BIG HORN COUNTY SCHOOL DISTRICT No. 1

COWLEY, WYOMING

BASIC FINANCIAL STATEMENTS
June 30, 2013

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BIG HORN COUNTY SCHOOL DISTRICT No. 1

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SBWW
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INDEPENDENT AUDITOR'S REPORT

To the Board
Big Horn County School District No.1
Cowley, Wyoming 82420

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental-type activities, business-type activities and each major fund of Big Horn County School District No.1, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Big Horn County School District No.1'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 of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit 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 purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental-type activities, business-type activities and each major fund of Big Horn County School District No.1, as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the General Fund and Special Revenue Budgetary Comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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

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the basic financial statements in an appropriate operational, economic, or historical context. We 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 of management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We 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.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of the financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context, as stated above. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Big Horn County School District No.1's basic financial statements. The combining special revenue statements, schedule of taxes and revenue – General Fund, schedule of expenditures – General Fund and schedule of activity funds are presented for additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the 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 not a required part of the basic financial statements.

The combining special revenue statements, schedule of taxes and revenue – General Fund, schedule of expenditures – General Fund and schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting records 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 the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of activity funds has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013 on our consideration of the Big Horn County School District No.1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Big Horn County School District No.1's internal control over financial reporting and compliance.

Stine, Buss, Wolff, Wilson & Assoc., P.C.
Certified Public Accountants

December 2, 2013
Cody, Wyoming

BASIC FINANCIAL STATEMENTS

BIG HORN COUNTY SCHOOL DISTRICT No. 1
STATEMENT OF NET POSITION
For the Year Ended June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 5,665,202	$ 75,636	$ 5,740,838
Prepaid item	-	-	-
Interfund receivable	2,882	-	2,882
Taxes receivable, net	81,088	-	81,088
Other receivables	215,939	-	215,939
Due from other governments	280,061	-	280,061
Inventories and prepaid expenses	-	8,741	8,741
Capital assets:			
Non-depreciable	1,670,659	-	1,670,659
Depreciable, net of accumulated depreciation	37,680,688	158,173	37,838,861
Total capital assets, net of depreciation	39,351,347	158,173	39,509,520
Total Assets	45,596,519	242,550	45,839,069
LIABILITIES			
Accounts payable & other current liabilities	1,552,962	9,507	1,562,469
Retainage payable	127,618	-	127,618
Due to other governments	-	-	-
Accrued interest payable	5,569	-	5,569
Interfund payable	-	2,882	2,882
Deposit liability	-	1,000	1,000
Long-term liabilities:			
Portion due or payable within one year:			
Capital leases	126,395	-	126,395
Special termination benefits	-	-	-
Portion due or payable after one year:			
Capital leases	131,352	-	131,352
Special termination benefits	-	-	-
Total Liabilities	1,943,896	13,389	1,957,285
NET POSITION			
Invested in capital assets, net of related debt	39,088,031	158,173	39,246,204
Restricted for:			
Major maintenance	1,088,904	-	1,088,904
Grants	7,633	-	7,633
Unrestricted	3,468,055	70,988	3,539,043
Total Net Position	$ 43,652,623	$ 229,161	$ 43,881,784

The notes to financial statements are an integral part of this statement.

BIG HORN COUNTY SCHOOL DISTRICT No. 1
DISTRICT-WIDE STATEMENT OF ACTIVITIES
June 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities:							
Instruction	$ 9,770,100	$ 595,279	$ 921,000	$ 21,989	$ (8,231,832)	$ -	$ (8,231,832)
Instructional support	1,000,232	-	298,710	-	(701,522)	-	(701,522)
General support	3,738,106	-	-	-	(3,738,106)	-	(3,738,106)
Other	39,997	-	14,714	-	(25,283)	-	(25,283)
District facility construction/maintenance	68,701	-	-	1,212,681	1,143,980	-	1,143,980
Depreciation - unallocated	1,358,696	-	-	-	(1,358,696)	-	(1,358,696)
Total Governmental Activities	15,975,832	595,279	1,234,424	1,234,670	(12,911,459)	-	(12,911,459)
Business-type Activities							
Food services	415,916	115,291	186,179	-	-	(114,446)	(114,446)
Home rental	14,130	24,442	-	-	-	10,312	10,312
Total Business-type Activities	430,046	139,733	186,179	-	-	(104,134)	(104,134)
Total Primary Government	$ 16,405,878	$ 735,012	$ 1,420,603	$ 1,234,670	(12,911,459)	(104,134)	(13,015,593)
General Revenues (Expenses):							
Taxes:							
Property taxes, levied for general purposes					3,125,725	-	3,125,725
Fines and forfeitures					80,561	-	80,561
State aid					10,697,786	-	10,697,786
Other state income					-	-	-
Investment earnings					46,691	415	47,106
Gain/(loss) on disposition of assets					(3,961)	101,109	97,148
Miscellaneous					36,319	623	36,942
Transfers					(128,000)	128,000	-
Total General Revenues					13,855,121	230,147	14,085,268
Change in Net Position					943,662	126,013	1,069,675
Net Position - Beginning					42,708,961	103,148	42,812,109
Net Position - Ending					$ 43,652,623	$ 229,161	$ 43,881,784

The notes to financial statements are an integral part of this statement.

BIG HORN COUNTY SCHOOL DISTRICT No. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	MAJOR FUNDS			TOTAL
	General Fund	Special Revenue Fund	Capital Projects Fund	Governmental Funds
ASSETS AND DEFERRED OUTFLOWS				
Assets:				
Cash and cash equivalents	$ 3,891,257	$ 1,091,851	$ 682,094	$ 5,665,202
Cash and cash equivalents - restricted	-	-	-	-
Due from other governments	-	217,975	62,086	280,061
Taxes receivable, net	81,088	-	-	81,088
Other receivables	16,486	199,453	-	215,939
Prepaid Item	-	-	-	-
Interfund receivable	142,290	-	-	142,290
Total Assets	4,131,121	1,509,279	744,180	6,384,580
Deferrred Outflow of Resources:	-	-	-	-
Total Assets and Deferred Outflows	$ 4,131,121	$ 1,509,279	$ 744,180	$ 6,384,580
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Liabilites:				
Accounts payable & accrued liabilities	$ 1,182,337	$ 273,334	$ 97,291	$ 1,552,962
Retainage payable	-	-	127,618	127,618
Due to other governments	-	-	-	-
Interfund payable	-	139,408	-	139,408
Unearned revenue	-	-	-	-
Total Liabilities	1,182,337	412,742	224,909	1,819,988
Deferred inflow of resources:				
Deferred revenue	28,686	69,297	59,857	157,840
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	1,027,240	(59,857)	967,383
Committed	-	-	510,176	510,176
Assigned	-	-	9,095	9,095
Unassigned	2,920,098	-	-	2,920,098
Total Fund Balances	2,920,098	1,027,240	459,414	4,406,752
Total Liabilites, Deferred Inflows & Fund Balances	$ 4,131,121	$ 1,509,279	$ 744,180	$ 6,384,580

The notes to financial statements are an integral part of this statement.

BIG HORN COUNTY SCHOOL DISTRICT No. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
For the Year Ended June 30, 2013

Total fund balances - governmental funds		$ 4,406,752
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activites are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $47,451,965 and the accumulated depreciation is $(8,100,618)		39,351,347
Certain assets are not available to pay current period expenditures and, therefore, are deferred in the funds. This includes property tax revenue of $28,686 and federal/state grant and charges revenue of $129,154		157,840
Long-term liabilities, including bonds payable, are not due and payable in the current perriod and therefore are not reported as liabilities in the funds. Long-term liabilites at year-end consist of:		
Accrued interest payable	$ (5,569)	
Capital leases payable	(257,747)	
Special termination benefits payable	-	(263,316)
Total net position - governmental activities		$ 43,652,623

The notes to financial statements are an integral part of this statement.

BIG HORN COUNTY SCHOOL DISTRICT No. 1
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended June 30, 2013

	MAJOR FUNDS			TOTAL
	General Fund	Special Revenue Fund	Capital Projects Fund	Governmental Funds
REVENUE				
Taxes - local	$ 2,399,072	$ -	$ -	$ 2,399,072
Taxes - county	708,838	-	-	708,838
Fines & forfeitures	80,561	-	-	80,561
State resources	10,697,786	886,550	548,513	12,132,849
Federal resources	47	873,731	-	873,778
Other sources/fees	11,249	676,105	-	687,354
Sale of asset	-	-	-	-
Interest	37,241	6,644	2,806	46,691
Miscellaneous revenue	36,319	-	55,000	91,319
Total Revenue	13,971,113	2,443,030	606,319	17,020,462
EXPENDITURES				
Current:				
Instruction	8,076,011	1,504,212	-	9,580,223
Instructional support	700,146	298,710	-	998,856
General support	3,583,793	-	-	3,583,793
Facilities	68,701	-	-	68,701
Capital outlay	333,259	170,761	1,572,498	2,076,518
Other	25,283	14,714	-	39,997
Debt service:				
Principal retirement	138,937	-	-	138,937
Interest & charges	14,246	-	-	14,246
Total Expenditures	12,940,376	1,988,397	1,572,498	16,501,271
Excess of Revenue Over (Under) Expenditures	1,030,737	454,633	(966,179)	519,191
Other Financing Sources (Uses)				
Operating transfers in (out)	(826,673)	-	698,673	(128,000)
Excess of Revenues and Other Sources Over (Under) Expenditures & Other Sources	204,064	454,633	(267,506)	391,191
Fund Balance - July 1, 2012	2,716,034	572,607	726,920	4,015,561
Change in prepaid item	-	-	-	-
Fund Balance - June 30, 2013	$ 2,920,098	$ 1,027,240	$ 459,414	$ 4,406,752

The notes to financial statements are an integral part of this statement.

BIG HORN COUNTY SCHOOL DISTRICT No. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
June 30, 2013

Total net change in fund balances - governmental funds	$	391,191
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in these deferrals in the current year were more than that in the prior year.		30,996
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense ($1,358,696) was exceeded by capital outlays (not acquired by long-term debt) of ($1,741,967) in the period.		383,271
Certain assets are liquated routinely. The loss on the asssets (funds received less than the book value of the asset at time of disposition) is not reported in the fund finanical statements; however, shown in the statement of activities.		(3,964)
Repayment of note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		138,937
In the governmental funds, long-term liabilities are not reported, however, they are reported in the statement of activities. Accrued interest payable in the amount of ($5,569) is reported in the statement of activities which is a decrease of ($3,231) from the prior year.		3,231
Change in net position of governmental activities	$	943,662

The notes to financial statements are an integral part of this statement.

BIG HORN SCHOOL DISTRICT No. 1
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Enterprise Fund Food Services	Enterprise Fund Home Rentals	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 49,668	$ 25,968	$ 75,636
Interfund receivables	-	-	-
Inventories - supplies & materials	8,741	-	8,741
Total current assets	58,409	25,968	84,377
Non-current assets:			
Furniture and equipment	59,116	-	59,116
Buildings and improvements	-	209,437	209,437
Less: accumulated depreciation	(59,097)	(51,283)	(110,380)
Total non-current assets	19	158,154	158,173
Total assets	$ 58,428	$ 184,122	$ 242,550
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	$ 9,507	$ -	$ 9,507
Deposit liability	-	1,000	1,000
Interfund payables	2,882	-	2,882
Total current liabilities	12,389	1,000	13,389
Non-current liabilities:			
Early retirement - long-term	-	-	-
Total Liabilities	12,389	1,000	13,389
NET POSITION			
Invested in net capital assets, net of related debt	19	158,154	158,173
Unrestricted	46,020	24,968	70,988
Total net position	$ 46,039	$ 183,122	$ 229,161

The notes to financial statements are an integral part of this statement.

BIG HORN COUNTY SCHOOL DISTRICT No. 1
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Enterprise Fund Food Service Program	Enterprise Fund Home Rental	Total
Operating Revenues:			
Rental	$ -	$ 24,442	$ 24,442
Federal sources	186,179	-	186,179
Food subsidy	-	-	-
Charges for services	115,291	-	115,291
Other	22	601	623
Total Operating Revenues	301,492	25,043	326,535
Operating Expenses:			
Salaries	148,235	-	148,235
Employee benefits	57,488	-	57,488
Purchased services	3,847	-	3,847
Supplies	10,162	-	10,162
Repairs/maintenance	-	9,900	9,900
Food costs	160,169	-	160,169
Commodities	30,160	-	30,160
Depreciation	348	4,230	4,578
Other	5,507	-	5,507
Total Operating Expenses	415,916	14,130	430,046
Operating (Loss) Before Interest Income and Transfers	(114,424)	10,913	(103,511)
Non-operating Revenues			
Interest income	128	287	415
Gain(loss) on disposal of assets	35	101,074	101,109
Transfer in (out)	128,000	-	128,000
Net Non-operating Revenues	128,163	101,361	229,524
Net Income (Loss)	13,739	112,274	126,013
Net Position - Beginning of Year	32,300	70,848	103,148
Net Position - End of Year	$ 46,039	$ 183,122	$ 229,161

The notes to financial statements are an integral part of this statement.

BIG HORN SCHOOL DISTRICT No. 1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Enterprise Fund Food Service Program	Enterprise Fund Home Rental	Total
CASH FLOWS FROM OPERATING ACTIVITES			
Received from user charges	$ 115,291	$ 21,782	$ 137,073
Received from other sources	167,057	601	167,658
Payments to employees for services	(208,462)	-	(208,462)
Payments to suppliers for goods & services	(180,892)	(8,506)	(189,398)
Payments to other funds	-	-	-
Net cash provided (used) by operating activities	(107,006)	13,877	(93,129)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITES			
Purchase of capital assets	-	(151,200)	(151,200)
Proceeds from sale of capital asset	35	101,227	101,262
Net cash provided (used) by capital financing activities	35	(49,973)	(49,938)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITES			
Transfers in (out)	128,000	-	128,000
Other items	-	-	-
Net cash provided (used) by non-capital financing activities	128,000	-	128,000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	129	287	416
Net increase (decrease) in cash & cash equivalents	21,158	(35,809)	136,549
Cash & cash equivalents - beginning of year	28,510	61,777	90,287
Cash & cash equivalents - end of year	$ 49,668	$ 25,968	$ 75,636
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	$ (114,424)	$ 10,913	$ (103,511)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Depreciation	348	4,230	4,578
Changes in assets and liabilites:			
Inventory	1,025	-	1,025
Accounts payable/accrued liabilities	(2,739)	(76)	(2,815)
Deposit liability	-	(2,660)	(2,660)
Early retirement	-	-	-
Due from/to other funds	8,784	1,470	10,254
Net cash used by operating activities	$ (107,006)	$ 13,877	$ (93,129)
NON-CASH NON-CAPITAL FINANCING ACTIVITIES			
Contributed commodities for food service	$ 19,144		

The notes to financial statements are an integral part of this statement.

FIDUCIARY FUND STATEMENT

BIG HORN COUNTY SCHOOL DISTRICT NO. 1
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
For the fiscal year ended June 30, 2013

	Activity Fund
ASSETS:	
Cash and cash equivalents	$ 119,742
Total Assets	$ 119,742
LIABILITIES AND NET POSITION:	
Due to student organizations	$ 119,742
Total Liabilities and Net Position	$ 119,742

See accompanying independent auditor's report as it relates to fiduciary funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, REPORTING ENTITY, BASIS OF PRESENTATION, NATURE OF OPERATIONS

Big Horn County School District No.1 is a separate governmental entity governed by an elected School Board organized to provide secondary and primary education to the District with the administrative offices located in Cowley, Wyoming and school facilities located in Cowley and Burlington (Wyoming). The District has included all organizations, activities, and functions controlled by the School Board or allowed to the School District by the Wyoming Department of Education. The Board receives funding from local, State and Federal government sources and must comply with requirements of these funding source entities. However, the Board 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.

The financial statements of Big Horn County School District No. 1 have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In the current year, the District implemented GASB Statement No. 62, *Codification of Pre-November 30, 1989 FASB and AICPA* Pronouncements which eliminates any potential conflict between the application of Financial Accounting Standards Council (FASB) Accounting Standards Codification (ASC), Accounting Principles Council (APB) opinion, Accounting Research Bulletins issued on or before November 30, 1989 and GASB pronouncements, as all pre November 30, 1989 standards are in the GASB's codification. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note

In addition to the District being a primary government, it is required to include as component units, legally separate entities for which the District has control over their Board and to which they are financially accountable. In determining the financial reporting entity, the District implemented the provision of Governmental Accounting Standards Council Statement No. 61, *The Financial Reporting Entity: Omnibus*. Based upon this consideration, there were no entities which are deemed material to the primary government requiring reporting.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

A. Government-wide and Fund Financial Statements

FUND ACCOUNTING

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), the new reporting model focuses on the District as a whole and major individual funds (within the fund financial statements). The focus is on both the District as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by fund type). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-

term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The District generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The District may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues and fines, etc.). The Statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function or a business-type activity. Program revenues include 1) charges to applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues. The District does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants and contributions.

In the fund financial statements, financial transactions and accounts of the District are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified cash basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

In accordance with GASB guidance, the funds are organized as major funds and non-major funds with an emphasis placed on major funds. A fund is considered major if it is a primary operating fund of the District and meets the following criteria:

- Total assets, liabilities, revenues or expenditures of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5 percent of the corresponding total of all governmental and business-type funds combined.
- In addition, any other governmental fund that the District believes is particularly important to the financial statement users may be reported as a major fund.

The following is a brief description of the specific funds used by the District.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed.

General Fund - The General Fund is the primary operating fund of the District. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state distributions and interest income. The General Fund is always a major fund under GASB guidance.

Special Revenue Fund - The Special Revenue Fund accounts for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities. This fund accounts for grant and major maintenance activity and is comprised of two individual funds (combining statements are shown in other supplemental information) maintained by the District for similar purposes. The Special Revenue fund is a budgeted fund and considered a major fund for reporting purposes.

Capital Projects Fund - Capital Projects Fund is used to account for financial resources accumulated and payments made for the acquisition and improvement of sites; construction and remodel of facilities; and procurement of equipment, textbooks, and supplies necessary for providing educational programs to all students within the District. The revenue of the fund consists primarily of capital construction funds received from Wyoming Schools Facilities Department. This is a budgeted fund. The Capital Projects Fund is considered a major fund for reporting purposes.

2. Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of operating income, financial position, changes in net position and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as, materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, the District has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for enterprise funds and business-type activities.

Enterprise Funds or Business Funds - The Enterprise Fund accounts for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The District's Enterprise Funds account for the food service programs and home rentals of the District (as separate funds) and are considered major funds for reporting purposes.

B. Basis of Accounting

In the current year, the District implemented GASB Statement No. 63, *The Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.* The statement provided guidance for the presentation of deferred outflows and inflows of resources in the financial statements. In addition, the statement also changed the Statement of Net Assets to the Statement of Net

Position and relative references. The District implemented these changes in accordance with the statement.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the governmental fund financial statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statements of net position and statements of activities, and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net position or on the statement of fiduciary net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position

The statements of net position, statements of activities, and financial statements of the Proprietary Fund are presented on the accrual basis of accounting. Under this method of accounting exchange revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. Real and personal property taxes are recognized in the period for which levied, provided the District has an enforceable legal claim to the resources. Grants, shared revenues, and contributions are recognized when all eligibility requirements have been met.

The fund financial statements of the General, Special Revenue, and Capital Projects funds are maintained and reported on the modified cash basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within sixty days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

1. Budgets

All funds are legally required to be budgeted and appropriated. The District's board of Trustees annually adopts a budget and approves the related appropriations. State statutes maintain the legal level of control at the total appropriation level for each individual fund. Management control is exercised at budgetary line item levels within each fund. The Board of Trustees may amend the budget after it is approved and also authorizes transfers between the various budgetary programs (function) in any fund. The District's budget is approved on an other comprehensive basis of accounting (modified cash) in July of each year and filed with Big Horn County and Park County.

C. Cash and Investments

The District's investments are reported at cost, which approximates fair value and treated as cash equivalents, if applicable. For purposes of the statement of cash flows, the Proprietary Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Those with maturities over three months are considered investments, except that of certificate of deposits which are always held as cash and cash equivalents due to accessibility and lack of significant penalty for early closure. The District did not maintain any investments with maturities over three months at year-end.

D. Allowance for Uncollectible Accounts/Other Receivables

Taxes Receivable/Allowance:
The District calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis.

	June 30, 2013
Property taxes receivable (District's estimated share)	$ 188,502
Less allowance for uncollectible amount	107,414
Net property taxes receivable (government-wide)	$ 81,088

The Big Horn County Treasurer and Park County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are disbursed after the end of each month. Assessed valuation and tax levies are subject to adjustment for prior years (rebates and supplemental) as controlled by the County or State. The District does not adjust or record estimates for these adjustments as they are adjusted to current year tax receipts when they are approved. In addition, the State adjusts its entitlement funding based on property tax collections. Tax calendar is as follows:

Property Tax Calendar

August 10	Taxes are levied and become an enforceable lien on the properties
September 1	First of two equal installment payments is due
November 10	First installment is delinquent
March 1	Second installment is due
May 10	Second installment is delinquent

Other Receivables:
In the prior year, the District became the "sponsor" of the Wyoming Connections Academy. Costs of District services utilized by this program are billed to the Academy. As of June 30, 2013, $199,453 of the $215,939 other receivable consisted of this specific item. The remainder of the receivable related to

$16,486 of a receivable from the former insurance carrier of the District for the refund of stop loss estimates.

Due from other governments consist of the following for the government-wide statement at June 30, 2013:

Grants receivable	$ 217,975
Capital project grant reimbursement receivable	62,086
Total	$ 280,061

E. Inventory of Supplies

Inventories of consumable supplies are recorded at cost (determined on a first in, first out basis). Inventory in the General Fund and government activities consist of expendable supplies held for consumption. The costs are recorded as expenditures under the purchase method. Reported inventories in the General Fund are equally offset by a reservation of fund balance. At June 30, 2013, the District's supply inventory was not considered material. Purchases of non-inventory items are recorded as expenditures.

Inventories in the Enterprise Fund are costed by methods that approximate average cost or market value, whichever is lower. These inventories consist primarily of operating food supplies held for consumption.

F. Capital Assets

Capital outlays are recorded as expenditures in the General, Special Revenue, and Capital Projects Funds and as assets in the government-wide financial statements to the extent the District's capitalization threshold of $5,000 is met for equipment and improvements and buildings. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings and improvements	10 to 50 years
Furniture, equipment and vehicles	5 to 15 years
Intangibles	various

To the extent the District's capitalization threshold of $5,000 is met for equipment and improvements and buildings, capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis using the straight-line method and the following estimated useful lives:

Buildings and improvements	10 to 50 years
Equipment	5 to 15 years
Intangibles	various

All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated.

G. Deferred Inflow of Resources

Deferred revenue can consist of revenues received but not yet earned and those funds earned but not yet received within a reasonable availability time frame of 60 days subsequent to year-end. The District had $157,840 recorded as deferred revenue at the fund level at year-end. Of this amount, $157,840 was deferred due to availability (as described above) and primarily related to grants and school facility reimbursements and was recorded as revenue at the district-wide statements.

H. Accrued Liabilities and Long-Term Obligations

In the government-wide financial statements all payables, accrued liabilities, and long-term obligations are reported for both governmental and business-type activities.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Long-term obligations are not reported at the governmental fund type level, such as accrued compensated absences, capital lease obligation and claims payable. However, in the enterprise funds (lunch fund and home rental fund) all payables, accrued liabilities and long-term obligations payable from enterprise funds are reported on the enterprise fund financial statements

I. Net Position/Fund Balance

Government-Wide and Proprietary Fund Financial Statements:

Equity is classified as net position and displayed in three components:

a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
b. Restricted net position - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Governmental Fund Financial Statements:

Governmental fund equity is classified as fund balance. Due to the implementation of GASB 54 in the current year, fund balance is further classified as (which is reflective of the policy approved by the District):

a. Nonspendable Fund Balances - These fund balances are the net balance of assets and liabilities that are held legally, contractually, or in a 'not in spendable form'. Inventories, prepaid expenditures (such as insurance), and other items not in a spendable form are included as well as those items legally or contractually held.

b. Restricted Fund Balances - These fund balances are the net balance of assets and liabilities that have provisions that are externally imposed. These are grants or other funds that are restricted by debt covenants, the grantor, contributor, or by laws or regulations of external governments. In general, these include a legally enforceable requirement that the resources be used only for the specific purposes stipulated in the grants, debt covenant or by law.
c. Committed Fund Balances - Committed Fund Balances are those imposed by a formal action taken by the Board of Trustees. Once the Board of Trustees has taken formal action the assets cannot be used for other purposes unless the Board of Trustees removes or changes the specified use by taking the same action it employed previously committing those balances.
d. Assigned Fund Balances - Assigned Fund Balances are the net amounts of assets and liabilities constrained by the intent of the Board of Trustees. The intent will not be done by formal action of the Board of Trustees but will be part of items such as the adopted budget or in a statement by the Board of trustees or by the Business Manager.
e. Unassigned Fund Balances - Typically unassigned fund balances will be limited to the general fund and by definition they are the residual balance for fund balance.

It is the District's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available. In addition, it is District practice to first use the most restrictive classification of fund balance at the governmental level when an expense is incurred for the purposes for which both restricted, committed, assigned or unassigned fund balances are available.

J. Other Items

Valuation of other items is disclosed on the balance sheet or elsewhere in the Notes to Basic Financial Statements.

State law requires all encumbrances to be re-budgeted at the end of the year. Outstanding encumbrances are recorded by establishment of fund reserves and are immaterial amounts and have not been recorded.

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Recently Issued GASB Statements

GASB Statements issued which are effective for future financial statements include:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* effective for periods beginning after December 15, 2012, provides financial reporting guidance to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources or inflows of resources, based on the definitions of those elements in Concepts No. 4, Elements of Financial Statements. The District intends to implement the new requirements, if applicable, for fiscal year 2013-2014.

GASB Statement No. 67, *Financial Reporting for Pensions – an amendment of GASB Statement No. 25,* effective for periods beginning after June 15, 2013, enhances the decision-usefulness of the financial reports of pension plans, their value for assessing accountability, and their transparency by providing information about measures of net pension liabilities and explanations of how and why those liabilities changed from year to year. The new requirement is not applicable to the District.

GASB Statement No 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB No. 27,* effective for periods beginning after June 30, 2014, enhances the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports by required recognition of the entire net pension liability and a more comprehensive measure of pension expense. The District intends to implement the new requirements for fiscal year 2014-2015, as applicable.

NOTE 2. BUDGETARY BASIS OF ACCOUNTING

As presented earlier, the District budgets using another comprehensive basis of accounting (modified cash basis). The statements of revenues, expenditures, and changes in fund balances – budget and actual (budgetary basis) presented for the General Fund and major Special Revenue Fund are presented on this basis to provide meaningful comparison of actual results with the budget. A reconciliation of the changes in fund balance between the GAAP basis and budgetary basis is provided in the statements with required supplementary information.

NOTE 3. CASH AND INVESTMENTS

The District is required by State Law to maintain deposits in federally insured financial institutions and maintain adequate pledging. At June 30, 2013 the District was adequately pledged or collateralized on all deposits.

Statutes authorize the District to invest in limited type investments (Commercial Paper of Corporation's meeting state statutes, U.S. Treasury Bills, U.S. Agencies and similar U.S. backed investments). The District follows state statute regarding its investment policy. The District does not invest in such items.

In accordance with Governmental Accounting Standards Board, Statement Number 40, there is no interest rate risk or credit risk related to the District's deposits due to deposits being held in checking and certificates of deposit.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Beginning Balance	Transfers/ Additions	Transfers/ Dispostions	Ending Balance
Governmental Activities:				
Capital assets, non-depreciable				
Land	$ 292,881	$ 26,005	$ -	$ 318,886
Work in progress	795,012	1,589,208	(1,032,447)	1,351,773
Total non-depreciable capital assets	1,087,893	1,615,213	(1,032,447)	1,670,659
Capital assets, depreciable:				
Buildings and improvements	41,146,161	1,032,447	(9,900)	42,168,708
Equipment and vehicles	3,547,829	126,753	(61,990)	3,612,592
Total depreciable, capital assets	44,693,990	1,159,200	(71,890)	45,781,300
Accumulated depreciation:				
Buildings and improvements	(4,869,536)	(1,059,318)	5,940	(5,922,914)
Equipment and vehicles	(1,940,307)	(299,378)	61,987	(2,177,698)
Total accumulated depreciation	(6,809,843)	(1,358,696)	67,927	(8,100,612)
Total depreciable assets, net	37,884,147	(199,496)	(3,963)	37,680,688
Total governmental capital assets, net	$ 38,972,040	$ 1,415,717	$ (1,036,410)	$ 39,351,347

	Beginning Balance	Transfers/ Additions	Transfers/ Dispostions	Ending Balance
Business-type Activities:				
Food Service:				
Equipment	$ 67,522	$ -	$ (8,406)	$ 59,116
Accumulated depreciation	(67,154)	(349)	8,406	(59,097)
Net - food service capital assets	368	(349)	-	19
Home Rental:				
Work in process, nondepreciable	$ -	151,200	(151,200)	$ -
Buildings and improvements	74,639	151,200	(16,402)	209,437
Equipment	9,879	-	(9,879)	-
Accumulated depreciation - buildings	(63,420)	(4,230)	16,367	(51,283)
Accumulated depreciation - equipment	(9,761)	-	9,761	-
Net - home rental capital assets	11,337	298,170	(151,353)	158,154
Total business-type capital assets, net	$ 11,705	$ 297,821	$ (151,353)	$ 158,173

Depreciation expense was not allocated among functions in the governmental activities, which is a total expense of $1,358,696. The business-type activities allocations are shown in the table above.

Disposal of capital assets shown above had a total of $0 of proceeds in the governmental fund types recognizing a loss of approximately $3,900 on the disposal of capital assets. The home rental fund had proceeds of $101,227 on the disposal of capital assets (teacherage building), recognizing a gain on disposal of almost the entire amount, due to the assets being almost fully depreciated.

In fiscal year 2010, the client implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Management evaluated the effect of retroactive application and due to the nature of the intangibles in this organization and such, it was concluded that the effect of past intangibles are not material to the government-wide financial statements. However, the District will begin capitalizing such intangibles in accordance with the policy in the future when such items are purchased.

NOTE 5. LIABILITIES

Accounts payable and other current liabilities are made up of vendor's payable and payroll accruals/liabilities. Below is a schedule of the respective funds and the detail of such liabilities:

	General Fund	Special Revenue Fund	Capital Projects Fund
Accounts payable	$ 150,744	$ 6,340	$ 97,291
Payroll liabilities	1,031,593	266,994	-
Total	$ 1,182,337	$ 273,334	$ 97,291

The majority of the payroll liabilities consist of accrued payroll and related benefits for contract employees which are paid over a twelve month period. The remainder of the liability is due to the hourly wages and related benefits earned prior to June 30, 2013 but not yet paid by year-end.

In addition, there are additional liabilities on the financial statements which are current material obligations which are expected to come due in the next twelve months following June 30th. The Capital Project fund has a retainage payable of $127,618.

NOTE 6. LONG-TERM OBLIGATIONS

Governmental

At June 30, 2013, the District was obligated for the following general long-term debt:

Early retirement benefits payable	$ -
Capital lease obligation - 2 buses - Bank of Lovell - interest rate of 3.94%, with annual payments of $42,141 including principal and interest, secured by vehicles. Maturing 10/2013	40,346
Capital lease obligation - 2 buses - Bank of Lovell - interest rate of 3.14%, with annual payments of $43,594 including principal and interest, secured by vehicles. Maturing 10/2015	122,811
Capital lease obligation - 2 Yukons - Bank of Lovell - interest rate of 4.86%, with annual payments of $11,870 including principal and interest, secured by vehicles. Matured 10/2012	-
Capital lease obligation - 1 car - Bank of Lovell - interest rate of 4.86%, with annual payments of $5,549 including principal and interest, secured by car. Matured 10/2012	-
Capital lease obligation - 2 buses - Bank of Lovell - interest rate of 3.79%, with annual payments of $50,119 including principal and interest, secured by vehicles. Maturing 10/2014	94,590
Total Governmental Debt	257,747
Portion due within one year	126,395
Portion due after one year	$ 131,352

** Interest paid in the current year was approximately $14,200 (all from general support). Interest accrual at June 30, 2013 was $5,569.

The following is a summary of the long-term obligation transactions for the year ended June 30, 2013:

	Balance 7/1/2012	Additions	Deletions	Present Value Adj.	Balance 6/30/2013
Lease purchase agreements	$ 396,684	$ -	$ (138,937)	$ -	$ 257,747
Early retirement benefits	-	29,604	(29,604)	-	-
	$ 396,684	$ 29,604	$ (168,541)	$ -	$ 257,747

Early Releases

The District has approved early releases for an employee with continued employer compensation for this employee for a dollar value, with which health benefits are being purchased. The payments are paid for and budgeted as part of the normal operations costs. There were normal scheduled payments in the current year as shown in the above schedule with $29,604 incurred and paid in the current year.

Five Year Debt Schedule For All Long-Term Debt

5 Year Debt Service Schedule (Principal)

Year	Capital Leases	Early Releases	Total
2014	$ 126,395	$ -	$ 126,395
2015	89,316	-	89,316
2016	42,036	-	42,036
2017	-	-	-
2018	-	-	-
	$ 257,747	$ -	$ 257,747

5 Year Debt Service Schedule (Interest)

Year	Capital Leases
2014	$ 9,490
2015	4,520
2016	1,350
2017	-
	$ 15,360

NOTE 7. RETIREMENT FUND

The District contributes to the Wyoming Retirement System ("System"), a statewide cost-sharing multiple-employer public employee retirement system administered by the State of Wyoming Retirement System Board. 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 issues 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, 6101 Yellowstone Road, Suite 500, Cheyenne, Wyoming 82002 or by calling (307) 777-7691.

Prior to September 2010, Plan members were required to contribute 5.57% of their annual covered salary and the District is required to contribute 5.68% of the annual covered payroll. The District paid the employee's side of the required contribution in addition to the employer's required contribution during this time. Subsequent to that date, the plan statutorily required 14.12%, with 7% contribution requirement by the employee and 7.12% contribution requirement by the employer. The District elected to continue to pay the 5.57% of the employee's required contribution, leaving the additional 1.43% increase to be paid by the employee. Legislation enacted in 1979 allows the employer to pay any or all of the employees' contribution in addition to the matching contribution. Contribution rates are established by Title 9, Chapter 3 of the Wyoming Statutes. Contributions to the System for the years ended June 30, 2013, 2012 and 2011 were as follows:

Year Ended June 30,	% Employee Contribution	% Employer Contribution	Total Contribution
2013	$ 501,311	$ 509,903	$ 1,011,214
2012	$ 487,195	$ 495,545	$ 982,740
2011	$ 435,505	$ 443,122	$ 878,627

The District paid approximately $399,000 $387,000 and $358,000 of the employee's contribution as an employee benefit for fiscal years ended June 30, 2013, 2012 and 2011, respectively. This benefit is determined by labor agreements between employees and the District. The retirement was paid on eligible wages of approximately $7,200,000 $6,960,000 and $6,430,000 for the years ended June 30, 2013, 2012 and 2011 respectively. In addition, the District paid $61,060 for the fiscal year ended June 30, 2013 for rehired retirees.

NOTE 8. RISK MANAGEMENT

Health Insurance

The District provided health and dental insurance with Blue Cross Blue Shield for fiscal year June 30, 2013. The District covered approximately $515 of the employee only coverage, $935 of the employee/children coverage, $990 of employee/spouse coverage and $1,400 of family coverage of the monthly premium. Multiple plans are offered under the current setting with the insurance provider. The plans range in deductible, percentage of coverage and co-insurance amount. In addition, the District provides vision insurance through Vision Service Plan. Total insurance costs were approximately $1,800,000 (employee and employer portions) in the current year.

Liability

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. As of July 1, 2007, the District became a participant in the School Risk Retention Program (SRRP) managed by the Wyoming School Board Association

(WSBA) for property insurance (including boiler and machinery), general liability insurance, professional insurance and vehicle insurance. The coverage under each type of insurance policy varies in amounts and deductibles. The District has had no settlements exceeding insurance coverage in any of the past three fiscal years. The District has had no significant reductions in insurance coverage in the last three years.

Worker's compensation insurance that can be obtained through State of Wyoming programs is only provided for extra-hazardous employees as required by statute. Historical claims and evaluation of the costs for coverage for all employees have resulted in the Board not obtaining coverage for regular employees. The District covers all of its employees for state unemployment through direct reimbursement from the state. The District does not believe any significant claims exist or would be required to be accrued. Other risks are not readily insurable and the District does not believe this puts the District at significant risk.

NOTE 9. FUND BALANCE/NET POSITION

Net Position

Restrictions of net position were for the purposes of segregation of those balances which were not available for general expenditures or expense but rather restricted by outside third parties for future capital asset major repair, replacement and capital construction expenditures, and grant expenditures. See the respective balances shown in the Statement of Net Position (pg. 3).

Fund Balances

The Special Revenue Fund contains a restricted fund balance of $1,027,240. Of this balance, $1,088,904 is restricted due to the requirement of the School Facility Department on the capital maintenance fund balance and the remaining ($61,664) is restricted due to the grant requirements of third parties. The grant balance is negative due to certain revenues not being received within 60 days of year-end for expenditures incurred prior to year end. In addition, the Capital Construction Fund contains a committed fund balance of $510,176 and an assigned fund balance of $9,095. In addition, the Capital Construction Fund contains a restricted fund balance of ($59,857) due to funding requirements of third parties. It is negative due to certain revenues not being received within 60 days of year-end for expenditures incurred prior to year end. This is allocated for the following projects:

Committed:	
Tracks/Bleachers	$ -
Consessions/Storage	241,077
RMMHS Lighting	19,099
Other	250,000
Assigned:	
Other	9,095
Total	$ 519,271

NOTE 10. INTERFUND TRANSACTIONS/BALANCES

Interfund Transactions	Transfers Out	Transfers In
Major Governmental Funds:		
General Fund	$ 826,673	$ -
Capital Construction Fund	-	698,673
Major Enterprise Funds:		
Food Services Fund	-	128,000
Total	$ 826,673	$ 826,673

Interfund Balances	Receivable	Payable	Net Balance
General Fund:			
Capital Project Fund	$ -	$ -	$ -
Special Revenue	139,408	-	139,408
Food Service Fund	2,882	-	2,882
Total General Fund	$ 142,290	$ -	$ 142,290
Special Revenue Fund:			
General Fund	$ -	$ 139,408	$ (139,408)
Total Special Revenue Fund	$ -	$ 139,408	$ (139,408)
Food Service Fund:			
General Fund	$ -	$ 2,882	$ (2,882)
Total Special Revenue Fund	$ -	$ 2,882	$ (2,882)
Total	$ 142,290	$ 142,290	$ -

The above transfer between the General Fund and Food Service Fund was for supplemental operational support. The transfers to the Capital Project Fund from the General Fund were for the movement of funds to support the District's portion of cost of construction projects.

Interfund balances were primarily due to the necessity of reimbursement to funds which initially covered expenditures. Upon reimbursement, these items should be eliminated. It is the District's intention that all interfund balances will be paid in the upcoming year.

NOTE 11. EMPLOYEE FLEX PLAN

During the year, the District's changed the way it mechanized its Internal Revenue Service Code Section 125 Flex Plan. The Plan allows employees to designate part of their gross payroll to allowable benefit expenses (medical, dependent care, etc.). These designated funds are "use it or lose it" in nature. Therefore, cash account that was recorded in General Fund in the amount of $18,928 in the prior year was closed. A new third party administrator is now given the responsibility of holding the cash account for money which has been withheld from the employees' checks. The District will receive any funds back if not used by the employee within the designated time frames and will record revenue at that point in time.

NOTE 12. RELATED PARTY TRANSACTIONS

In the normal course of business, employees, family members of employees, board members and/or their businesses may provide services to the District. Management does not believe any of these services are significant enough to require disclosure.

NOTE 13. COMMITMENTS/CONTINGENCIES/OTHER

Grants

The District receives federal and state grants for specific purposes that are subject to review and audit by grantor agencies. The grants of the District are fairly consistent from year to year, and management believes disallowances due to the before-mentioned reviews and audits, if any, would be immaterial.

Construction

Significant progress was made on the bus barn during the fiscal year. As of June 30, 2013, approximately $700,000 had been spent related to this project. The total project is estimated at approximately $776,000. This is being paid through capital construction funds from the Schools Facilities Department.

The District approved a lighting project for Rocky Mountain Middle/High School. As of June 30, 2013, approximately $117,000 has been spent on this project. The total project is estimated at $178,600. In addition, donations were received of $55,000 from community members to assist in this project. This project is being paid through the capital construction fund with District funds and donations received for the project.

The District also had two bleacher/track resurfacing projects which were ongoing during the year for Burlington and Rocky Mountain Middle/High School. Total costs of the project at June 30, 2013 were approximately $600,000. The total project is estimated at $688,000. This project is being paid through the capital construction fund with District funds.

Concession stands and storage facilities for Burlington and Rocky Mountain Middle/High School had also been awarded and were underway at June 30, 2013. Total costs expended as of June 30, 2013 on this project was approximately $97,026. The total project is estimated at $330,000. This project is being paid through the capital construction fund with District funds.

Long-term Liabilities

In the current fiscal year, there was approximately $18,000 of early retirement agreements signed between the District and (former) employees. Due to the benefit of the early retirement agreements not being recognized by the District until fiscal year 2013-2014 and the employees being paid through the end of their contract for fiscal year 2012-2013, these commitments are being disclosed in the notes of the financial statements and will be recorded at the government-wide level in the period which the benefit is received (or starts being received), which is fiscal year 2013-2014.

Litigation

The District is a party to various legal proceedings which normally occur in the course of government operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of any proceedings cannot be predicted, due to the insurance coverage maintained by the District and the State statute relating to judgments, the District feels that any settlement or insurance would not have a material adverse effect on the financial condition of the District, if necessary.

Other/Agreements

The Wyoming Connections Academy (WCA) and the District have a memorandum of understanding regarding services which are provided by WCA, but are part of the District activities for Department of Education reporting purposes and the like. The teachers of WCA are considered employees of the District. Therefore, WCA reimburses the District for these costs (plus other small costs if they occur) plus a small administrative fee. This activity is tracked in the Special Revenue Fund-Federal/State. Total activity on the accrual basis in the current year was approximately, $585,000. In addition, per the MOU and through direction of the State, the money which is received by the District through the funding model is then paid to WCA in the year which the funds are received by the District. The funding is calculated based upon the prior year ADM, therefore, there is a one year lag on this activity. In the current year, the amount paid for ADM if fiscal year 2011/2012 was approximately, $1,065,700. The amount to be received by the District that will be required to be paid to WCA in fiscal year 2013/2014 for the ADM of fiscal year of 2012/2013 as it is received is approximately $1,490,046. This part of the activity is recorded in the General Fund.

NOTE 14. SUBSEQUENT EVENTS

In July 2013, the District Board approved the purchase of a special needs bus and awarded a lease for such in the amount of $128,535.

In September 2013, the District Board approved the purchase of two buses and awarded a lease for such in the amount of $313,330.

Management does not believe there are any further subsequent events from July 1, 2013 through December 2, 2013, the date the financial statements were available for issuance, that are required to be disclosed (see Note 13 for construction commitments).

REQUIRED SUPPLEMENTARY INFORMATION

BIG HORN COUNTY SCHOOL DISTRICT No 1
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL-MODIFIED CASH BASIS
GENERAL AND MAJOR SPECIAL REVENUE FUND TYPES
June 30, 2013

	General Fund				Special Revenue			
	Original Budget	Final Budget	Actual	Variance-Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance-Favorable (Unfavorable)
Revenues:								
Local	$ 2,387,056	$ 2,398,054	$ 2,398,764	$ 710	$ -	$ -	$ -	$ -
County	684,293	692,213	708,838	16,625	-	-	-	-
Interest	25,000	35,000	37,241	2,241	1,500	6,500	6,644	144
Fines & forfeitures	50,000	66,965	79,002	12,037	-	-	-	-
State sources	10,557,126	10,698,965	10,697,786	(1,179)	549,311	978,332	889,713	(88,619)
Federal revenues	75	70	47	(23)	1,387,397	1,038,353	776,135	(262,218)
Other fees/services revenues	268,499	80,782	87,647	6,865	-	671,320	476,652	(194,668)
Miscellaneous	-	-	-	-	-	-	-	-
Total Revenues	13,972,049	13,972,049	14,009,325	37,276	1,938,208	2,694,505	2,149,144	(545,361)
Expenditures:								
Current:								
Instruction	8,281,322	8,196,352	8,138,382	57,970	1,171,835	1,559,366	1,526,199	33,167
Instructional support	774,880	715,136	701,525	13,611	187,412	424,759	298,710	126,049
General support	4,634,329	4,155,279	4,031,785	123,494	10,900	-	-	-
Facilities - (general support)	-	70,335	68,701	1,634	-	-	-	-
Other/Food	-	8,274	8,274	-	17,250	17,250	14,714	2,536
Capital maintenance	-	-	-	-	332,699	332,699	148,772	183,927
Total Expenditures	13,690,531	13,145,376	12,948,667	196,709	1,720,096	2,334,074	1,988,395	345,679
Excess of Revenues Over (Under) Expenditures	281,518	826,673	1,060,658	233,985	218,112	360,431	160,749	(199,682)
Other Financing Sources (Uses):								
Transfers in/(out)	(281,518)	(826,673)	(818,399)	8,274	-	-	-	-
Total Other Financing Sources (Uses)	(281,518)	(826,673)	(818,399)	8,274	-	-	-	-
Excess of Revenues Over (Under) Expenditures & Other Sources (Uses)	-	-	242,259	242,259	218,112	360,431	160,749	(199,682)
Fund Balance - July 1, 2012	2,608,871	2,608,871	2,716,033	107,162	519,563	519,563	572,607	53,044
Fund Balance - June 30, 2013	$ 2,608,871	$ 2,608,871	2,958,292	$ 349,421	$ 737,675	$ 879,994	733,356	$ (146,638)

Reconciliation to Governmental Fund Types:

Change in accrued liabilities	-	Change in receivable	107,379
Change in net receivables	(26,026)	Change in deferred revenue	46,678
Change in due to other governments	-	Change in due from other gov.	139,830
Other items	(12,168)	Change in accrued liabilities	-
	-	Change in due to other gov.	-
		Other items	(3)
Reconciled Fund Balance	$ 2,920,098		$1,027,240

The notes to financial statements are an integral part of this statement.

OTHER SUPPLEMENTARY INFORMATION

BIG HORN COUNTY SCHOOL DISTRICT No. 1
COMBINING SPECIAL REVENUE FUNDS BALANCE SHEET
June 30, 2013

	Capital Maintenance Fund	Special Revenue - Federal/State	Totals
ASSETS AND DEFERRED OUFLOWS:			
Assets:			
Cash and cash equivalents	$ 1,090,254	$ 1,597	$ 1,091,851
Due from other governments	-	217,975	217,975
Other receivable	-	199,453	199,453
Interfund balances	-	-	-
Total Assets	1,090,254	419,025	1,509,279
Deferred Outflows of Resources:	-	-	-
Total Assets and Deferred Outflows	$ 1,090,254	$ 419,025	$ 1,509,279
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
Liabilites:			
Accounts payable & accrued liabilities	$ -	$ 273,334	$ 273,334
Due to other governments	-	-	-
Interfund balances	1,350	138,058	139,408
Unearned revenue	-	-	-
Total Liabilities	1,350	411,392	412,742
Deferred Inflow of Resources:			
Deferred revenue	-	69,297	69,297
Fund Balances:			
Nonspendable	-	-	-
Restricted	1,088,904	(61,664)	1,027,240
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balances	1,088,904	(61,664)	1,027,240
Total Liabilites & Fund Balances	1,090,254	419,025	1,509,279

See accompanying independent auditor's report as it relates to supplementary information.

BIG HORN COUNTY SCHOOL DISTRICT No. 1
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2013

	Capital Maintenance Fund	Special Revenue - Federal/State	Totals
REVENUE			
State resources	$ 549,311	$ 337,239	$ 886,550
Federal resources	-	873,731	873,731
Other	-	676,105	676,105
Interest income	6,644	-	6,644
Total Revenue	555,955	1,887,075	2,443,030
EXPENDITURES			
Current:			
Instruction	-	1,504,212	1,504,212
Instructional support	-	298,710	298,710
General support	-	-	-
Capital outlay	148,772	21,989	170,761
Other	-	14,714	14,714
Total Expenditures	148,772	1,839,625	1,988,397
Excess of Revenue Over (Under) Expenditures	407,183	47,450	454,633
Other Financing Sources (Uses):			
Transfers in/(out)	-	-	-
Excess of Revenues Over (Under) Expenditures & Other Sources (Uses)	407,183	47,450	454,633
Fund Balance - July 1, 2012	681,721	(109,114)	572,607
Change in prepaid item	-	-	-
Fund Balance - June 30, 2013	$ 1,088,904	$ (61,664)	$ 1,027,240

See accompanying independent auditor's report as it relates to supplementary information.

BIG HORN SCHOOL DISTRICT No. 1
SCHEDULE OF TAXES AND REVENUE - GENERAL FUND
For the Year Ended June 30, 2013

Local Taxes	
Special district tax	$ 2,187,493
Motor vehicle tax	205,322
Car company tax	6,257
Other local taxes	-
Bond and interest	-
Total Local Taxes	$ 2,399,072
County Taxes	
6 mill taxes	$ 644,468
Motor vehicles taxes	62,938
Car company tax	1,432
Penalties on delinquent	-
Total County Taxes	$ 708,838
State Resources	
Foundation entitlement	$ 10,698,965
Other state resctricted	(1,179)
Total State Resources	$ 10,697,786

See accompanying independent auditor's report as it relates to supplementary information.

BIG HORN COUNTY SCHOOL DISTRICT No. 1
SCHEDULE OF EXPENDITURES - GENERAL FUND
For the Year Ended June 30, 2013

Instruction:	
Salary	$ 4,517,316
Employee benefits	1,827,469
Purchased services	1,461,777
Materials and supplies	241,065
Capital outlay/capital lease payments	62,354
Other	28,384
Total Instruction	8,138,365
Instructional Support:	
Salary	472,072
Employee benefits	161,608
Purchased services	35,198
Materials and supplies	30,808
Capital outlay/capital lease payments	1,379
Other	460
Total Instructional Support	701,525
General Support:	
Salary	1,827,937
Employee benefits	696,868
Purchased services	307,357
Materials and supplies	741,325
Capital outlay/capital lease payments	422,709
Other	10,306
Total General Support	4,006,502
Facilities:	
Salary	42,435
Employee benefits	26,198
Purchased services	23
Materials and supplies	-
Other	45
Total Facilities	68,701
Other:	
Community Support Salaries	20,580
Community Support Benefits	4,164
Community Support Materials and supplies	539
Total Other	25,283
Total General Fund Expenditures	$ 12,940,376

See accompanying independent auditor's report as it relates to supplementary information.

BIG HORN COUNTY SCHOOL DISTRICT No. 1
SCHEDULE OF ACTIVITY FUNDS
June 30, 2013

Account	Burlington	Rocky Mountain Middle School/High School	Rocky Mountain Elementary
Art	$ 12	$ 849	$ -
Bookstore	8	-	-
Boys Basketball	50	-	-
Capstone	19,121	-	-
Cheerleaders	854	3,261	-
Class of 2013	-	301	-
Class of 2014	7,769	1,931	-
Class of 2015	3,683	2,169	-
Class of 2016	2,298	1,043	-
Class of 2017	2,537	-	-
Class of 2018	500	-	-
Concessions	1,785	(1,297)	-
Cross Country	-	391	-
Curriculum	578	-	-
Drama	188	-	-
FBLA	-	819	-
FCCLA	2,533	474	-
FFA	-	9,954	-
FFA Scholarship	-	1,437	-
Football	684	1,346	-
General MS/HS	2,465	-	-
General Elementary	2,969	-	897
Girls Athletics	2,224	80	-
Grade 4	-	-	11
Grade 5	-	-	40
Griz Food Den	-	3,525	-
Home Ec	204	-	-
HS Student Council	1,589	2,615	-
MS Student Council	932	1,462	-
Elementary Student Council	689	-	562
Library	2,440	1,212	3,370
Math	-	278	-
Multi-media	576	-	-
Music	278	826	-
National Honor Society	1,363	271	-
Pink game	-	2,144	-
Publications	1,440	-	-
Preschool	-	-	22
Principal's Fund	-	2,036	-
Prom/Play	431	260	-
Recycling	151	-	-
Scholarships	4,515	-	-
Shop	925	-	-
Science	-	205	-
Special Ed	54	-	-
Speech	38	-	-
Sunshine Fund	877	4,761	-
Summer Reading	-	-	2,022
Surplus	-	734	-
Track	8	-	-
Tri-County Telephone	-	1,858	-
VICA	1,105	-	-
TOTAL	$ 67,873	$ 44,945	$ 6,924

See accompanying independent auditor's report as it relates to supplementary information.

BIG HORN COUNTY SCHOOL DISTRICT No. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass through agency Grantor/Program Title	CFDA Number		Grant #		Federal Expenditures
U.S. Department of Education:					
Passed through State of Wyoming Department of Education:					
Title I Grants to Local Educational Agencies	84.010		110201SW00		$ 1,178
Title I Grants to Local Educational Agencies	84.010		110201T100		3,228
Title I Grants to Local Educational Agencies	84.010		130201SW00		335,126
Title I Grants to Local Educational Agencies	84.010		120201SW00		51,925
Total Title I - 84.010					391,457
Special Education - Grants to States (IDEA, Part B)	84.027	*	130201VIB00		146,159
Special Education - Grants to States (IDEA, Part B)	84.027	*	120201VIB00		41,306
Special Education - Preschool Grant	84.173	*	130201VIP00		2,540
Special Education - Preschool Grant	84.173	*	110201VIP00		32
Special Education - Preschool Grant	84.173	*	120201VIP00		2,276
Total Special Education - 84.027/84.173					192,313
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048		120201PB00		8,605
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048		130201PB00		16,622
Total Perkins - 84.048					25,227
Improving Teacher Quality State Grants	84.367		130201T200	Note 5	89,751
Improving Teacher Quality State Grants	84.367		120201T200	Note 4	14,505
Improving Teacher Quality State Grants	84.367		110201T200		30,145
Total Improving Teacher Quality - 84.367					134,401
Total U.S Department of Education					743,398
U.S. Department of Health and Human Services:					
Passed through State of Wyoming Department of Education:					
TANF	93.558		N/A		102,626
Passed through UPLIFT:					
TANF	93.558		N/A		3,501
Total Department of Health and Human Services					106,127
U.S. Department of Agriculture:					
Passed through State of Wyoming Department of Education:					
National School Lunch Program	10.555	*	N/A		133,585
Summer Food Service Program for Children	10.559	*	N/A		5,589
School Breakfast Program	10.553	*	N/A		28,968
Special Milk Program for Children	10.556	*	N/A		1,091
Wholesale Value of Commodities	10.555	*	N/A	Note 2	19,145
Total Food Service Program Cluster					188,378
Fresh Fruit and Vegetable Program	10.582		N/A		14,689
Total Department of Agriculture					203,067
Total Federal Awards					**$ 1,052,592**

NOTES to SEFA:

Note 1: This schedule has been prepared on the GAAP basis of accounting consistent with the definition of federal awards expended as defined in paragraph 205 of OMB Circular A-133. Items with asterisk "*" are major programs.

Note 2: The Wholesale Value of Commodities in the amount of $19,145 is noncash financial assistance.

Note 3: There were no loan/loan guarantees related to the schedule of expenditures of federal awards.

Note 4: $1,400 of this expenditure was REAPed to Title V.

Note 5: $55,000 of this expenditure was Reaped to Title I and expended. In addition, $7,618 of this expenditure was REAPed to Title V.

See accompanying independent auditor's report as it relates to the schedule of expenditures of federal awards.

OTHER REQUIRED REPORTS

SBWW
STINE BUSS WOLFF WILSON
&
ASSOCIATES, P.C.

Worland: Stephen L. Stine, C.P.A.

Cody: Keven L. Buss, C.P.A.
Reanne N. Wolff, C.P.A.
Keri J. Wilson, C.P.A.

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 School Board
Big Horn County School District No.1
PO Box 688
Cowley, Wyoming 82420

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *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 Big Horn County School District No.1, as of and for the year ended June 30, 2013, which collectively comprise Big Horn County School District No.1's basic financial statements and have issued our report thereon dated December 2, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Big Horn County School District No.1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Big Horn County School District No.1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Big Horn County School District No.1'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.

Our consideration of internal control over financial reporting 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 financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of finding and questioned costs that we consider to be a significant deficiency in internal control over financial reporting, 2013-A, 2013-B and 2013-C.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Big Horn County School District No.1's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-C.

Big Horn County School District No.1's Response to Findings

Big Horn County School District No.1's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Stine, Buss, Wolff, Wilson & Associates, P.C.
Certified Public Accountants

Cody, Wyoming
December 2, 2013

SBWW STINE BUSS WOLFF WILSON & ASSOCIATES, P.C.

Worland: Stephen L. Stine, C.P.A.

Cody: Keven L. Buss, C.P.A.
Reanne N. Wolff, C.P.A.
Keri J. Wilson, C.P.A.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the School Board
Big Horn County School District No.1
919 Cody Avenue
Cody, WY 82414

Report on Compliance for Each Major Federal Program

We have audited Big Horn County School District No.1 compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have direct and material effect on each of Big Horn County School District No.1's major federal programs for the year ended June 30, 2013. Big Horn County School District No.1'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

Our responsibility is to express an opinion on compliance for each of Big Horn County School District No.1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Big Horn County School District No.1's compliance.

Opinion on Each Major Federal Program

In our opinion, Big Horn County School District No.1 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-C. Our opinion on each major federal program is not modified with respect to this matter.

Big Horn County School District No. 1's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Big Horn County School District No.1's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Big Horn County School District No.1 is responsible for establishing and maintaining effective internal control over compliance with compliance requirements referred to above. In planning and performing our audit of compliance, we considered Big Horn County School District No.1'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 our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Big Horn County School District No.1's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, material weaknesses may exist that have not been identified. However, we did identify significant deficiencies in internal control over compliance which is reported in the schedule of findings and questioned costs as 2013-A and 2013-C.

Big Horn County School District No.1's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Big Horn County School District No.1's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on the response.

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

Stine, Buss, Wolff, Wilson & Associates, P.C.
Certified Public Accountants

December 2, 2013
Cody, Wyoming

BIG HORN COUNTY SCHOOL DISTRICT NO.1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

SECTION I - SUMMARY OF THE AUDITOR'S RESULTS:

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____Yes __X__No
- Deficiency(ies) identified that are not considered to be material weakness(es)? __X__Yes _____No

Noncompliance material to financial statements noted? _____Yes __X__No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: _____Yes __X__No
- Deficiency(ies) identified that are not considered to be material weakness(es)? __X__Yes _____No

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? __X__Yes _____No

Identification of major programs as a cluster:

- 10.555 – National School Lunch Program
- 10.555 – National School Lunch Program - Commodities
- 10.553 – School Breakfast Program
- 10.556 – Special Milk Program for Children
- 10.559 – Summer Food Service Program for Children

- 84.027 – Special Education-Grants to States (IDEA, Part B)
- 84.173 – Special Education-Preschool Grants (IDEA Preschool)

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? __X__Yes _____No

SECTION II and SECTION III - GAGAS Financial Statement Findings and Federal Awards Findings Required to be Reported:

Section II – GAGAS Financial Statement Findings

2013-A. 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 this type of segregation.

Effect: Adequate segregation of duties was not met due to the reason below; therefore, were not at highest level. This is an industry-wide issue in the rural areas.

Cause: Segregation of duties was not met due to size of the Organization.

Recommendation: Although it may not be feasible to maintain the highest level of segregation, management and those charged with governance should continue to evaluate and implement feasible controls and monitoring procedures.

2013-B. Criteria: Auditing standards require the auditor to determine whether the entities' internal control system allows for the reliable reporting of financial data, including note disclosures, in accordance with generally accepted accounting principles (GAAP).

Condition: Currently, the District does not have the expertise to prepare completely its own financial statements including note disclosures under GAAP. The District's operational demands and ability to hire, train or retain such personnel have not permitted them to maintain this system control. This has been an industry-wide condition in the State of Wyoming, and many in other smaller states and organizations.

Effect: The District can approve financial statements, related disclosures, and adjusting entries, however, required preparation may not be adequately attained. It may not be cost effective for the District to retain and train personnel to prepare GAAP financial statements. However, management should be aware of and continue to evaluate the impact of this deficiency.

Cause: Due to change in auditing standards and requirements of reporting. Continuous updates would be required to be able to maintain the required expertise in this area.

Recommendation: Management should continue to evaluate the feasibility of correcting this issue. Current oversight and monitoring of the preparation of the financial statements by the Board and Management should continue to be extensive.

2013-C. Criteria: The State and related federal compliance requirements for cash management related to the consolidated grant require federal expenditures to be *paid* prior to the receipt of the relative reimbursement for such expenditure(s).

Condition: Funds which were incurred (accrued) as of at year-end were requested for reimbursement; however, not paid until July and August. The only time and items which cash management bears risk of noncompliance is at June 30th due to the relative timing of the accrual for teacher contract payouts and the generation of the reports which are utilized to request cash drawdowns and complete such reporting.

Effect: The timing of the drawdown allowed cash to be on hand for certain grants contained in the consolidated grant as a result of the utilization of an expenditure report after the generation of the

accrued teacher contract payouts. These contract payout accruals are allowable expenditures within the grant and were properly accrued for reporting on the schedule of expenditures of federal awards.

Cause: The State began implementing the more restrictive guidance of the federal guidance regarding requests related to expenditures on federal grant dollars. The change in requirements by the state which was not readily known or communicated to the appropriate level of management.

Recommendation: A process for the generation of expenditure reports for fiscal year end reporting be developed to ensure only expenditures which have been paid are utilized for cash requests.

Section III – Federal Awards Findings:

2013-C above. 84.027-Special Education – Grants to States (IDEA, 611). Compliance Requirement: Cash Management

CORRECTIVE ACTION PLAN:

Finding 2013-A:

Contact Person: Richard Parker, Business Manager

Corrective Action Planned:

Due to the small size of the District's administrative staff, it is not practical for the District to maintain an adequate segregation of duties. To compensate for the small number of administrative staff, the school board reviews and approves all expenditures. Also, the State of Wyoming Department of Education provides control over the release of all federal funds to the District. Periodically, the State reviews activity of the District with respect to the disbursed federal funds.

Effective date:

The procedures to minimize the lack of segregation of duties were existing at the time of audit. The School Board and management are aware of the condition and continue to monitor and provide oversight controls over certain accounting functions.

Finding 2012-B: (Not applicable for A-133)

Contact Person: Richard Parker, Business Manager

Corrective Action Planned:

The District will not be able to meet the letter of intent of this auditing standard. While we concur that District personnel can approve financial statements, related disclosures, and adjusting entries, we realistically will not be able to hire, retain or afford someone who would possess the specific professional skills to create the financial statements for the District to the level this standard is suggesting in the near future as further training will be necessary.

Effective date:

The District will continue to evaluate the feasibility and the effect of this condition.

Finding 2013-C:

Contact Person: Richard Parker, Business Manager

Corrective Action Planned:

A process will be put in place to ensure changes in compliance requirements for those outside of the normal grant process are adequately informed and to ensure reports are generated for cash requests prior to the accrual of teacher contract payouts for year-end. Each subsequent month's payroll will be requested once the checks have been written for each relative month the teacher's are paid.

Effective date:

Immediately.

Big Horn County School District No.1
Summary of Prior Audit Findings
Year Ended June 30, 2013

2012-A.

Criteria/Requirement: 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 this type of segregation.

Follow-up: Management continues to evaluate and manage within feasible parameters due to the size and budget of the organization, as listed above in the "Corrective Action Plan" related to 2013-A in the current year. This is a repeat deficiency due to the size of the organization.

2012-B. (applicable for GAGAS only)

Criteria/Requirement: Auditing standards require the auditor to determine whether the entities' internal control system allows for the reliable reporting of financial data, including note disclosures, in accordance with generally accepted accounting principles (GAAP).

Condition: Currently, the internal control system of the District does not have the expertise to prepare completely its own financial statements including note disclosures under GAAP. The District's operational demands and ability to hire, train or retain such personnel have not permitted them to maintain this system control. This has been an industry-wide condition in the state of Wyoming, as also possible in other smaller states and organizations.

Follow-up: Management continues to evaluate and manage within feasible parameters due to the budget limitations of the organization, as listed above in the "Corrective Action Plan" related to 2013-B in the current year. This is a repeat deficiency due to the size of the organization and the available funding.