

**BIG HORN COUNTY SCHOOL DISTRICT NUMBER TWO
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Big Horn County School District Number Two,
Lovell, Wyoming

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Big Horn County School District Number Two, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Big Horn County School District Number Two's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 entity'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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Big Horn County School District Number Two, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

James B. Seckman, CPA, P.C.

PROFESSIONAL CORPORATION

200 North Bent Street
Powell, Wyoming 82435307-754-2141
Fax 307-754-7061***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

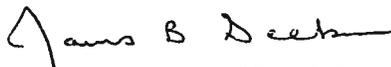
Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Big Horn County School District Number Two's basic financial statements. The 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*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued our report dated October 25, 2013, on my consideration of the Big Horn County School District Number Two's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Big Horn County School District Number Two's internal control over financial reporting and compliance.



James B. Seckman, CPA, P.C.

October 25, 2013

Big Horn County School District Two

Management's Discussion and Analysis

As management of the Big Horn County School District Two, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the District's financial statements, notes to the financial statements and various supplementary information, which follow this section.

Financial Highlights

- The District's total combined Net Position were \$16,205,743 at June 30, 2013 which compares to \$15,839,571 at the beginning of the fiscal year, a increase of \$366,172 (2%) primarily due to grant income, depreciation expense and capital additions in the governmental funds.
- During the year, the District's expenses for governmental activities were \$12,186,773. The District's revenue generated in taxes and other revenues for governmental activities was \$12,595,767. For the District's general fund, special revenue fund, the capital construction fund, the debt service fund and business-type activities total expenses were \$12,497,308. The District's revenue generated in taxes, grants and other revenue for the above funds total \$12,863,480.
- During the year the District incurred \$101,234 in additional long-term debt and reduced long-term debt by \$96,156. The District's total long term debt at June 30, 2013 was \$200,261.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, fluctuations from year to year need to be reviewed in light of the timing of funding.

The statement of activities presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (governmental activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The District has only one business-type activity, the enterprise fund, food service fund.

Big Horn County School District Two

Fund financial statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

- **Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. Such information may be useful in evaluating a government's near-term financing requirements. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities reported in the Statement of Net Position and the Statement of Activities and the governmental funds are reconciled in the financial statements. The general fund, special revenue fund and capital construction fund are considered major funds and are reported as separate columns in the fund financial statements. All other governmental funds of the District are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.
- **Proprietary funds.** Proprietary funds are used to account for services for which the District charges participants a fee. These funds, like the government-wide statements, provide both long- and short-term financial information. The Enterprise Fund -Food Service is the only fund in this category for the District.
- **Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is the trustee, or fiduciary, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary Net Position and a statement of changes in fiduciary Net Position.

Notes to the financial statements.

The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements.

Big Horn County School District Two

Other information.

Due to the District's implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements -and Management's Discussion and Analysis -for State and Local Governments

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements.

Financial Analysis of the District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. The following provides a summary of the District's Net Position at June 30, 2013 and June 30, 2012:

	Condensed Statement of Net Assets					
	Governmental Activities	Business-Type Activities	Total School District	Governmental Activities	Business-Type Activities	Total School District
Current and other assets	\$ 4,401,292	\$ 10,952	\$ 4,412,244	\$ 4,071,910	\$ 22,849	\$ 4,094,759
Capital assets	12,787,815	-	12,787,815	12,450,378	-	12,450,378
Total assets	<u>\$ 17,189,107</u>	<u>\$ 10,952</u>	<u>\$ 17,200,059</u>	<u>\$ 16,522,288</u>	<u>\$ 22,849</u>	<u>\$ 16,545,137</u>
Other liabilities	869,493	-	869,493	578,031	-	578,031
Long-term liabilities	124,823	-	124,823	127,874	-	127,874
Total liabilities	<u>\$ 994,316</u>	<u>\$ -</u>	<u>\$ 994,316</u>	<u>\$ 705,905</u>	<u>\$ -</u>	<u>\$ 705,905</u>
Net Assets:						
Invested in capital assets, net of related debt	\$ 12,587,554	\$ -	\$ 12,587,554	\$ 12,254,855	\$ -	\$ 12,254,855
Unrestricted	3,607,237	10,952	3,618,189	3,561,528	22,849	3,584,377
Total net assets	<u>\$ 16,194,791</u>	<u>\$ 10,952</u>	<u>\$ 16,205,743</u>	<u>\$ 15,816,383</u>	<u>\$ 22,849</u>	<u>\$ 15,839,232</u>

The net investment in capital assets is \$12,587,554 which is the net book value of capital assets (e.g., land, buildings, equipment) of \$12,787,815, less any related debt used to acquire those assets that is still outstanding of \$200,261. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources.

The remaining balance of unrestricted Net Position \$3,618,189 may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having long-term commitments that are less than currently available resources.

The District's total Net Position increased by \$366,172 during the year ended June 30, 2013. The total cost of all governmental activities this year was \$12,186,773 and of the business-type activity was \$310,535. The amount paid by the State Foundation program was \$8,006,604 or 63% of governmental funds revenues.

Big Horn County School District Two

District changes in Net Position for the years ending June 30, 2013 and 2012

	Changes in the District's Net Assets					
	Governmental Activities	Business-Type Activities	Total School District	Governmental Activities	Business-Type Activities	Total School District
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ 115,147	\$ 115,147	\$ -	\$ 122,812	\$ 122,812
Operating grants and contributions	2,193,213	152,560	2,345,773	1,382,027	147,750	1,529,777
Total Program revenues	2,193,213	267,707	2,460,920	1,382,027	270,562	1,652,589
General revenues:						
Taxes	2,364,630	-	2,364,630	2,141,764	-	2,141,764
Intergovernmental	8,006,604	-	8,006,604	7,943,780	-	7,943,780
Miscellaneous	31,320	6	31,326	49,417	11	49,428
Transfers	(30,925)	30,925	-	(50,464)	50,464	-
Total revenues	12,564,842	298,638	12,863,480	11,466,524	321,037	11,787,561
Expenses:						
Instruction	6,942,867	-	6,942,867	6,271,987	-	6,271,987
Instructional Support	1,315,168	-	1,315,168	1,255,584	-	1,255,584
General Support	3,116,408	-	3,116,408	2,881,813	-	2,881,813
Community Support	91,183	-	91,183	70,830	-	70,830
Capital Outlay	134,784	-	134,784	141,297	-	141,297
Interest	-	-	-	-	-	-
Depreciation	586,363	-	586,363	581,046	-	581,046
Food Services	-	310,535	310,535	-	313,002	313,002
Total Expenses	12,186,773	310,535	12,497,308	11,202,557	313,002	11,515,559
Change in net assets	\$ 378,069	\$ (11,897)	\$ 366,172	\$ 263,967	\$ 8,035	\$ 272,002

Financial Analysis of the District's Funds

Governmental Funds:

Revenues

General fund revenues increased from \$10,126,172 in FY 2012 to \$10,397,318 in FY 2013. The district had to pay back \$0 over funding from the state foundation program in 2013. Major maintenance revenues from the State of Wyoming increased by approximately \$525,000 from the prior year. The increase is due to more major capital projects being funded by the school facility commission. Special revenue grants fund revenue increased by approximately \$285,000, due to an increase in federal and state grants in the special revenue fund.

Expenditures

The total expenditures of the general fund were \$10,272,882 in 2013 compared to \$9,644,430 in 2012. Expenditures in the capital maintenance account were \$912,293 in 2013 and \$539,362 in 2012.

Proprietary Fund

The total revenues and expenditures for the Food Services fund stayed almost identical to prior fiscal year. The administration made a decision not to increase lunch prices. Food costs and salary increases in the lunch fund. We will remain diligent in watching this fund to insure its continued viability.

Big Horn County School District Two

Capital Construction Fund

The District had many ongoing improvement projects at year end. The District has paid \$912,293 and has awarded additional capital projects out for approximately \$5,500,000.

General Fund Budgetary Highlights

No budget amendments were made for the fiscal year ended June 30, 2013. There were no over expenditures noted in the budget. The budgetary comparison schedule is presented on page 33 of the notes to the financial statements. The schedule is presented for the general fund, special revenue fund, debt service fund and capital projects fund.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2013 was \$12,787,815 and June 30, 2012 amounts to \$12,450,378 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, and vehicles.

<u>District's Capital Assets (Governmental Activities - net of depreciation)</u>		
Land	\$ 683,644	\$ 683,644
Buildings and Improvements	19,099,930	18,729,617
Machinery and Equipment	2,541,695	2,836,994
Construction in Progress	630,492	219,400
Total Capital Assets	22,955,761	22,469,655
Less Accumulated Depreciation	(10,167,946)	(10,019,277)
Capital Assets Net of Depreciation	<u>\$ 12,787,815</u>	<u>\$ 12,450,378</u>
<u>Districts Capital Assets (Business-type activities - net of depreciation)</u>		
Equipment	\$ 43,874	\$ 43,874
Less Accumulated Depreciation	43,874	43,874
	<u>\$ -</u>	<u>\$ -</u>

Long-Term Debt

As of June 30, 2013 the District had bonded debt outstanding of \$0 and four capital leases totaling \$200,261.

Factors Affecting the District's Future

With continued uncertainty in school funding, declining enrollment and its relationship to funding and the involvement of the capital facilities commission in Major Maintenance and Minor and Major Capital Construction funding we must continue to be cautious in all decisions affecting the financial position of the District. The District has ongoing capital improvement projects described under commitments page 30 of the financial statements. The District is in the process of evaluating to replace or remodel school facilities.

Big Horn County School District Two

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Superintendent of Schools, 502 Hampshire Avenue, Lovell, Wyoming 82431.

BIG HORN COUNTY SCHOOL DISTRICT NUMBER TWO
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and Investments	\$ 4,275,124	\$ 159	\$ 4,275,283
Cash Fiscal Agent	-	-	-
Receivables	126,168	-	126,168
Inventories	-	10,793	10,793
	4,401,292	10,952	4,412,244
Non-Current Assets			
Capital Assets, Nondepreciable	683,644	-	683,644
Capital Assets, Net	12,104,171	-	12,104,171
	12,787,815	-	12,787,815
 TOTAL ASSETS	 \$ 17,189,107	 \$ 10,952	 \$ 17,200,059
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 305,023	\$ -	\$ 305,023
Accrued Expenses	366,361	-	366,361
Deferred Outflow	115,076	-	115,076
Early Retirement Payable	7,595	-	7,595
Capital Lease Payable	75,438	-	75,438
	869,493	-	869,493
Long-Term Liabilities			
Early Retirement Payable	-	-	-
Capital Lease Payable	124,823	-	124,823
	124,823	-	124,823
 TOTAL LIABILITIES	 994,316	 -	 994,316
NET POSITION			
Investment in Capital Assets, Net of Related Debt	12,587,554	-	12,587,554
Restricted for Special Revenue	25,666	-	25,666
Restricted for Capital Projects	781,994	-	781,994
Restricted for Debt Service	122,703	-	122,703
Unrestricted	2,676,874	10,952	2,687,826
	2,676,874	10,952	2,687,826
 TOTAL NET POSITION	 \$ 16,194,791	 \$ 10,952	 \$ 16,205,743

See accompanying notes to financial statements

BIG HORN COUNTY SCHOOL DISTRICT NUMBER TWO
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

FUNCTION/PROGRAM	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental Activities:</u>				
Instruction	\$ 6,942,867	\$ -	\$ 1,342,681	\$ -
Instructional Support	1,315,168	-	-	-
General Support	3,116,408	-	-	-
Community Support	91,183	-	-	-
Capital Outlay	134,784	-	-	850,532
Depreciation	586,363	-	-	-
Total Governmental Activities	12,186,773	-	1,342,681	850,532
<u>Business type-Activities</u>				
Food Service Fund	310,535	115,147	152,560	-
Total Business-type Activities	310,535	115,147	152,560	-
Total School District	\$ 12,497,308	\$ 115,147	\$ 1,495,241	\$ 850,532

General Revenues:
Tax revenues
Intergovernmental:
Interest Income
Transfers
Miscellaneous revenue
Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

See accompanying notes to financial statements

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
(5,600,186)	-	(5,600,186)
(1,315,168)	-	(1,315,168)
(3,116,408)	-	(3,116,408)
(91,183)	-	(91,183)
715,748	-	715,748
<u>(586,363)</u>	<u>-</u>	<u>(586,363)</u>
<u>(9,993,560)</u>	<u>-</u>	<u>(9,993,560)</u>
<u>-</u>	<u>(42,828)</u>	<u>(42,828)</u>
<u>-</u>	<u>(42,828)</u>	<u>(42,828)</u>
<u>(9,993,560)</u>	<u>(42,828)</u>	<u>(10,036,388)</u>
2,364,630	-	2,364,630
8,006,604	-	8,006,604
25,513	6	25,519
(30,925)	30,925	-
<u>5,807</u>	<u>-</u>	<u>5,807</u>
<u>10,371,629</u>	<u>30,931</u>	<u>10,402,560</u>
378,069	(11,897)	366,172
<u>15,816,722</u>	<u>22,849</u>	<u>15,839,571</u>
<u>\$ 16,194,791</u>	<u>\$ 10,952</u>	<u>\$ 16,205,743</u>

BIG HORN COUNTY SCHOOL DISTRICT NUMBER TWO
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Capital Project	
ASSETS					
Cash and Investments	\$ 3,037,197	\$ 59,515	\$ 622,703	\$ 555,709	\$ 4,275,124
Cash Fiscal Agent	-	-	-	-	-
Due from Other Governments	44,941	-	-	-	44,941
Receivables	-	81,227	-	-	81,227
TOTAL ASSETS	<u>\$ 3,082,138</u>	<u>\$ 140,742</u>	<u>\$ 622,703</u>	<u>\$ 555,709</u>	<u>\$ 4,401,292</u>
LIABILITIES					
Accounts Payable	\$ 31,308	\$ -	\$ -	\$ 273,715	\$ 305,023
Accrued Expenses	366,361	-	-	-	366,361
Due to Other Funds	-	-	-	-	-
Deferred Outflow	-	115,076	-	-	115,076
TOTAL LIABILITIES	<u>397,669</u>	<u>115,076</u>	<u>-</u>	<u>273,715</u>	<u>786,460</u>
FUND EQUITY					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	25,666	622,703	281,994	930,363
Assigned	-	-	-	-	-
Unreserved - Undesignated	2,684,469	-	-	-	2,684,469
TOTAL FUND EQUITY	<u>2,684,469</u>	<u>25,666</u>	<u>622,703</u>	<u>281,994</u>	<u>3,614,832</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 3,082,138</u>	<u>\$ 140,742</u>	<u>\$ 622,703</u>	<u>\$ 555,709</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	12,787,815
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	(200,261)
Early retirement payable	<u>(7,595)</u>
	<u>\$ 16,194,791</u>

BIG HORN COUNTY SCHOOL DISTRICT NUMBER TWO
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
ALL GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	General	Special Revenue	Debt Service	Capital Project	Totals
<u>REVENUES</u>					
Taxes	\$ 2,364,630	\$ -	\$ -	\$ -	\$ 2,364,630
Intergovernmental	8,006,604	1,342,681	-	850,532	10,199,817
Interest	20,277	56	-	5,180	25,513
Other	5,807	-	-	-	5,807
TOTAL REVENUE	10,397,318	1,342,737	-	855,712	12,595,767
<u>EXPENDITURES</u>					
Current					
Instruction	5,681,303	1,306,621	-	-	6,987,924
Instructional Support	1,284,379	30,790	-	-	1,315,169
General Support	3,216,018	6,043	-	-	3,222,061
Community Support	91,182	-	-	-	91,182
Capital Outlay	-	-	-	912,293	912,293
Debt Service					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	10,272,882	1,343,454	-	912,293	12,528,629
Excess (Deficiency) of Revenue Over (Under) Expenditures	124,436	(717)	-	(56,581)	67,138
<u>OTHER FINANCING SOURCES (USES)</u>					
Operating Transfer In (Out)	(30,925)	-	-	-	(30,925)
Total Other Financing Sources (Uses)	(30,925)	-	-	-	(30,925)
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	93,511	(717)	-	(56,581)	36,213
Fund Balance - Beginning Of Year	2,590,958	26,383	622,703	338,575	3,578,619
Fund Balance - Ending Of Year	<u>\$ 2,684,469</u>	<u>\$ 25,666</u>	<u>\$ 622,703</u>	<u>\$ 281,994</u>	<u>\$ 3,614,832</u>

BIG HORN COUNTY SCHOOL DISTRICT NUMBER TWO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ACTIVITIES
For the Year June 30, 2013

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balances - total governmental funds (page 12)	\$ 36,213
--	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.

The details of the difference are as follows:

Capital outlay	923,799	
Depreciation	<u>(586,363)</u>	
Net adjustment		337,436

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

The details of the difference are as follows:

Capital lease new	(101,234)	
Early retirement new	-	
Capital lease principal payments	<u>96,158</u>	
Net adjustment		<u>(5,076)</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Early Retirement

9,496

Change in net assets of governmental activities (page 10)

\$ 378,069

BIG HORN COUNTY SCHOOL DISTRICT NUMBER TWO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
For the Year June 30, 2013

	<u>Enterprise</u>
ASSETS	
Cash	\$ 159
Inventory	10,793
Property and equipment, net	<u>-</u>
Total assets	<u>\$ 10,952</u>
Liabilities	
Accounts payable	\$ -
Accrued liabilities	<u>-</u>
Total liabilities	<u>\$ -</u>
Net Position	
Unrestricted	<u>10,952</u>
Total Net Position	<u>\$ 10,952</u>

BIG HORN COUNTY SCHOOL DISTRICT NUMBER TWO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year June 30, 2013

	Enterprise
OPERATING REVENUES	
Food Sales	\$ 115,147
Total Operating Revenues	115,147
OPERATING EXPENSES	
Salaries and Benefits	168,979
Supplies	13,937
Food Costs	120,322
Commodity Costs	5,881
Purchased Services	1,416
Total Operating Expenses	310,535
OPERATING INCOME	(195,388)
NON-OPERATING REVENUE (EXPENSES)	
Interest	6
Operating Grants	152,560
Income (Loss) Before Operating Transfer	(42,822)
Operating Transfer In	30,925
CHANGE IN NET POSITION	(11,897)
Net Position - Beginning of Fiscal Year	22,849
Net Position - End of Fiscal Year	\$ 10,952

BIG HORN COUNTY SCHOOL DISTRICT NUMBER TWO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year June 30, 2013

	<u>Enterprise</u>
<u>CASH FLOWS OPERATING ACTIVITIES:</u>	
Cash received from services	\$ 115,147
Cash paid to suppliers	141,556
Cash paid to employees	<u>168,979</u>
Net Cash Provided by Operating Activities	(195,388)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>	
Operating Grants Received	152,560
Operating Transfers In (Out)	<u>30,925</u>
Net Cash Provided by Noncapital Financing Activities	183,485
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Acquisition of Capital Assets	<u>-</u>
Net Cash Used In Capital and Related Financing Activities	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Interest on Deposits	<u>6</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(11,897)
Cash and Cash Equivalents, Beginning of Year	<u>12,056</u>
Cash and Cash Equivalents, End of Year	<u>\$ 159</u>
Operating Income (Loss)	\$ (195,388)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	-
Change in assets and liabilities	
(Increase) Decrease in Accounts Receivable	-
Inventory	<u>-</u>
Total Adjustments	<u>-</u>
Net Cash Provided by Operating Activities	<u>\$ (195,388)</u>

BIG HORN COUNTY SCHOOL DISTRICT NUMBER TWO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year June 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>79,783</u>
Total Assets	\$ <u><u>79,783</u></u>
 Liabilities:	
Accounts payable	\$ -
Due to Student groups	<u>79,783</u>
Total Liabilities	79,783
 Net Position	
Held in trust	<u>-</u>
Total Net Position	<u><u>\$ -</u></u>

BIG HORN COUNTY SCHOOL DISTRICT #2
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board of Trustees (Board) is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Big Horn County School District Two. The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the District serves as the nucleus for the reporting entity under the provisions of GASB Statement No. 14 for its basic financial statements. Using this premise, the District is not financially accountable for any other organizations and thus, include only the financial statements of the District. Big Horn County School District Two has no component units nor is it considered a component unit of any other government.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of Net Position and the statement of changes in Net Position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

BIG HORN COUNTY SCHOOL DISTRICT #2
Notes to Financial Statements
June 30, 2013

I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement focus, basis of accounting, and financial statement presentation

The Board adopted GASB Statement 34, Basic Financial Statements and Management S Discussion and Analysis for State and Local Governments during the fiscal year ended June, 2004. The adoption of this Statement is meant to present the information in a format more closely resembling that of the private sector and to provide the user with more managerial analysis regarding the financial results and the Board's financial outlook.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

BIG HORN COUNTY SCHOOL DISTRICT #2
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific federal and state grant sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The *capital projects fund* accounts for the proceeds of specific revenue sources for major maintenance and minor or major capital projects that are restricted, committed or assigned to expenditures for specified purposes as well as providing a depreciation account for the replacement of fixed assets.

The *debt service fund* accounts for the servicing of long term debt not financed by the proprietary fund. The depreciation reserve fund is consolidated with the debt service fund.

The *agency fund* - The agency fund accounts for resources held in a custodial capacity by the District, and consists of funds that are the property of students or others.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The District also has the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

BIG HORN COUNTY SCHOOL DISTRICT #2
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, fund balance reporting and governmental fund type definitions. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are in spendable form, or legally or contractually required to be maintained intact.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the school board. Those committed amounts cannot be used of any other purpose unless the school board removes or changes the specified use. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the district for specific purposes but do not meet the criteria to be classified as restricted or committed. In the general fund, assigned amounts represent intended uses established by the school board.

Unassigned – Unassigned fund balance is the residual classification for the General fund and includes all spendable amounts not contained in the other classifications.

The district applies restricted resources first when expenditures are incurred for the purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The school board is the district's highest level of decision making authority and may commit fund balance for specific purposes pursuant to formal actions such as ordinances or resolution. These committed amounts

BIG HORN COUNTY SCHOOL DISTRICT #2
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

cannot be used for any other purpose unless the school board removes or changes the use through a formal action described above.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to students and faculty for food services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, liabilities, and Net Position or equity

1. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2. Investments

Investments are carried at fair value and consist primarily of money market accounts and certificates of deposit. The District had no investments as of June 30, 2013.

Wyoming State Statutes allow the District to invest in U.S. and state and local government securities and accounts of any bank and savings associations which are federally insured.

3. Accounts Receivable

The District considers all accounts receivable to be fully collectible at June 30, 2013 and, therefore no allowance for doubtful accounts is deemed necessary.

4. Interfund Balances

These amounts are eliminated in the governmental and business-type activities columns of the statement of activities columns of the statement of Net Position, except for the net residual amounts due between governmental and business-type activities. As of June 30, 2013, there were no interfund balances.

BIG HORN COUNTY SCHOOL DISTRICT #2

Notes to Financial Statements

June 30, 2013

I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5. Property Taxes

Property taxes attach as an enforceable lien on property as of May 11. Taxes are levied on or about August 1 and payable in two installments on September 1 and March 1. The County bills and collects its own property taxes and also taxes for all municipalities and political subdivisions within the County, including Big Horn County School District Two. District property tax revenues are recognized when levied to the extent that they result in current receivables, which means when collected within the current period or expected to be collected within 60 days of the fiscal year end to be used to pay liabilities of the current period.

The District is required by Wyoming Statutes to levy taxes of 25 mills of assessed valuation for all school purposes, exclusive of bond interest and redemption. The combined tax rate to finance general school services other than the payment of principal and interest on long-term debt for the year ended June 30, 2013 was 27.0 mills, consisting of 25 mandatory mills, 1 mill for Recreation and 1.0 mill for Big Horn County BOCES.

6. Inventories

Inventory is valued at the lower of cost (first-in, first-out) or market. Governmental fund type inventories are recorded using the purchase method whereby they are recorded as expenditures when purchased. Supply inventories for the General Fund at June 30, 2013 were not material and, therefore, were not recorded at year end.

Enterprise fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to expense when consumed or sold. Inventory in the Lunch Fund consists of USDA food commodities held for consumption.

BIG HORN COUNTY SCHOOL DISTRICT #2

Notes to Financial Statements

June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7. Capital Assets

Capital assets, which include property, plant, equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Machinery and equipment	7-15

8. Compensated absences

Full time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the District. Employees sick pay and vacation benefits do not vest. Therefore the potential liability for sick pay and vacation is not recorded in the financial statements.

9. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BIG HORN COUNTY SCHOOL DISTRICT #2

Notes to Financial Statements

June 30, 2013

II. Stewardship, compliance, and accountability

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 15, the Superintendent submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted on the third Wednesday in July to obtain public comments.
3. The budget is adopted by the third Thursday of July.
4. At the request of the Superintendent or upon its own motion after publication of notice, the Board of Trustees may by resolution transfer any unencumbered or unexpended appropriation balance or part thereof from one fund, department or account to another. All appropriations, excluding appropriations for capital projects, lapse at the close of the budget year to the extent they are not expended or encumbered. The level of expenditure control for budget purposes is the department level.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Budgets for all funds are adopted on a modified accrual basis (GAAP). Such basis is consistent with generally accepted accounting principles (GAAP).
7. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration during the year. Encumbrances outstanding at year end are immaterial.

BIG HORN COUNTY SCHOOL DISTRICT #2

Notes to Financial Statements

June 30, 2013

III. Detailed Notes on All Funds

Cash and Investments

Wyoming statutes allow the District to deposit uninvested funds with federal banks, state banks, and federal or state savings and loan institutions. All deposits must be fully insured by the FDIC, the FSLIC or secured by a pledge of financial institution assets.

Wyoming statutes allow investments in bonds or obligations issued by or guaranteed by the United States, repurchase agreements involving bonds or obligations issued by or guaranteed by the United States, mortgage backed securities that are obligations of or guaranteed or insured by the United States (excluding high risk items) bankers acceptances of United States banks eligible for purchase by the Federal Reserve System, guaranteed investment contracts issued by a United States commercial bank or insurance company, a commingled fund of securities listed in this paragraph held by a bank authorized to do business in the State of Wyoming, Bonds of the Wyoming Natural Gas Pipeline authority, and shares of diversified money market funds that invest their funds as prescribed by law. The District currently has no investments of these types.

The carrying value of cash and investments at June 30, 2013 totaled \$4,275,283. The deposits with financial institutions as of the same date were in the amount of \$5,255,470.

The District's deposits and investments as of June 30, 2013 are categorized below to give an indication of the level of risk assumed by the entity at year-end.

1. Totally insured under Federal Depository Insurance	\$ 586,191
2. Secured with security held by the financial institution or its agent in the name of the City evidenced by properly executed joint custody receipts	4,669,279
3 Uninsured and Uncollateralized	<u>-</u>
Total Bank Balance	<u>\$ 5,255,470</u>

BIG HORN COUNTY SCHOOL DISTRICT #2
Notes to Financial Statements
June 30, 2013

Capital Assets

A summary of changes in capital assets follows:

Summary of Governmental Funds Capital Assets

Description	Balance at 6/30/12	Additions	Deletions	Balance at 6/30/13
Land	\$ 683,644	\$ -	\$ -	\$ 683,644
Buildings	18,729,617	370,313	-	19,099,930
Machinery and Equipment	2,836,993	146,291	441,589	2,541,695
Construction in Progress	219,400	784,408	373,316	630,492
Total	<u>22,469,654</u>	<u>1,301,012</u>	<u>814,905</u>	<u>22,955,761</u>
Less Accumulated Depreciation	<u>(10,019,276)</u>	<u>(586,363)</u>	<u>437,693</u>	<u>(10,167,946)</u>
Net Capital Assets	<u>\$ 12,450,378</u>			<u>\$ 12,787,815</u>

Summary of Proprietary Fund Capital Assets

Description	Balance at 6/30/12	Additions	Deletions	Balance at 6/30/13
Machinery and Equipment	43,874	-	-	43,874
Accumulated Depreciation	<u>(43,874)</u>	<u>-</u>	<u>-</u>	<u>(43,874)</u>
Net Book Value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Risk Management

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. During the year ended June 30, 2012 the District contracted with various insurance companies for property insurance (including boiler and machinery), general liability insurance, professional insurance and vehicle insurance. The coverages under each type of insurance policy vary in amounts and deductibles. The District has not had significant settlements exceeding insurance coverage in any of the past three fiscal years.

The District pays into the State Worker's Compensations System a premium based on a rate per covered payroll. This rate is calculated based on accident history and administrative cost.

BIG HORN COUNTY SCHOOL DISTRICT #2
Notes to Financial Statements
June 30, 2013

Long Term Debt

Changes in long-term debt:

DESCRIPTION	BEGINNING BALANCE	ADDITIONS	DELETIONS	ENDING BALANCE
Early Retirement	\$ 17,091	\$ -	\$ 9,496	\$ 7,595
Capital Lease	101,698	-	24,215	77,483
Capital Lease	34,431	-	11,099	23,332
Capital Lease	38,558	-	19,093	19,465
Capital Lease	-	101,234	20,913	80,321
Capital Lease	20,836	-	20,836	-
Capital Lease	-	-	-	-
	<u>\$ 212,614</u>	<u>\$ 101,234</u>	<u>\$ 105,652</u>	<u>\$ 208,196</u>

Payments required retiring the above capital leases payable are as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 75,438	\$ 5,655	\$ 81,093
2015	57,554	3,307	60,861
2016	46,930	1,679	48,609
2017	20,679	413	21,092
2018	-	-	-
	<u>\$ 200,601</u>	<u>\$ 11,054</u>	<u>\$ 211,655</u>

A detail of the District's four capital leases is as follows: A bus purchased in 2010 for \$57,236 and capitalized with the outstanding balance of \$23,332 due in 2015. A bus purchased in 2010 for \$95,019 and capitalized with an outstanding balance of \$19,465 due in 2013. A bus purchased in 2013 for \$129,000 and with an outstanding principal balance of \$77,483 due in 2016. A bus purchased in 2013 for \$101,234 and capitalized with an outstanding principal balance of \$80,321 due in 2017.

BIG HORN COUNTY SCHOOL DISTRICT #2

Notes to Financial Statements

June 30, 2013

Retirement Plan

The Board contributes to the Wyoming Retirement System ("System"), a statewide cost-sharing multiple-employer public employee retirement system (PERS). The System provides retirement, disability and death benefits according to predetermined formulas. Benefits are established by Title 9, Chapter 3 of the Wyoming Statutes. The System issued a publicly available financial report that includes audited financial statements and required supplementary information for the System. The report may be obtained by writing to the Wyoming Retirement System, First Floor East, Herschler Building, 122 West 25th Street, Cheyenne, Wyoming 82002

Plan members are required to contribute 7.0% of their annual covered salary and the District is required to contribute 7.12% of the annual covered payroll. Legislation enacted in 1979 allows the employer to pay any or all of the employees' contribution in addition to the matching contribution. The District currently pays 100% of the required employee's contribution. Contribution rates are established by Title 9, Chapter 3 of the Wyoming Statutes. The District's contributions to the System for the years ending June 30, 2013, 2012 and 2010 were \$874,982, \$846,775, and \$824,396; respectively, which equaled 100% of the required contributions for each year.

Operating Transfers

\$30,925 was transferred from the General Fund to the Lunch Fund.

Budget Amendments

The District made no amendments to its budget during the year.

EARLY RETIREMENT PROGRAM

The District has adopted an early retirement program for its employees. A summary of the program follows.

- a. Eligibility – Employee must be 50 years of age in the year of application, and must have worked for the District for ten years prior to retirement. Eligibility under the program ceases at age 65. The District has suspended this program.
- b. General – Participation in the program is voluntary.

BIG HORN COUNTY SCHOOL DISTRICT #2
Notes to Financial Statements
June 30, 2013

EARLY RETIREMENT PROGRAM (continued)

c. Payment of Benefits – Benefit payments are based on the employee's salary, age, longevity, experience, and health insurance as of the application date. This information is used to formulate the total benefit (including health insurance, a portion of which is paid by the District until the participant reaches age 65) and the annual payments. Such payments are made in January of each year until fully paid.

d. The Districts unfunded early retirement obligation as of June 30, 2013 was \$7.596, payable over the next 3 years.

DEFERRED REVENUE

Special revenue fund deferred revenue consists of grant receipts for which the revenue recognition criteria have not been met.

FEDERAL AND STATE GRANTS

The District receives grant funds from various Federal and State agencies for special projects. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material. Depending on the complexity of the grant project, completion of the project may span more than one fiscal year.

COMMITMENTS

The District has been approved for a \$5,500,000 high school renovation project by the Wyoming School Facility Commission. The project was in progress at FY2013.

SUBSEQUENT EVENTS

Management has evaluated and is not aware of any subsequent events which materially affect the current financial statements and related disclosures to the date of this report.

SUPPLEMENTARY INFORMATION

BIG HORN COUNTY SCHOOL DISTRICT NUMBER TWO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

FEDERAL PROGRAM TITLE	Federal CFDA Number		Expenditures
<u>U.S. Department of Education Pass Through Wyoming Department of Education</u>			
After School Learning	84.287		\$ 136,606
Federal Vocational Education	84.048		45,144
Federal Special Education	84.027	*	167,132
Preschool	84.173	*	<u>2,111</u> 169,243
Title I	84.010	*	248,874
Title II	84.367		76,985
Title IID	84.318		<u>2,435</u> <u>79,420</u>
Total Department of Education			679,287
<u>U.S. Department of Agriculture Rural Utilities Service</u>			
Distance Learning & Telemedicine Grant	10.855	*	417,721
<u>U.S. Department of Agriculture Passed Through Wyoming Department of Education</u>			
Child Nutrition	10.555		19,135
National School Lunch	10.555		<u>133,425</u> <u>152,560</u>
			<u>\$ 1,249,568</u>

Note: This schedule is prepared on the GAAP basis.

* Major Federal Programs

See accompanying notes to the financial statements

BIG HORN COUNTY SCHOOL DISTRICT NUMBER TWO
SCHEDULE OF EXPENDITURES -
ALL GENERAL AND SPECIAL REVENUE FUNDS
For The Year Ended June 30, 2013

	<u>General</u>	<u>Special Revenue</u>
Instruction		
Salaries and Benefits	\$ 5,125,668	\$ 790,147
Capital Outlay	116,125	451,487
Other	<u>439,510</u>	<u>64,987</u>
	5,681,303	1,306,621
Instructional Support		
Salaries and Benefits	1,027,843	16,695
Capital Outlay	9,458	466
Other	<u>247,078</u>	<u>13,629</u>
	1,284,379	30,790
General Support		
Salaries and Benefits	2,033,442	6,043
Capital Outlay	179,225	-
Other	<u>1,003,351</u>	<u>-</u>
	3,216,018	6,043
Community Support		
Salaries and Benefits	-	-
Capital Outlay	7,941	-
Other	<u>83,241</u>	<u>-</u>
	<u>91,182</u>	<u>-</u>
Total	<u>\$ 10,272,882</u>	<u>\$ 1,343,454</u>

BIG HORN COUNTY SCHOOL DISTRICT NUMBER TWO
STATEMENT OF REVENUES AND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ended June 30, 2013

	General Fund			Special Revenue		
	Original Budget	Final Budget	Actual Budget Basis	Original Budget	Final Budget	Actual Budget Basis
<u>REVENUES</u>						
Taxes	\$ 1,991,000	\$ 1,991,000	\$ 2,364,630	\$ -	\$ -	\$ -
Intergovernmental	7,600,000	7,600,000	8,006,604	1,500,000	1,500,000	1,342,681
Interest	25,000	25,000	20,277	-	-	56
Other	5,200	5,200	5,807	-	-	-
TOTAL REVENUE	9,621,200	9,621,200	10,397,318	1,500,000	1,500,000	1,342,737
<u>EXPENDITURES</u>						
Current						
Instruction	5,747,940	5,747,940	5,681,303	1,312,484	1,312,484	1,306,621
Instructional Support	1,323,233	1,323,233	1,284,379	150,000	150,000	30,790
General Support	3,606,037	3,606,037	3,216,018	100,000	100,000	6,043
Community Support	126,500	126,500	91,182	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Principal Retirement	-	-	-	-	-	-
Interest	-	-	-	-	-	-
TOTAL EXPENDITURES	10,803,710	10,803,710	10,272,882	1,562,484	1,562,484	1,343,454
Excess (Deficiency) of Revenue Over (Under) Expenditures	(1,182,510)	(1,182,510)	124,436	(62,484)	(62,484)	(717)
<u>OTHER FINANCING SOURCES (USES)</u>						
Operating Transfer In (Out)	(329,378)	(329,378)	(30,925)	-	-	-
Total Other Financing Sources (Uses)	(329,378)	(329,378)	(30,925)	-	-	-
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (1,511,888)	\$ (1,511,888)	\$ 93,511	\$ (62,484)	\$ (62,484)	\$ (717)

Original Budget	Capital Projects		Major Maintenance		
	Final Budget	Actual Budget Basis	Original Budget	Final Budget	Actual Budget Basis
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
550,000	550,000	-	995,312	995,312	850,532
-	-	-	-	-	5,180
-	-	-	-	-	-
550,000	550,000	-	995,312	995,312	855,712
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
550,000	550,000	-	995,312	995,312	912,293
-	-	-	-	-	-
-	-	-	-	-	-
550,000	550,000	-	995,312	995,312	912,293
-	-	-	-	-	(56,581)
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ (56,581)

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*

To the Board of Trustees
Big Horn County School District Number Two

I have audited, in accordance with the 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 the governmental activities, the business-type activities and each major fund of the Big Horn County School District Number Two, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Big Horn County School District Number Two's basic financial statements and have issued my report thereon dated October 25, 2013.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Big Horn County School District Number Two's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Big Horn County School District Number Two's internal control. Accordingly, I do not express an opinion on the effectiveness of the Big Horn County School District Number Two's internal control.

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

My consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described as follows that I consider to be significant deficiencies.

James B. Seckman, CPA, P.C.

PROFESSIONAL CORPORATION

200 North Bent Street
Powell, Wyoming 82435307-754-2141
Fax 307-754-7061**Findings – Significant Deficiency**

2013-1

Criteria: Auditing standards require the auditor to evaluate whether the entities' internal control system allows for the reliable reporting of financial data, including note disclosure, in accordance with generally accepted accounting principles.

Condition: The City does not have the expertise to evaluate whether the financial statements and note disclosures are in compliance with generally accepted accounting principles.

Effect: The City does not have the expertise to properly evaluate the financial statement and note disclosure preparation.

Cause: Due to ever changing auditing standards and the requirements of financial statement reporting and note disclosures. Continuous updates and education would be required to be able to maintain required expertise in this area.

Recommendation: I recommend that the City send the Clerk/Treasurer to additional training to evaluate the preparation and presentation of financial statements in accordance with generally accepted accounting principles. The City should be aware of this deficiency and continue to evaluate the impact of this deficiency.

Client Response: It is not feasible to hire someone with the required level of expertise to oversee the preparation of financial statements and note disclosures. We will continue to evaluate this deficiency.

Compliance and Other Matters

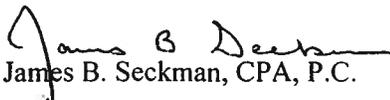
As part of obtaining reasonable assurance about whether the Big Horn County School District Number Two's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I 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*.

The Big Horn County School District Number Two's Response to Findings

The Big Horn County School District Number Two's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. The Big Horn County School District Number Two's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


James B. Seckman, CPA, P.C.

October 25, 2013

James B. Seckman, CPA, P.C.

PROFESSIONAL CORPORATION

200 North Bent Street
Powell, Wyoming 82435

307-754-2141

307-754-7961

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Trustees
Big Horn County School District Number Two

Report on Compliance for Each Major Federal Program

I have audited the Big Horn County School District Number Two's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Big Horn County School District Number Two's major federal programs for the year ended June 30, 2013. The Big Horn County School District Number three's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

My responsibility is to express an opinion on compliance for each of the Big Horn County School District Number Two's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 Big Horn County School District Number Two's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Big Horn County School District Number Two's compliance.

Opinion on Each Major Federal Program

In my opinion, the Big Horn County School District Number Two 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 June 30, 2013.

Report on Internal Control over Compliance

Management of the Big Horn County School District Number Two is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Big Horn County School District Number Two's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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, I do not express an opinion on the effectiveness of the Big Horn County School District Number Two's internal control over compliance.

James B. Seckman, CPA, P.C.

PROFESSIONAL CORPORATION

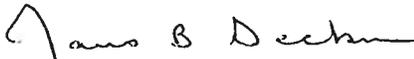
200 North Bent Street
Powell, Wyoming 82435

307-754-2141
Fax 307-754-7061

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.

My 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 over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.



James B. Seckman, CPA, P.C.

October 25, 2013

BIG HORN COUNTY SCHOOL DISTRICT NUMBER TWO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2013

SECTION 1 - SUMMARY OF THE AUDITOR'S RESULTS

Financial Statements

- | | | | |
|----|---|---|--|
| 1. | Type of auditors report issued: | Unqualified Opinion | |
| 2. | Internal control over financial reporting: | | |
| | Material weakness(es) identified? | _____ yes | _____ <input checked="" type="checkbox"/> no |
| | Significant deficiency(ies) identified
not considered to be material weaknesses? | _____ <input checked="" type="checkbox"/> yes | _____ no |
| 3. | Noncompliance material to the financial
statements noted? | _____ yes | _____ <input checked="" type="checkbox"/> no |

Federal Awards

- | | | | |
|----|---|---------------------|--|
| 4. | Internal Control over major programs: | | |
| | Material weakness(es) identified? | _____ yes | _____ <input checked="" type="checkbox"/> no |
| | Significant deficiency(ies) identified
not considered to be material weaknesses? | _____ yes | _____ <input checked="" type="checkbox"/> none |
| 5. | Type of auditors report issued on compliance
for major programs | Unqualified Opinion | |
| 6. | Any audit findings disclosed that are required to
be reported in accordance with Circular
A-133, Section .510 (a) | _____ yes | _____ <input checked="" type="checkbox"/> no |
| 7. | Identification of major programs | | |
| | Department of Education | CFDA No. 84.010 | |
| | Title I | CFDA No. 84.027 | |
| | Special Education | CFDA No. 10.855 | |
| | Distance Learning & Telemedicine Grant | | |
| 8. | Dollar threshold used to distinguish between
Type A and Type B programs: | \$300,000.00 | |
| 9. | Auditee qualified as low-risk auditee: | _____ yes | _____ <input checked="" type="checkbox"/> no |

BIG HORN COUNTY SCHOOL DISTRICT NUMBER TWO
SCHEDULE OF FINDING AND QUESTIONED COSTS
Year Ended June 30, 2013

Section II Financial Statement Findings:

I considered findings 13-01 listed below to be a significant deficiency.

13-01

Criteria: Auditing standards now require an evaluation of the internal control over financial statement preparation.

Condition: District lacks expertise to evaluate financial statement and note preparation.

Context: District lacks the ability to comply with requirement.

Effect: Internal control weakness.

Cause: District too small and the costs prohibitive.

Recommendation: The Board should send the business manager to additional training to evaluate the preparation of and note disclosures in accordance with GAAP.

Section III Federal Award Findings and Questioned Costs

There were no audit findings related to federal awards in the current year,

Prior Years Findings and Questioned Costs

There were no audit findings relative to federal funds in the prior year's audit.