 31, 2013, and the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, ASB, Debt Service, Capital Project, Transportation Vehicle and Fiduciary funds as of August 31, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 16 to the financial statements and described in Finding 2 in the Schedule of Audit Findings and Responses, in 2013 the District's financial condition declined and it is at risk to meet financial obligations and continue services at the current levels. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Long-Term Liabilities is also presented for purposes of additional analysis as required by the prescribed Accounting Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

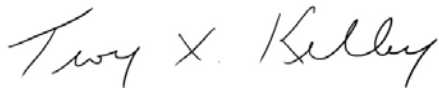
prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

District's Response to Finding

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2014 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* in considering the District's internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR

May 27, 2014

Financial Section

**Bridgeport School District No. 75
Douglas County
September 1, 2012 through August 31, 2013**

FINANCIAL STATEMENTS

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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Long-Term Liabilities – 2013
Schedule of Expenditures of Federal Awards – 2013
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ABOUT THE STATE AUDITOR'S OFFICE

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

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

State Auditor
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Director of Performance and State Audit
Director of Local Audit
Deputy Director of State Audit
Deputy Director of Local Audit
Deputy Director of Local Audit
Deputy Director of Performance Audit
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Deputy Director of Communications
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Bridgeport School District No. 075

Balance Sheet

Governmental Funds

August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
ASSETS:							
Cash and Cash Equivalents	419,615.36	9,042.37	579.25	509.33	112.31	0.00	429,858.62
Minus Warrants Outstanding	-391,279.97	-864.50	0.00	0.00	0.00	0.00	-392,144.47
Cash and Investment Held by Trustee	57,512.00						57,512.00
Taxes Receivable	82,946.62		18,323.93	0.00	0.00		101,270.55
Due From Other Funds	0.00	0.00	0.00	0.00	44,000.00	0.00	44,000.00
Due From Other Governmental Units	55,716.09	0.00	0.00	0.00	0.00	0.00	55,716.09
Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interfund Loans Receivable	0.00			0.00			0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	3,063.52	0.00					3,063.52
Prepaid Items	10,123.94	432.74		0.00	0.00	0.00	10,556.68
Investments	160,000.00	41,500.00	61,650.00	0.00	31,400.00	0.00	294,550.00
Investments/Cash With Trustee	0.00		0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00			0.00			0.00
Self-Insurance Security Deposit	0.00						0.00
TOTAL ASSETS	397,697.56	50,110.61	80,553.18	509.33	75,512.31	0.00	604,382.99
LIABILITIES:							
Accounts Payable	17,140.14	47.74	0.00	0.00	0.00	0.00	17,187.88
Contracts Payable Current	0.00	0.00		0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	14,247.56	0.00		0.00			14,247.56
Revenue Anticipation Notes Payable	0.00		0.00	0.00	0.00		0.00
Payroll Deductions and Taxes Payable	1,195.16	0.00		0.00			1,195.16
Due To Other Governmental Units	0.00	0.00		0.00	0.00	0.00	0.00
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	44,000.00	0.00	0.00	44,000.00

Bridgeport School District No. 075

Balance Sheet

Governmental Funds

August 31, 2013

	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	791.07	0.00		0.00			791.07
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	82,946.62	0.00	18,323.93	0.00	0.00	0.00	101,270.55
TOTAL LIABILITIES	116,320.55	47.74	18,323.93	44,000.00	0.00	0.00	178,692.22
FUND BALANCE:							
Nonspendable Fund Balance	4,366.64	0.00	0.00	0.00	0.00	0.00	4,366.64
Restricted Fund Balance	2,797.62	50,062.87	62,229.25	0.00	0.00	0.00	115,089.74
Committed Fund Balance	172,700.75	0.00	0.00	0.00	0.00	0.00	172,700.75
Assigned Fund Balance	57,512.00	0.00	0.00	-43,490.67	75,512.31	0.00	89,533.64
Unassigned Fund Balance	44,000.00	0.00	0.00	0.00	0.00	0.00	44,000.00
TOTAL FUND BALANCE	281,377.01	50,062.87	62,229.25	-43,490.67	75,512.31	0.00	425,690.77
TOTAL LIABILITIES AND FUND BALANCE	397,697.56	50,110.61	80,553.18	509.33	75,512.31	0.00	604,382.99

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

Bridgeport School District No. 075

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	300,756.05	91,197.14	45,330.42	3.82	87.37		437,374.80
State	6,186,324.26		0.00	0.00	30,408.23		6,216,732.49
Federal	1,304,078.02		0.00	0.00	0.00		1,304,078.02
Federal Stimulus	0.00						0.00
Other	5,000.00			0.00	0.00	0.00	5,000.00
TOTAL REVENUES	7,796,158.33	91,197.14	45,330.42	3.82	30,495.60	0.00	7,963,185.31
EXPENDITURES:							
CURRENT:							
Regular Instruction	3,632,505.25						3,632,505.25
Federal Stimulus	0.00						0.00
Special Education	703,881.29						703,881.29
Vocational Education	232,316.56						232,316.56
Skills Center	0.00						0.00
Compensatory Programs	1,140,351.77						1,140,351.77
Other Instructional Programs	12,218.30						12,218.30
Community Services	52,808.82						52,808.82
Support Services	1,990,821.31						1,990,821.31
Student Activities/Other		103,053.13				0.00	103,053.13
CAPITAL OUTLAY:							
Sites				0.00			0.00
Building				38,036.94			38,036.94
Equipment				0.00			0.00
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					3,000.00		3,000.00
Sales and Lease				0.00			0.00
Other	16,775.62						16,775.62
DEBT SERVICE:							
Principal	0.00		35,000.00	48,393.18	17,639.49		101,032.67
Interest and Other Charges	0.00		12,430.00	10,947.38	796.54		24,173.92
Bond/Levy Issuance				0.00	0.00		0.00
TOTAL EXPENDITURES	7,781,678.92	103,053.13	47,430.00	97,377.50	21,436.03	0.00	8,050,975.58

Bridgeport School District No. 075

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2013

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
DEBT SERVICE:							
REVENUES OVER (UNDER) EXPENDITURES	14,479.41	-11,855.99	-2,099.58	-97,373.68	9,059.57	0.00	-87,790.27
OTHER FINANCING SOURCES (USES):							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		0.00	51,200.00	0.00		51,200.00
Transfers Out (GL 536)	-51,200.00		0.00	0.00	0.00	0.00	-51,200.00
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)	-51,200.00		0.00	51,200.00	0.00	0.00	0.00
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-36,720.59	-11,855.99	-2,099.58	-46,173.68	9,059.57	0.00	-87,790.27
BEGINNING TOTAL FUND BALANCE	260,585.60	61,918.86	64,328.83	2,683.01	66,452.74	0.00	455,969.04
Prior Year(s) Corrections or Restatements	57,512.00	0.00	0.00	0.00	0.00	0.00	57,512.00
ENDING TOTAL FUND BALANCE	281,377.01	50,062.87	62,229.25	-43,490.67	75,512.31	0.00	425,690.77

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

Bridgeport School District No. 075
Statement Of Fiduciary Net Position
Fiduciary Funds
August 31, 2013

	Private Purpose Trust	Other Trust
ASSETS:		
Imprest Cash	0.00	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	385.47	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	8,284.49	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	
Capital Assets, Land	0.00	
Capital Assets, Buildings	0.00	
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	
Accum Depreciation, Equipment	0.00	0.00
TOTAL ASSETS	8,669.96	0.00
LIABILITIES:		
Accounts Payable	0.00	0.00
Due To Other Funds	0.00	0.00
TOTAL LIABILITIES	0.00	0.00
NET Position:		
Held in Trust for Scholarships	8,669.96	0.00
TOTAL NET POSITION	8,669.96	0.00

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

Bridgeport School District No. 075

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended August 31, 2013

	Private Purpose Trust	Other Trust
ADDITIONS:		
Contributions:		
Private Donations	0.90	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
TOTAL CONTRIBUTIONS	0.90	0.00
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	12.37	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	12.37	0.00
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	13.27	0.00
DEDUCTIONS:		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships	0.00	
Other	0.00	0.00
TOTAL DEDUCTIONS	0.00	0.00
Net Increase (Decrease)	13.27	0.00
Net Position--Beginning	8,656.69	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
NET POSITION--ENDING	8,669.96	0.00

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

BRIDGEPORT SCHOOL DISTRICT NO. 075
Notes to the Financial Statements
September 1, 2012 Through August 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(SSAP)

Description of the government-wide financial statements.

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

The District presents governmental fund financial statements and related notes on the modified accrual basis of accounting 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. 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's Office and the Superintendent of Public Instruction by the authority of RCW 43.09.200, RCW 28A.505.140, RCW 28A.505.010(1), and RCW 28A.505.020. This manual allows for a practice that differs from generally accepted accounting principles in the following manner:

- (1) Districtwide statements, as defined in GAAP, 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 Liabilities. The Schedule of Long-Term Liabilities is required supplemental information.
- (4) The budgetary comparison schedule compares the district's actual results with the final budgeted amounts. The original budget document is available through the Office of Superintendent of Public Instruction.
- (5) The Management Discussion and Analysis is optional.
- (6) The financial statements do not report a liability for Other Post-Employment Benefits (GASB Statement 45).
- (7) Other departures from GAAP that are material in nature are indicated throughout the Notes.

Description of the activities accounted for in each of the following funds presented in the basic financial statements.

The District presents financial information 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 for those that are required to be accounted for in another fund. In keeping with the principle of having as few funds as are necessary, activities such as food services, maintenance, data processing, printing, and student transportation are included in the General Fund.

Capital Projects Funds

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

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

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

Debt Service Fund

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

Special Revenue Fund

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

Permanent Funds

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

Fiduciary Funds

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

Private-Purpose Trust Fund

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

Proprietary Funds

School districts in the State of Washington are not allowed to utilize proprietary fund types, which is a departure from GAAP.

The measurement focus and basis of accounting used in the government-wide statements.

The District's accounting policies 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. The District's financial statements are presented in conformity with that publication.

The measurement focus for the District's funds is the modified accrual basis and the current financial resources focus. This basis of accounting focuses 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.

Revenues are recognized as soon as they are measurable and available. "Measurable" means the amount of the transaction can be readily determined. Revenues are considered "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. Categorical program claims and interdistrict billings are measurable and available and are, therefore, accrued.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which are recorded when due. 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. (Obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.)

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, under statute, may not be negative, unless the District enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

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

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

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

The government's fund balance classifications policies and procedures.

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

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

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

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

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

In other governmental funds, Assigned fund balance represents a positive ending spendable fund balance once all restrictions and commitments are considered. These resources are only

available for expenditure in that fund and may not be used in any other fund without formal action by the District's board of directors and as allowed by statute.

The Superintendent of the Bridgeport School District is the only person who has the authority to create Assignments of fund balance.

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

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

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

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.

Inventory

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

NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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

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

The District's investments as of August 31, 2013, are as follows:

	Number of Securities	Carrying Amount	Market Value
Certificates of Deposit or Other Time Deposits			
Repurchase Agreements			
Bankers' Acceptance			
Obligations of the U.S. Government or Its Subsidiary Corporations			
Investments Held by Broker-Dealers Under Reverse Repurchase Agreements: U.S. Government Securities U.S. Instrumentality Securities			
State Treasurer's Investment Pool			
County Treasurer's Investment Pool		294,550	594,550
Total Investments			

NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES

The District has no contingencies at the balance sheet date.

Litigation

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

NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

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

NOTE 5: ANNUAL PENSION COST AND NET PENSION OBLIGATIONS

General Information

Substantially all District full-time and qualifying part-time employees participate in one of the following statewide retirement systems managed by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

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

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

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, respectively. Members 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 TRS and SERS, respectively. Members are eligible to retire with full benefits at age 65, or they may retire at age 55 with at least ten service years with a reduced benefit amount, or they may retire at age 55 with at least 30 service years and receive either a reduced benefit or stricter return-to-work rules.

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

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

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon 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's contribution represents its full liability under both systems, except that future rates may be adjusted to meet the system needs.

Contributions

Employee contribution rates as of August 31, 2013:

Plan 1 TRS 6.00%	Plan 1 PERS 6.00%
Plan 2 TRS 4.69%	Plan 2 SERS 4.09%
Plan 3 TRS and SERS: Member-selected rate between five percent and fifteen percent, depending on plan options.	

Employer contribution rates as of August 31, 2013:

	9/1/12-6/30/13	7/1/13-8/31/13
Plan 1 TRS 8.05%	Plan 1 PERS 7.21%	9.19%
Plan 2 TRS 8.05%	Plan 2 SERS 7.59%	7.59%
Plan 3 TRS 8.05%	Plan 3 SERS 7.59%	7.59%

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

Plan	FY 12-13	FY 11-12	FY10-11
Plan 1 TRS	\$ 9,027.60	\$ 14,063.71	\$ 10,753.57
Plan 2 TRS	\$ 57,743.00	\$ 60,552.58	\$ 42,793.47
Plan 3 TRS	\$ 171,805.30	\$ 163,984.85	\$ 127,100.31
Plan 1 PERS	\$ 0.00	\$ 0.00	\$ 0.00
Plan 2 SERS	\$ 36,512.70	\$ 34,665.36	\$ 21,511.35
Plan 3 SERS	\$ 51,502.75	\$ 49,590.72	\$ 35,861.30

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, 2012, comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

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

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

The State, through the Health Care Authority (HCA), administers an agent multi-employer Other Post-Employment Benefit plan. The Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Programs include (medical, dental, life insurance and long-term disability insurance).

Employers participating in the plan include the State of Washington (which includes general government agencies and higher education institutions), 57 of the state's K-12 school districts and educational service districts (ESDs), and 206 political subdivisions and tribal governments.

Additionally, the PEBB plan is available to the retirees of the remaining 247 K–12 school districts and ESDs. The District's retirees are eligible to participate in the PEBB plan under this arrangement.

According to state law, the Washington State Treasurer collects a fee from all school district entities which have employees that are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the state Health Care Authority. For the fiscal year 2012-13, the District was required to pay the HCA \$65.17 per month per full-time equivalent employee to support the program, for a total payment of \$78,286.12. This assessment to the District is set forth in the State's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

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

NOTE 7: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of \$21,307,599 for fiscal year 2013. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

NOTE 8: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

Bonds payable at August 31, 2013, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
General Obligation Bonds					
2009 GO Bond	369,000.00	34,000-50,000	12/1/18	4.4%	265,000.00
Total General Obligation Bonds					265,000.00

The following is a summary of general obligation long-term debt transactions of the District for the fiscal year(s) ended August 31, 2013:

Long-Term Debt Payable at 9/1/2012	240,000.00
New Issues	
Debt Retired	48,393.18
Long-Term Debt Payable at 8/31/2013	191,606.82

The following is a schedule of annual requirements to amortize debt at August 31, 2013:

Years Ending August 31	Principal	Interest	Total
2014	91,817.08	18,255.44	110,072.52
2015	93,956.19	14,356.33	108,312.52
2016	101,327.89	10,114.63	111,442.52
2017	74,505.66	5,310.60	79,816.26
2018	45,000.00	3,190.00	48,190.00
2019	50,000.00	1,100.00	51,100.00
Total	456,606.82	52,327.00	508,933.82

At August 31, 2013, the District had \$79,973.93 available in the Debt Service Fund to service the general obligation bonds.

Short-Term Debt

Short-term debt activity for the year ended August 31, 2013, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Bluebird Bus #1	6,139.15		6,139.15	0.00
Bluebird Bus #2	11,500.34		11,500.34	0.00

NOTE 9: INTERFUND BALANCES AND TRANSFERS

The following table depicts interfund loan activity:

Debtor Fund	Due To	Balance at 9/1/12	Loan Activity		Balance at 8/31/13
			New Loans	Repayments	
Capital Project	Transportation		60,000.00	16,000.00	44,000.00
Totals					44,000.00

NOTE 10: ENTITY RISK MANAGEMENT ACTIVITIES

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

On April 1, 1984 the North Central Washington Workers' Compensation Pool was formed, when school districts and North Central Educational Service District in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses. The North Central Washington Unemployment Pool was formed on July 1, 1988. These pools are operated for the Bridgeport School District's benefit in lieu of the district having to make monthly premium payments to the state of Washington for industrial insurance and unemployment insurance. Membership automatically renews each year. Even after termination, members are

still responsible for contributions for unresolved claims occurring during a period when the district was a member of the pool.

The pool is governed by a board of directors which is comprised of one designated representative from each participating member. An executive committee is elected for conducting the business affairs of the pool.

Each member's contribution to the pool is determined by a rate-making formula based on claims cost and other expense paid. In fiscal year ending August 31, 2013, Bridgeport School District made payments totaling \$0.00 to the unemployment insurance pool and \$70,439.98 to the industrial insurance pool.

The Bridgeport School District is a member of the United Schools Insurance Program. 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 provision of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1985, when 29 school districts in the State of Washington joined together by signing a Joint Purchasing Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Current membership includes 154 school districts.

The program allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Sexual abuse and School Board Legal Liability coverage is on a "claims-made basis". All other coverages are on an "occurrence basis". The program provides the following forms of group purchased insurance coverage for its members: Property, General Liability, Automobile Liability, School Board Legal Liability, and Crime.

Liability insurance is subject to a self-insured retention of \$100,000. Members are responsible for a \$1,000 deductible for each claim, while the program is responsible for the remaining \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 self-insured retention. The program also purchases a stop loss policy with an attachment point of \$941,250, as an additional layer of protection for its members.

Property insurance is subject to a per-occurrence deductible of \$100,000. Members are responsible for \$1,000 deductible for each claim while the program is responsible for the \$100,000 self-insured retention.

Boiler and machinery insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the deductible amount of each claim.

Each new member now pays the program an admittance fee. This amount covers the member's share of the unrestricted reserves. Members contract to remain in the program for a minimum of one year, and must give notice before August 31 to terminate participation the following September 1. The Interlocal Agreement is renewed automatically each year. Even after

termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Joint Purchasing Agreement.

The program is fully funded by its member participants. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustments, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending August 31, 2013, was \$1,667,756.04.

A board of directors of nine members is selected by the membership from six areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. The Board of Directors has contracted with Canfield to perform day-to-day administration of the program. This program has no employees.

NOTE 11: PROPERTY TAXES

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

NOTE 12: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association by passing Resolution prior to 1991, and has remained in the joint venture ever since. The District's current equity of \$1,793.99 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: FUND BALANCE CLASSIFICATION DETAILS

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

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items		\$ 432.74			
Restricted Fund Balance					
Carryover of Restricted Revenues					
Debt Service					
Arbitrage Rebate					
Uninsured Risks					
Other Items	\$ 7,164.26	\$50,062.87		\$ 62,229.25	
Committed Fund Balance					
Minimum Fund Balance Policy	\$172,700.75				
Other Commitments					
Assigned Fund Balance					
Contingencies					
Other Capital Projects					
Other Purposes	\$57,512.00		\$-43,490.67		
Fund Purposes					\$ 75,512.31
Unassigned Fund Balance	\$44,000.00				

In addition, the Capital Projects Fund has the following amounts in Restricted and Committed Fund Balance, based on the source of the revenues:

The board of directors has established a minimum fund balance policy for the general fund to provide for financial stability and contingencies within the District. The policy is that the District shall work towards a minimum fund balance of 7% General Fund revenues. Portions of fund balance that are set aside for the purpose of meeting this policy are recorded on the financial statements as a part of Committed fund balance.

NOTE 14: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS^⑤

457 Plan – Deferred Compensation Plan

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

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

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under two types of deferrals: elective deferrals (employee contribution) and non-elective contribution (employer matching).

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

NOTE 15: TERMINATION BENEFITS

Compensated Absences

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

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

On September 1, 2008 the District entered into an agreement to participate in the North Central ESD Compensated Absences Pool. The pool allows member districts to accumulate funds for payments of accrued sick and/or annual leave due to annual cash out, long-term leave, retirement and/or death of employees.

Payroll contributions are made to the Pool at the time leave is earned to reserve assets for expenditures related to sick leave and vacation leave buy out at retirement and certain other instances. Such expenditures of leave taken during employment continue to be recorded when paid. In fiscal year ending August 31, 2013, Bridgeport School district began with a fund balance of \$6,433.99 in the North Central Compensated Absences Liability Pool. They made payments totaling \$14,486.69, collected \$20.93 in interest earnings, and made claims totaling \$100.00, to bring the fund balance to \$20,841.61.

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 16: OTHER DISCLOSURES

Prior Period Adjustment

The District recorded a prior period adjustment in the General fund in the amount of \$57,512.00 for balances in the Compensated Absence and Unemployment Compensation pools held at the North Central Educational Service District.

Negative Fund Balance

The District has a negative ending fund balance in the Capital Projects Fund due to an interfund loan received and not repaid at year end.

Financial Condition

The General Fund fund balance has declined due to unexpected building repairs. A plan is being developed that will increase the fund balance to the board policy goal over a 5 year period beginning with fiscal year 2014-2015.

Bridgeport School District No. 075
Schedule of Long-Term Liabilities
For the Year Ended August 31, 2013

Description	Beginning Outstanding Debt September 1, 2012	Amount Issued/Increased	Amount Redeemed/Decreased	Ending Outstanding Debt August 31, 2013
Total Voted Bonds	300,000.00	0.00	35,000.00	265,000.00
Total Non-Voted Notes/Bonds	240,000.00	0.00	48,393.18	191,606.82
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)	17,639.49	0.00	17,639.49	0.00
NonCancellable Operating Leases	0.00	0.00	0.00	0.00
Claims & Judgments	0.00	0.00	0.00	0.00
Compensated Absences	41,850.73	1,051.38	0.00	42,902.11
Other Long-Term Liabilities	0.00	0.00	0.00	0.00
Total Other Long-Term Liabilities	59,490.22	1,051.38	17,639.49	42,902.11
TOTAL LONG-TERM LIABILITIES	599,490.22	1,051.38	101,032.67	499,508.93

For the year ending August 31, 2013

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

BRIDGEPORT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ending August 31, 2013

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Bridgeport School district's financial statements. The Bridgeport 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 – NON CASH AWARDS – FOOD COMMODITIES

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

NOTE 3 – SCHOOLWIDE PROGRAMS

The Bridgeport School District operates a "schoolwide program" in elementary, middle and high school buildings. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the district in the schoolwide programs: Title I (84.010) - \$345,194.00.

NOTE 4 – FEDERAL INDIRECT RATE

The Bridgeport School District used the federal restricted rate of 5.97%.



ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens 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 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 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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Director of Local Audit
Deputy Director of State Audit
Deputy Director of Local Audit
Deputy Director of Local Audit
Deputy Director of Performance Audit
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