

**WASHAKIE COUNTY SCHOOL DISTRICT NUMBER TWO
TEN SLEEP, WYOMING
FINANCIAL STATEMENTS
JUNE 30, 2013**

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**WASHAKIE COUNTY SCHOOL DISTRICT #2
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Washakie County School District #2
Ten Sleep, 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 Washakie County School District #2 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Washakie County School District #2'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 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 of 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 risk 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 purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluation 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 information of Washakie County School District #2 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 budgetary comparison schedule on page 24 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 me with sufficient evidence to express an opinion or provide any assurance.

The District has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washakie School District #2's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of revenue, general fund and schedule of expenditures, general fund are the responsibility of management and were derived from and related 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 19, 2013 on my consideration of Washakie County School District #2's internal control over financial reporting and my tests of its compliance with certain provisions of law, 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 internal control over financial reporting and compliance.

James B. Seckman, CPA, P.C.
July 19, 2013

WASHAKIE COUNTY SCHOOL DISTRICT #2
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Investments	\$ 1,098,295	\$ 10,194	\$ 1,108,489
Cash Fiscal Agent	7,161	-	7,161
Taxes Receivables	11,000	-	11,000
Inventories	-	1,275	1,275
Capital Assets, Non Depreciable	25,195	-	25,195
Capital Assets, Depreciable Net	1,166,864	-	1,166,864
TOTAL ASSETS	\$ 2,308,515	\$ 11,469	\$ 2,319,984
LIABILITIES			
Accounts Payable	\$ 103,106	\$ -	\$ 103,106
Accrued Expenses	171,298	-	171,298
Compensated Absences	7,245	-	7,245
Deferred Outflows	-	-	-
Long Term Debt, Less Than One Year	34,657	-	34,657
General Obligation Bonds Payable	-	-	-
Capital Lease Payable	55,241	-	55,241
TOTAL LIABILITIES	371,547	-	371,547
NET POSITION			
Investment in Capital Assets, Net of Related Debt	1,102,161	-	1,102,161
Restricted	-	-	-
Unrestricted	834,807	11,469	846,276
TOTAL NET POSITION	\$ 1,936,968	\$ 11,469	\$ 1,948,437

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,853,886)	\$ -	\$ (1,853,886)
(141,967)	-	(141,967)
(840,437)	-	(840,437)
114,815	-	114,815
(2,400)	-	(2,400)
<u>(166,139)</u>	<u>-</u>	<u>(166,139)</u>
<u>(2,890,014)</u>	<u>-</u>	<u>(2,890,014)</u>
<u>-</u>	<u>(55,031)</u>	<u>(55,031)</u>
<u>-</u>	<u>(55,031)</u>	<u>(55,031)</u>
<u>(2,890,014)</u>	<u>(55,031)</u>	<u>(2,945,045)</u>
1,102,261	-	1,102,261
1,874,907	-	1,874,907
2,030	4	2,034
(60,000)	60,000	-
<u>26,492</u>	<u>-</u>	<u>26,492</u>
<u>2,945,690</u>	<u>60,004</u>	<u>3,005,694</u>
55,676	4,973	60,649
<u>1,881,292</u>	<u>6,496</u>	<u>1,887,788</u>
<u>\$ 1,936,968</u>	<u>\$ 11,469</u>	<u>\$ 1,948,437</u>

WASHAKIE COUNTY SCHOOL DISTRICT #2
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Capital Projects	
<u>ASSETS</u>					
Cash and Investments	\$ 757,714	\$ 14,227	\$ -	\$ 293,799	\$ 1,065,740
Cash Fiscal Agent	-	-	7,161	-	7,161
Due From Other Funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 757,714</u>	<u>\$ 14,227</u>	<u>\$ 7,161</u>	<u>\$ 293,799</u>	<u>\$ 1,072,901</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 2,141	\$ 17,227	\$ -	\$ -	\$ 19,368
Accrued Expenses	171,298	-	-	-	171,298
Deferred Outflows	-	-	-	-	-
TOTAL LIABILITIES	<u>173,439</u>	<u>17,227</u>	<u>-</u>	<u>-</u>	<u>190,666</u>
<u>FUND BALANCES</u>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	(3,000)	7,161	293,799	297,960
Assigned	-	-	-	-	-
Unassigned	584,275	-	-	-	584,275
TOTAL FUND EQUITY	<u>584,275</u>	<u>(3,000)</u>	<u>7,161</u>	<u>293,799</u>	<u>882,235</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 757,714</u>	<u>\$ 14,227</u>	<u>\$ 7,161</u>	<u>\$ 293,799</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.	1,192,059
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	(89,898)
Long term liabilities, including compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.	(7,245)
Long term assets are not available to pay for current fund liabilities and, therefore, are deferred in the fund.	
Property tax receivable.	11,000
Internal service funds are used by management to charge the cost of insurance to individual funds.	
Net assets of the Internal Service Fund.	<u>(51,183)</u>
	<u>\$ 1,936,968</u>

WASHAKIE COUNTY SCHOOL DISTRICT #2
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 Projects	Totals
<u>REVENUES</u>					
Taxes	\$ 1,053,322	\$ -	\$ 48,939	\$ -	\$ 1,102,261
Intergovernmental	1,874,772	244,457	-	147,670	2,266,899
Interest	1,889	-	111	30	2,030
Miscellaneous	22,383	-	4,038	71	26,492
TOTAL REVENUE	2,952,366	244,457	53,088	147,771	3,397,682
<u>EXPENDITURES</u>					
Current					
Instruction	1,903,065	195,143	-	-	2,098,208
Instructional Support	71,238	70,729	-	-	141,967
General Support	894,993	-	-	-	894,993
Community Support	-	-	-	-	-
Capital Outlay	-	-	-	32,855	32,855
Debt Service					
Principal Retirement	-	-	50,000	-	50,000
Interest	-	-	2,400	-	2,400
TOTAL EXPENDITURES	2,869,296	265,872	52,400	32,855	3,220,423
Excess (Deficiency) of Revenue Over (Under) Expenditures	83,070	(21,415)	688	114,916	177,259
<u>OTHER FINANCING SOURCES (USES)</u>					
Operating Transfer In (Out)	(100,000)	-	-	40,000	(60,000)
Total Other Financing Sources (Uses)	(100,000)	-	-	40,000	(60,000)
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(16,930)	(21,415)	688	154,916	117,259
Fund Balance - Beginning Of Year	601,205	18,415	6,473	138,883	764,976
Fund Balance - Ending Of Year	<u>\$ 584,275</u>	<u>\$ (3,000)</u>	<u>\$ 7,161</u>	<u>\$ 293,799</u>	<u>\$ 882,235</u>

See accompanying notes to financial statements

WASHAKIE COUNTY SCHOOL DISTRICT #2
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 4) are different because:

Net change in fund balances - total governmental funds (page 6) \$ 117,259

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	136,611	
Loss on asset disposal	-	
Depreciation	<u>(166,139)</u>	
Net adjustment		(29,528)

Internal service funds are used by management to charge the cost of insurance to individual funds. Net increase in assets of the Internal Service Fund (25,480)

Compensated absences are reported in the government-wide statement of activities, but do not require the use of current financial resources and are not reported as expenditures in governmental funds. -

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:

Principal payments long-term debt	50,000	
Capital Lease Purchases	(90,355)	
Capital lease principal payments	<u>33,780</u>	
Net adjustment		<u>(6,575)</u>

Change in net position of governmental activities (page 4) \$ 55,676

WASHAKIE COUNTY SCHOOL DISTRICT #2
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
For the Year June 30, 2013

	Lunch Fund	Internal Service Fund
ASSETS		
Cash	\$ 10,194	\$ 32,555
Inventory	1,275	-
Property and equipment, net	-	-
Total assets	\$ 11,469	\$ 32,555
Liabilities		
Accounts payable	\$ -	\$ 83,738
Accrued liabilities	-	-
Total liabilities	\$ -	\$ -
Net Position		
Unrestricted	11,469	(51,183)
Total Net Position	\$ 11,469	\$ (51,183)

WASHAKIE COUNTY SCHOOL DISTRICT #2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year June 30, 2013

	<u>Lunch Fund</u>	<u>Internal Service Fund</u>
<u>OPERATING REVENUES</u>		
Self Insurance Charges	\$ -	\$ 387,320
Food Sales	28,366	-
Total Operating Revenues	<u>28,366</u>	<u>387,320</u>
<u>OPERATING EXPENSES</u>		
Salaries and Benefits	67,541	-
Supplies	3,343	-
Food Costs	32,380	-
Commodity Costs	-	-
Purchased Services	-	-
Depreciation	-	-
Insurance and administrative expense	-	412,800
Health Care Claims	-	-
Total Operating Expenses	<u>103,264</u>	<u>412,800</u>
OPERATING INCOME	(74,898)	(25,480)
<u>NON-OPERATING REVENUE (EXPENSES)</u>		
Interest	4	-
Operating Grants	19,867	-
Income (Loss) Before Operating Transfer	(55,027)	(25,480)
Operating Transfer In	<u>60,000</u>	<u>-</u>
CHANGE IN NET ASSETS	4,973	(25,480)
Net Position - Beginning of Fiscal Year	<u>6,496</u>	<u>(25,703)</u>
Net Position - End of Fiscal Year	<u>\$ 11,469</u>	<u>\$ (51,183)</u>

WASHAKIE COUNTY SCHOOL DISTRICT #2
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year June 30, 2013

	<u>Lunch Fund</u>	<u>Internal Service Fund</u>
<u>CASH FLOWS OPERATING ACTIVITIES:</u>		
Cash received from services	\$ 28,366	\$ 387,320
Cash paid to suppliers	35,723	387,305
Cash paid to employees	<u>67,541</u>	<u>-</u>
Net Cash Provided by Operating Activities	(74,898)	15
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>		
Operating Grants Received	19,867	-
Operating Transfers In (Out)	<u>60,000</u>	<u>-</u>
Net Cash Provided by Noncapital Financing Activities	79,867	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisition of Capital Assets	<u>-</u>	<u>-</u>
Net Cash Used In Capital and Related Financing Activities	<u>-</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest on Deposits	<u>4</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,973	15
Cash and Cash Equivalents, Beginning of Year	<u>5,221</u>	<u>32,540</u>
Cash and Cash Equivalents, End of Year	<u>\$ 10,194</u>	<u>\$ 32,555</u>
Operating Income (Loss)	\$ (74,898)	\$ (25,480)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	-	-
Change in assets and liabilities		
(Increase) Decrease in		
Accounts Receivable	-	-
Accounts Payable	<u>-</u>	<u>25,495</u>
Total Adjustments	<u>-</u>	<u>25,495</u>
Net Cash Provided by Operating Activities	<u>\$ (74,898)</u>	<u>\$ 15</u>

WASHAKIE COUNTY SCHOOL DISTRICT #2
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year June 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 33,742</u>
Total Assets	<u><u>\$ 33,742</u></u>
Liabilities:	
Accounts payable Due to Student groups	<u>\$ - 33,742</u>
Total Liabilities	33,742
Net Position	
Held in trust	<u>-</u>
Total Net Position	<u><u>\$ -</u></u>

WASHAKIE COUNTY SCHOOL DISTRICT #2

Notes to Financial Statements

June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The District's Board of Trustees is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Washakie County School District #2. The District receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the District is deemed to be a primary government unit under GASB pronouncements, since the Board is elected by the public, has decision making authority, and is financially accountable for its actions. Using this premise, the District is not financially accountable for any other organizations and thus, includes only the financial statements of the District. Washakie County School District #2 has no component units nor is it considered a component unit of any other government. The financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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.

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

I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Measurement focus, basis of accounting, and financial statement presentation

The District adopted GASB Statement 34, Basic Financial Statements for State and Local Governments. 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 District'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.

WASHAKIE COUNTY SCHOOL DISTRICT #2
Notes to Financial Statements (Continued)
June 30, 2013

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 legally restricted to expenditure for specified purposes.

The *capital projects fund* accounts for the proceeds of specific revenue sources for major maintenance and minor or major capital projects that is restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital assets. This fund also accounts for a depreciation reserve created under Wyo. Statute 21-13-504 for the purpose of purchasing or replacing specific equipment or repairs not covered by the funds provided through the school facilities department.

The *debt service fund* accounts for the servicing of long term debt not financed by the proprietary 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.

The District considers all funds to be major.

WASHAKIE COUNTY SCHOOL DISTRICT #2
Notes to Financial Statements (Continued)
June 30, 2013

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

WASHAKIE COUNTY SCHOOL DISTRICT #2
Notes to Financial Statements (Continued)
June 30, 2013

D. Assets, liabilities, and net assets or equity

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.

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term 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 Statutes authorize the types of investments the District may invest in. Authorized investments are certificates of deposit, obligations of U.S. Treasuries or agencies of the United States Government, Tennessee Valley Authority bonds and notes, repurchase agreements involving U.S. Government securities and certain commercial paper.

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. A total of \$11,000 of receivables and revenue is recorded at the government-wide basis of accounting.

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 assets, except for the net residual amounts due between governmental and business-type activities. As of June 30, 2013, there were no interfund balances.

WASHAKIE COUNTY SCHOOL DISTRICT #2
Notes to Financial Statements (Continued)
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 Washakie County School District #2. 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 26.5 mills, consisting of 25 mandatory mills, 1 mill for recreation.

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.

7. Subsequent Events

Management has evaluated and is not aware of any subsequent events which materially affect the current financial statements and related disclosures from July 1, 2013 to the date of this report.

WASHAKIE COUNTY SCHOOL DISTRICT #2
Notes to Financial Statements (Continued)
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

8. 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 (\$20,000 real property) 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 and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives.

Assets	Years
Buildings	50
Building improvements	10-50
Machinery and equipment	5-15

9. Compensated absences

Full time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the District. Employee's sick pay and vacation benefits vest. Therefore the potential liability for sick pay and vacation is recorded in the government-wide and proprietary financial statements.

10. 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.

WASHAKIE COUNTY SCHOOL DISTRICT #2
Notes to Financial Statements (Continued)
June 30, 2013

II. Stewardship, compliance, and accountability

A. 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 cash basis (NON-GAAP). Such basis is not consistent with generally accepted accounting principles (GAAP). There were no budget amendments for the year.
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.

WASHAKIE COUNTY SCHOOL DISTRICT #2
Notes to Financial Statements (Continued)
June 30, 2013

III. Detailed Notes on All Funds

A. 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 to \$1,108,489. The deposits with financial institutions as of the same date were amount of \$1,326,975.

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	\$	570,056
2. Secured with security held by the financial institution or its agent in the name of the District evidenced by properly executed joint custody receipts		756,919
3 Uninsured and Uncollateralized		<u>-</u>
Total Bank Balance	\$	<u>1,326,975</u>

WASHAKIE COUNTY SCHOOL DISTRICT #2
Notes to Financial Statements (Continued)
June 30, 2013

B. 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	\$ 25,195	\$ -	\$ -	\$ 25,195
Buildings	2,529,924	-	-	2,529,924
Machinery and Equipment	992,198	136,611	69,623	1,059,186
Construction in Progress	-	-	-	-
Total	3,547,317	136,611	69,623	3,614,305
Less Accumulated Depreciation	(2,325,731)	(166,139)	69,623	(2,422,247)
Net Capital Assets	\$ 1,221,586			\$ 1,192,058

Summary of Proprietary Fund Capital Assets

ENTERPRISE FUNDS				
Description	Balance at 6/30/12	Additions	Deletions	Balance at 6/30/13
Machinery and Equipment	16,522	-	-	16,522
Accumulated Depreciation	(16,522)	-	-	(16,522)
Net Book Value	\$ -	\$ -	\$ -	\$ -

C. 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, 2013 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.

WASHAKIE COUNTY SCHOOL DISTRICT #2
Notes to Financial Statements (Continued)
June 30, 2013

D. Long Term Debt

In 1999 the District issued \$500,000 in General Obligation
The average rate of interest is 4.8%.

Annual payments ranging from \$35,000 to \$40,000, plus
interest are required.

In June 1999, the District issued \$500,000 of general obligation bonds for the purpose of repairing and replacing of the school's roof and boiler and additional remodeling charges. The bonds are payable over 15 years. The qualified tax-exempt bonds are to be paid with a district mill levy. The District's bonds were retired during the year.

Payments required retiring the above long-term bond payable debt is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ -	\$ -
2014	-	-	-
Thereafter	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>DESCRIPTION</u>	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>ENDING BALANCE</u>
General Obligation Refunding	\$ 50,000	\$ -	\$ 50,000	\$ -
Capital Lease	-	90,355	17,453	72,902
Capital Lease	<u>33,323</u>	<u>-</u>	<u>16,327</u>	<u>16,996</u>
	<u>\$ 83,323</u>	<u>\$ 90,355</u>	<u>\$ 83,780</u>	<u>\$ 89,898</u>

WASHAKIE COUNTY SCHOOL DISTRICT #2
Notes to Financial Statements (Continued)
June 30, 2013

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

Fiscal Year	Principal	Interest	Total
2014	\$ 34,657	\$ 2,228	\$ 36,885
2015	18,032	1,160	19,192
2016	18,411	781	19,192
2017	18,798	395	19,193
	<u>\$ 89,898</u>	<u>\$ 4,564</u>	<u>\$ 94,462</u>

A detail of the District's two capital leases is as follows: A bus purchased in 2013 for \$118,280 and capitalized with an outstanding principal balance of \$72,902 due in 2012. A bus purchased in 2012 for \$79,520 and with an outstanding principal balance of \$16,996 due in 2014.

E. 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, 5th Floor West, 6101 Yellowstone Road, 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 or 14.12% of the covered employees salary. 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 2011 were \$187,137, \$167,852 and \$134,775, respectively, which equaled 100% of the required contributions for each year.

F. Operating Transfers

Funds of \$60,000 were transferred from the general fund to the lunch fund for operations. Funds of \$40,000 were transferred from the general fund to the depreciation reserve fund.

WASHAKIE COUNTY SCHOOL DISTRICT #2
Notes to Financial Statements (Continued)
June 30, 2013

G. BUDGET AMENDMENTS

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

H. DEFERRED REVENUE

Special revenue fund deferred revenue consists of grant receipts for which the revenue recognition criteria have not been met. There were no deferred revenue amounts in the current year.

I. 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.

J. SELF INSURANCE PLAN

The District's employee health insurance package provides for self-insurance for certain medical costs. The monthly insurance expenditures are being deposited to an Internal Service Fund and all of the medical insurance expenses are being paid out of the District's Insurance Fund account.

Transfers to the Insurance Fund are being treated currently as expenditures and the cash balance is treated as an Internal Service Fund for future charges. The Insurance Fund is self-insurance with stop gap loss insurance of \$250,000 in aggregate of all claims. Employees contribute \$25 per month for single and \$75 per month for a family and the District the remainder. The net assets are not currently available to the District's general fund because of potential claims and commitments made with the plan. The District has the right to terminate the plan at any time with the trust balance being available only for the claims already filed or to be utilized for similar health benefits. The District has no risk of loss other than their contributions to the plan. As of June 30, 2013 and 2012, the plan, according to the administer, has estimated claims incurred, but not reported of \$83,738 and \$58,243, respectively.

SUPPLEMENTARY INFORMATION

WASHAKIE COUNTY SCHOOL DISTRICT #2
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	\$ 897,743	\$ 897,743	\$ 1,053,322	\$ -	\$ -	\$ -
Intergovernmental	2,102,257	2,102,257	1,874,772	330,854	330,854	244,457
Interest	-	-	1,889	-	-	-
Other	-	-	22,383	-	-	-
TOTAL REVENUE	3,000,000	3,000,000	2,952,366	330,854	330,854	244,457
<u>EXPENDITURES</u>						
Current						
Instruction	1,867,400	1,867,400	1,903,065	217,410	217,410	195,143
Instructional Support	74,230	74,230	71,238	113,444	113,444	70,729
General Support	1,008,370	1,008,370	894,993	-	-	-
Community Support	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service						
Principal Retirement	-	-	-	-	-	-
Interest	-	-	-	-	-	-
TOTAL EXPENDITURES	2,950,000	2,950,000	2,869,296	330,854	330,854	265,872
Excess (Deficiency) of Revenue Over (Under) Expenditures	50,000	50,000	83,070	-	-	(21,415)
<u>OTHER FINANCING SOURCES (USES)</u>						
Operating Transfer In (Out)	(50,000)	(50,000)	(100,000)	-	-	-
Total Other Financing Sources (Uses)	(50,000)	(50,000)	(100,000)	-	-	-
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ -	\$ -	\$ (16,930)	\$ -	\$ -	\$ (21,415)

No budget amendments during the year.

Reported on modified cash basis non-gaap basis, not materially different from gaap basis.

WASHAKIE COUNTY SCHOOL DISTRICT #2
SCHEDULE OF REVENUES - GENERAL FUND
For the Year Ended June 30, 2013

<u>LOCAL TAXES</u>	
Special District Tax	\$ 893,906
Motor Vehicle	<u>74,922</u>
Total Local Taxes	<u>968,828</u>
<u>COUNTY TAXES</u>	
6 Mil Taxes	59,899
Motor Vehicle	11,724
County Other	<u>12,871</u>
Total County Taxes	<u>84,494</u>
<u>STATE FUNDS</u>	
State Foundation Funds	1,865,724
State Other	<u>9,048</u>
Total State Taxes	<u>1,874,772</u>
Total Intergovernmental Revenue	<u>\$ 2,928,094</u>

WASHAKIE COUNTY SCHOOL DISTRICT #2
SCHEDULE OF EXPENDITURES -
GENERAL FUNDS
For The Year Ended June 30, 2013

	<u>General Fund</u>
Instruction	
Salaries and Benefits	\$ 1,453,883
Capital Outlay	122,189
Other	<u>326,993</u>
	1,903,065
Instructional Support	
Salaries and Benefits	32,286
Capital Outlay	-
Other	<u>38,952</u>
	71,238
General Support	
Salaries and Benefits	555,204
Capital Outlay	25,388
Other	<u>314,401</u>
	894,993
Total	<u>\$ 2,869,296</u>

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
Washakie County School District #2
Ten Sleep, Wyoming

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 Washakie County School District #2, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Washakie County School District #2 basic financial statements and have issued my report thereon dated July 19, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, we considered Washakie County School District #2's internal control over financial reporting 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 Washakie County School District #2's internal control. Accordingly, I do not express an opinion on the effectiveness of Washakie County School District #2'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 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 in charge 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 considered to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control over financial reporting, described below, that I considered to be significant deficiencies in internal control over financial reporting.

2013 - 1

Criteria: Segregation of duties is a primary aspect of internal control. Segregation of duties provided that one individual not be able to handle or dominate a transaction from initiation to posting and or have access to both assets and the accounting records.

Condition: There are various functions which do not maintain proper segregation of duties.

Effect: Adequate segregation of duties were not maintained for proper internal control.

Cause: District too small to properly segregate duties.

Recommendation: It is not feasible due to the size of the District to develop proper segregation of duties, however management should be aware of this deficiency and monitor going forward.

Client Response: It is not feasible due to the size of the District to properly segregate all duties, we will continue to evaluate this deficiency and provide oversight and review when feasible.

James B. Seckman, CPA, P.C.

PROFESSIONAL CORPORATION

200 North Bent Street
Powell, Wyoming 82435

307-754-2141
Fax 307-754-7061

2013-2

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

Effect: The District 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 District send the business manager to additional training to evaluate the preparation and presentation of financial statements in accordance with generally accepted accounting principles. The District 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 Washakie County School District #2's financial statements are free of 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 my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of Washakie County School District #2 in a separate letter dated July 19, 2013.

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.
July 19, 2013