

BIG HORN COUNTY SCHOOL DISTRICT NUMBER 3

FINANCIAL REPORT

JUNE 30, 2013

CONTENTS

	<u>Page</u>
INDEPENDENT ACCOUNTANT'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-14
FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Statement of Net Position - Proprietary Fund	21
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	22
Statement of Cash Flows - Proprietary Fund	23
Statement of Fiduciary Net Position- Fiduciary Fund	24
NOTES TO FINANCIAL STATEMENTS	25-37
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Non-GAAP Basis) - General Fund	38
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Non-GAAP Basis) – Major Maintenance Fund	39
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	40
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	41
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	42
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	43-44
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	45-46
Schedule of Findings and Questioned Costs	47-48
Summary Schedule of Prior Audit Findings	49
Management's Response to Findings	50

McKEE, MARBURGER & FAGNANT, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

185 SOUTH FIFTH STREET

LANDER, WYOMING 82520

DEAN W. McKEE, CPA
RICHARD F. FAGNANT, CPA
MICHAEL B. LEWIS, CPA
DAVID BRINDA, CPA
SARAH L. SWEENEY, CPA

LORIELLE MORTON, CPA
TIMOTHY R. FIXTER, CPA, CFE

JOHN R. MORTENSON, CPA
OF COUNSEL

TELEPHONE
(307) 332-4545

FACSIMILE
(307) 332-3271

www.mmfcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Big Horn County School District Number 3
Greybull, Wyoming

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Big Horn County School District Number 3, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Big Horn County School District Number 3, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–14, and 38–39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 with 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Big Horn County School District Number 3's basic financial statements. The combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013, on our consideration of the Big Horn County School District Number 3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Number 3's internal control over financial reporting and compliance.

McKee, Marburger & Fagnant PC

McKee, Marburger & Fagnant, P.C.
Lander, Wyoming
November 15, 2013

Big Horn County School District Number 3 Management's Discussion and Analysis

This section of the Big Horn County School District Number 3 comprehensive annual Financial Report presents a discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2013. A comparative analysis of government-wide data will be presented. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statement, which immediately follow this section.

Financial Highlights

The General Fund ending fund balance increased from \$947,547 in fiscal year 2012 to \$1,096,377 in fiscal year 2013. This increase was due in part to comprehensive financial management and budgeting awareness. This figure represents resources available for the 2013-2014 budget.

The District saw its assessed valuation increase from \$122,106,922 in 2012 to \$122,595,407 in 2013. Over this same time period, the County's assessed valuation decreased from \$294,606,743 to \$289,109,390. This decrease resulted in an increased reliance on State funding.

The administration and school board members will continue to monitor student membership in Big Horn County School District Number 3 in order to be prepared for potential increases or decreases in funding due to fluctuating enrollment.

The District satisfied their long term debt in 2012-2013.

Salaries and benefits made up approximately 84% of the general fund expenditures for 2013.

The District administration and school board members will continue to monitor its fiscal alignment to the state's funding model for the 2013-2014 school year.

Overview of the Financial Statements

This annual report consists of two parts: management's discussion and analyses (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the district:

The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements.

The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what finances remain for future spending.

Proprietary funds statements offer *short-* and *long-term* financial information about the activities the District operated *like businesses*, such as food service.

**Big Horn County School District Number 3
Management's Discussion and Analysis (cont.)**

Fiduciary funds statements provide information about the financial relationship in which the District acts solely as a *trustee or agent* for the benefit of others. The most common of these are student activity accounts.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and are related to one another.

**Figure A-1
Big Horn County School District Number 3 Annual Financial Report**

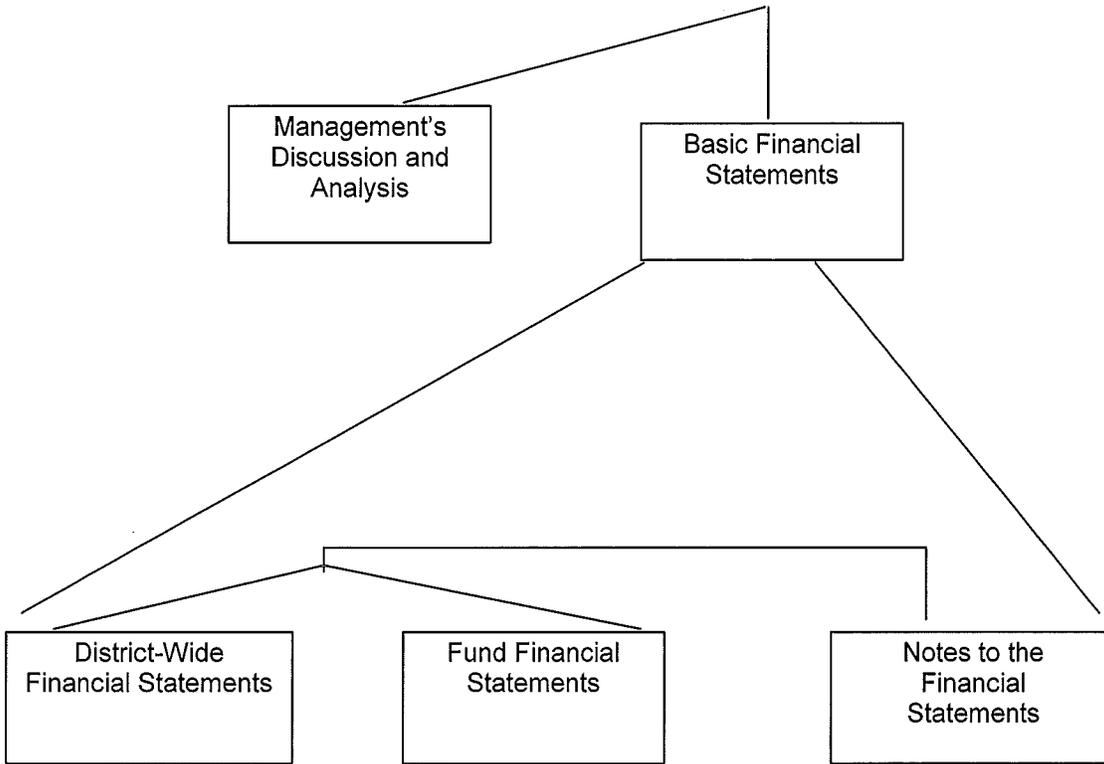


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that are covered and the types of information contained. The remainder of this overview section highlights the structure and contents of each statement.

**Big Horn County School District Number 3
Management Discussion and Analysis (cont.)**

**Figure A-2
Major Features of the District-Wide and Fund Financial Statements**

	District - Wide Statements	Fund Governmental Funds	Financial Proprietary Funds	Statements Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food service	Instances in which the District administers resources on behalf of someone else, such as student activity monies
Required Financial Statements	Statements of Net Position Statements of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement of Net Position Statement of Revenues, Expenses, and Changes in Fund Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting Basic and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short- and long-term
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid out	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Big Horn County School District Number 3 Management Discussion and Analysis (cont.)

District-Wide Financial Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year revenue and expenses are accounted for in the statement of activities regardless of when cash was received or paid.

The two District-wide statements report the District's *net position* and changes. Net position, the difference between the District's assets deferred outflows and liabilities, is one way to measure the District's financial health or *position*.

Over time, increases or decreases in the District's net position is an indicator of whether the financial position is improving or deteriorating, respectively.

However, to assess the District's overall financial health, one needs to consider other factors such as changes in the District's property tax bases, condition of school buildings, pending litigation, legislative issues, and student count numbers.

In the District-wide financial statements, the District's activities are divided into two categories:

- A. *Governmental activities*: Most of the District's basic services are included in this category, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- B. *Business-type activities*: The District charges to help cover the cost of certain services. The District's food service program is an example.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law while other funds have been established to control and manage money for particular reasons or to show that we are properly using certain revenues.

The District has three kinds of funds:

- A. *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

**Big Horn County School District Number 3
Management Discussion and Analysis (cont.)**

- B. *Proprietary funds:* Services for which the District charges a price or fee are generally reported in proprietary funds. Proprietary funds are reported the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flow. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. At this time the District does not use any internal service funds.
- C. *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as the student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance operations.

Financial Analysis of the District as a Whole

As shown in Figure A-3, the District's *combined* net position were \$20,319,657 at June 30, 2013.

Current Assets	\$ 3,751,603	\$ 31,956	\$ 3,783,559
Non-Current Assets	16,478,811	57,287	16,536,098
Total Assets	<u>\$ 20,230,414</u>	<u>\$ 89,243</u>	<u>\$ 20,319,657</u>
Current Liabilities	\$358,383	\$ 0	\$358,383
Non-Current Liabilities	25,363	0	25,363
Total Liabilities	<u>\$ 383,746</u>	<u>\$ 0</u>	<u>\$ 383,746</u>
Deferred Inflow of Resources	<u>\$ 1,884,525</u>	<u>\$ 0</u>	<u>\$ 1,884,525</u>
Net Investment			
in Capital Assets	\$ 16,478,811	\$ 57,287	\$ 16,536,098
Restricted	234,072	0	234,072
Unrestricted	1,249,260	31,956	1,281,216
Total Net Position	<u>\$ 17,962,143</u>	<u>\$ 89,243</u>	<u>\$ 18,051,386</u>

**Big Horn County School District Number 3
Management Discussion and Analysis (cont.)**

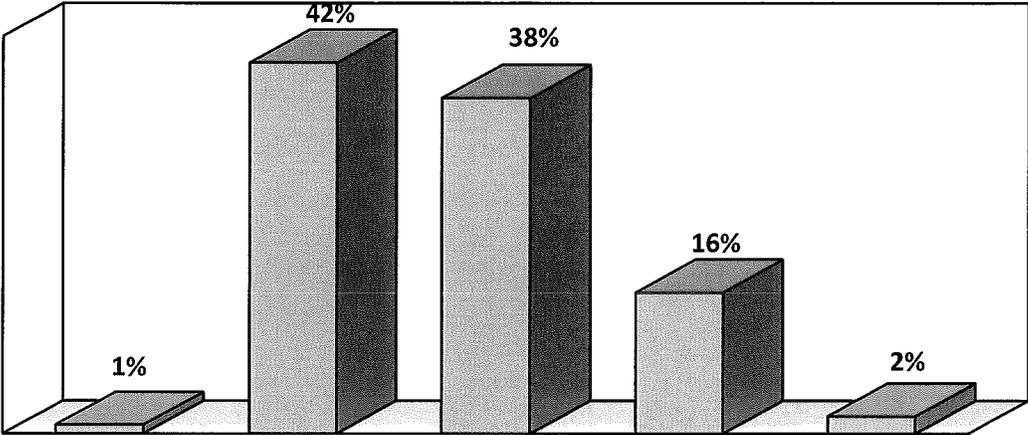
**Figure A-4
Changes in Net Position**

	Governmental Activities 2012	Governmental Activities 2013	Business Type Activities 2012	Business Type Activities 2013	Total School District 2012	Total School District 2013
REVENUES						
Program Revenues						
Charges for Services	\$ 0	\$ 0	\$ 66,295	\$ 63,879	\$ 66,295	\$ 63,879
Operating Grants	936,208	1,604,590	126,406	135,071	1,062,614	1,739,661
Capital Grants	0	174,909	0	0	0	174,909
General Revenues						
Property tax	3,280,377	3,770,446	0	0	3,280,377	3,770,446
State Aid	4,774,336	4,243,006	0	0	4,774,336	4,243,006
Other	79,385	69,764	0	0	79,385	69,764
Transfers	(155,000)	-164,587	125,000	164,587	30,000	0
Total Revenue	\$ 8,915,306	\$9,698,128	\$ 317,701	\$ 363,537	\$ 9,293,007	\$10,061,665
EXPENSES						
Instruction	\$ 5,617,161	\$ 5,808,938	\$ 0	\$ 0	\$ 5,617,161	\$ 5,808,938
Instructional Support	894,731	1,148,397	0	0	894,731	1,148,397
Administration/ General Support	918,884	924,691	0	0	918,884	924,691
Operations and Maintenance	256,490	415,015	0	0	256,490	415,015
Transportation	486,141	591,525	0	0	486,141	591,525
Major Maintenance	715,181	615,660	0	0	715,181	615,660
Interest on Long-Term Debt	9,890	0	0	0	9,890	0
Other	500	0	311,416	326,695	311,916	326,695
Total Expenses	\$ 8,898,978	\$ 9,504,226	\$ 311,416	\$ 326,695	\$ 9,210,394	\$9,830,921
Increase (Decrease)	\$ 16,328	193,902	\$ 6,285	\$ 36,842	\$ 82,613	\$ 230,744

**Big Horn County School District Number 3
Management Discussion and Analysis (cont.)**

**Figure A-5
Sources of Revenue for Fiscal
Year 2013**

Governmental Activities	
Capital Grants	1%
Intergovernmental (State)	51%
Property Taxes	35%
Operating Grants	11%
Other	2%

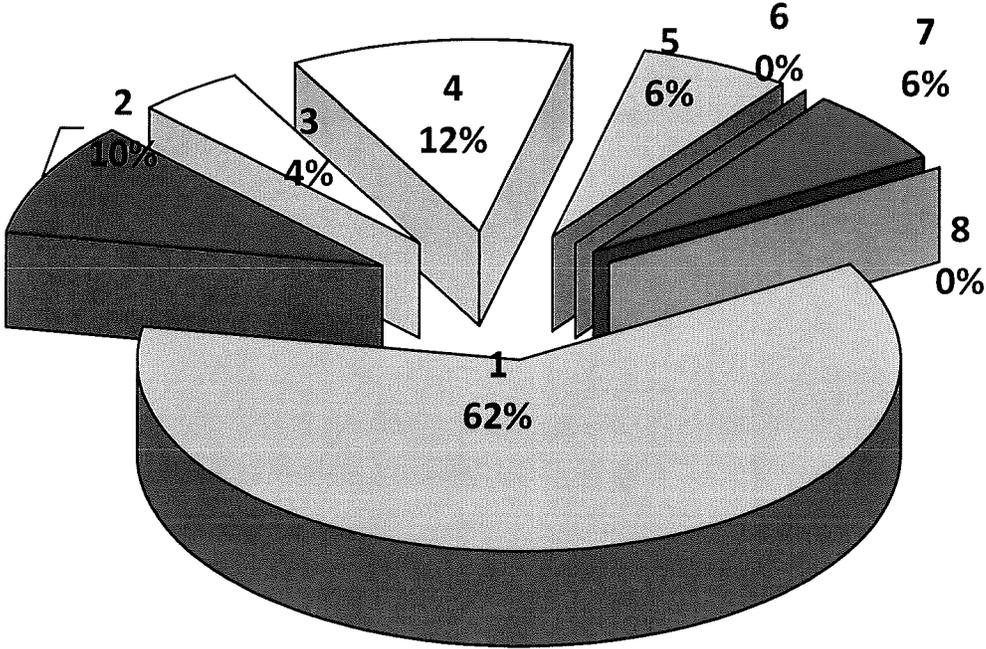


**Big Horn County School District Number 3
 Management Discussion and Analysis (cont.)**

**Expenses for Fiscal Year
 2013**

**Governmental
 Activities**

1	Instruction	\$	5,808,938
2	Administrative/General Support	\$	924,691
3	Operations/Maintenance	\$	415,015
4	Instructional Support	\$	1,148,397
5	Transportation	\$	591,525
6	Other	\$	0
7	Major Maintenance	\$	615,660
8	Interest on Long-Term Debt	\$	0
	Total	\$	<u>9,504,226</u>



**Big Horn County School District Number 3
Management Discussion and Analysis (cont.)**

Governmental Activities

Total revenues for the District's governmental activities increased by \$20,882 while total expenses increased by \$605,248. Major factors for the increase in expenses are due to the rising cost of instruction. The board and administration will monitor the school funding model, as designed by the legislature in 2012.

Figure A-6 represents the cost of the District's major activities. The table shows the total cost and the net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs, such as consolidated grant funds and major maintenance) of each activity.

**Figure A-6
Net Cost of Governmental Activities**

	Total Cost of Services 2012	Total Cost of Services 2013	Net Cost of Services 2012	Net Cost of Services 2013
Instruction	\$ 5,617,161	\$ 5,808,938	\$ 4,603,698	\$ 4,463,698
Instructional Support	894,731	1,148,397	894,731	1,148,397
Administration/General Support	918,884	924,691	918,884	924,691
Operational Maintenance	256,490	415,015	256,490	415,015
Transportation	486,141	591,525	486,141	591,525
Major Maintenance	715,181	615,660	443,466	181,401
Interest on Long-Term Debt	9,890	0	9,890	0
Other	500	0	500	0
Total	\$ 8,898,978	\$ 9,504,226	\$ 7,613,800	\$ 7,724,727

Instruction expenses include those directly related to the teaching of pupils.

Instructional support expenses include the costs of technical and specialist personnel who assist instructional staff.

Administration and general support includes those expenses associated with central, school and business administration plus board and technology services.

Operations and maintenance expenses include those involved with the general upkeep of the buildings and ground.

Transportation expenses represent those incurred in transporting students to and from school, as well as to and from school activities, as provided by State law.

Major Maintenance expenses are incurred from providing maintenance to our buildings which are outside of routine.

Interest on Long-Term Debt represents the interest on the District's debt.

Other represents those central supporting services to the District.

Big Horn County School District Number 3 Management Discussion and Analysis (cont.)

Business-Type Activities

The District's Food Service program is operated as a business-type program.

- Sales and federal reimbursements fell \$127,745 short of funding the program. Food service deficits are the responsibility of the general fund.

General Fund Budgetary Highlights

The District experienced increases in overall health and dental insurance premiums. Paraprofessionals were hired in the elementary and high schools to assist Hispanic students to help bridge the gap between the English and Spanish languages and to assist with special needs students.

The District follows the mandated fiscal year set by the State.

The District maintained the District's portion of employee health/dental insurance premium payments of 83% paid by the District and 17% paid by the employee. The District also paid full retirement benefits of 14.12% of each contracted employees salary.

Capital Assets

At the end of the fiscal year 2013, the District had \$16,481,811 invested in land, buildings, equipment and contents, and vehicles. Figure A-7 shows 2012 balances compared with 2013.

	<u>2012</u>	<u>2013</u>
Land and Construction in Progress	\$ 972,232	\$ 689,923
Buildings and Improvements	20,105,117	20,933,946
Equipment and contents	2,816,562	2,985,921
Vehicles	<u>1,154,144</u>	<u>1,157,080</u>
Total	<u>\$ 25,048,055</u>	<u>\$ 25,766,870</u>

Business-Type Capital Assets as of June 30, 2013

	<u>2012</u>	<u>2013</u>
Equipment and Contents	<u>\$ 218,448</u>	<u>\$ 243,035</u>

Big Horn County School District Number 3 Management Discussion and Analysis (cont.)

Long-Term Debt

At the end of the year, the District had \$16,324 in long-term debt. This represents a reduction of approximately 59% from the prior year as shown in Figure A-8.

The District's general obligation bonds were retired in 2012-2013.

Figure A-8
Outstanding Long-Term Debt

	<u>2012</u>	<u>2013</u>	<u>Change</u>
Early Retirement	31,710	13,015	-59%
Compensated Absences	35,213	28,672	-19%
Total	\$ 66,923	\$ 41,687	-38%

Current Issues

The District is continuing to monitor enrollment figures and the implementation of the funding model. If there are no additional funds made available through an increase in the State funding model, the District will be forced to consider its financial options.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, including that of the Recreation Board, please contact Sandra Menke, Business Manager, Big Horn County School District Number 3, 636 14th Avenue, North, Greybull, WY 82426.

Government-Wide Financial Statements

BIG HORN COUNTY SCHOOL DISTRICT NUMBER 3
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Recreation Board
ASSETS				
Current Assets				
Cash	\$ 1,577,679	\$ 15,501	\$ 1,593,180	\$ 99,981
Cash with fiscal agent	143,300	0	143,300	0
Investments	5,179	0	5,179	0
Other receivables	257,757	0	257,757	0
Property taxes	1,760,250	0	1,760,250	62,416
Internal balances receivable	7,438	0	7,438	0
Inventories	0	16,455	16,455	0
Total Current Assets	<u>3,751,603</u>	<u>31,956</u>	<u>3,783,559</u>	<u>162,397</u>
Noncurrent Assets				
Nondepreciated capital assets	689,923	0	689,923	0
Depreciated capital assets, net	15,788,888	57,287	15,846,175	17,106
Total Noncurrent Assets	<u>16,478,811</u>	<u>57,287</u>	<u>16,536,098</u>	<u>17,106</u>
TOTAL ASSETS	<u>20,230,414</u>	<u>89,243</u>	<u>20,319,657</u>	<u>179,503</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	\$ 335,880	\$ 0	\$ 335,880	\$ 2,924
Unearned Revenue	0	0	0	60,598
Grant Advances	6,179	0	\$ 6,179	0
Current portion of long-term debt	16,324	0	16,324	0
Total Current Liabilities	<u>358,383</u>	<u>0</u>	<u>358,383</u>	<u>63,522</u>
Noncurrent Liabilities				
Compensated absences and early retirement	25,363	0	25,363	0
TOTAL LIABILITIES	<u>383,746</u>	<u>0</u>	<u>383,746</u>	<u>63,522</u>
DEFERRED INFLOW OF RESOURCES				
Property taxes	1,698,379	0	1,698,379	0
Insurance premium reimbursement	186,146	0	186,146	0
TOTAL DEFERRED INFLOW OF RESOURCES	<u>1,884,525</u>	<u>0</u>	<u>1,884,525</u>	<u>0</u>
NET POSITION				
Net investment in capital asset	16,478,811	57,287	16,536,098	17,106
Restricted:				
Capital projects	65,447	0	65,447	0
Maintenance	129,360	0	129,360	0
Special Purpose	19,909	0	19,909	0
Scholarships	19,356	0	19,356	0
Unrestricted	1,249,260	31,956	1,281,216	98,875
TOTAL NET POSITION	<u>17,962,143</u>	<u>89,243</u>	<u>18,051,386</u>	<u>115,981</u>

See Notes to Financial Statements

BIG HORN COUNTY SCHOOL DISTRICT NUMBER 3
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Function/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Assets			Component Unit
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government							
Instruction							
Regular	\$ 4,545,277	\$ 975,683	\$ 174,909	\$ (3,394,685)	\$ 0	\$ (3,394,685)	\$ 0
Special	1,254,374	194,648	0	(1,059,726)	0	(1,059,726)	0
Vocational	9,287	0	0	(9,287)	0	(9,287)	0
Instructional support							
Instructional staff	483,028	0	0	(483,028)	0	(483,028)	0
Instructional pupil	665,369	0	0	(665,369)	0	(665,369)	0
General support							
Administration	766,565	0	0	(766,565)	0	(766,565)	0
Business	158,126	0	0	(158,126)	0	(158,126)	0
Board	0	0	0	0	0	0	0
Operations and maintenance	415,015	0	0	(415,015)	0	(415,015)	0
Transportation	591,525	0	0	(591,525)	0	(591,525)	0
Technology	0	0	0	0	0	0	0
Major maintenance	615,660	434,259	0	(181,401)	0	(181,401)	0
Total Governmental Activities	9,504,226	1,604,590	174,909	(7,724,727)	0	(7,724,727)	0
Business-Type Activities							
Food service	326,695	135,071	0	0	(127,745)	(127,745)	0
Total Primary Government	\$ 9,830,921	\$ 1,739,661	\$ 0	\$ (7,724,727)	\$ (127,745)	\$ (7,852,472)	\$ (214,284)
Component Units							
Recreation board	\$ 214,284	0	0	0	0	0	(214,284)
General Revenues							
Property taxes				3,770,446	0	3,770,446	132,761
Intergovernmental				4,243,006	0	4,243,006	0
Investment earnings				5,404	0	5,404	62,004
Miscellaneous income				64,360	0	64,360	47,367
Loss on disposal of assets				0	0	0	0
Transfers				(164,587)	164,587	0	0
Total general revenues and transfers				7,918,629	164,587	8,083,216	242,132
Change in net position				193,902	36,842	230,744	27,848
NET POSITION - JULY 1				17,768,241	52,401	17,820,642	88,133
NET POSITION - JUNE 30				\$ 17,962,143	\$ 89,243	\$ 18,051,386	\$ 115,981

See Notes to Financial Statements

(THIS PAGE LEFT BLANK INTENTIONALLY)

Fund Financial Statements

BIG HORN COUNTY SCHOOL DISTRICT NUMBER 3
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>Major Funds</u>				Total Governmental Funds
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Major Maintenance Fund</u>	<u>Nonmajor Funds</u>	
ASSETS					
Cash and cash equivalents	\$ 1,317,851	\$ 0	\$ 134,840	\$ 124,988	\$ 1,577,679
Investments	5,179	0	0	0	5,179
Cash with fiscal agent	143,300	0	0	0	143,300
Receivables					
Health Insurance	186,146	0	0	71,611	257,757
Taxes	1,758,899	1,351	0	0	1,760,250
Internal balances receivable	0	0	0	7,438	7,438
	<u>3,411,375</u>	<u>1,351</u>	<u>134,840</u>	<u>204,037</u>	<u>3,751,603</u>
Total Assets					
LIABILITIES					
Liabilities					
Accounts payable and accrued expenses	\$ 258,789	\$ 0	\$ 5,480	\$ 71,611	\$ 335,880
Internal balances payable	0	0	0	0	0
Grant advances	0	0	0	6,179	6,179
Unearned revenues	0	1,351	0	0	1,351
	<u>258,789</u>	<u>1,351</u>	<u>5,480</u>	<u>77,790</u>	<u>343,410</u>
Total Liabilities					
DEFERRED INFLOW OF RESOURCES					
Property taxes	1,870,063	0	0	0	1,870,063
Insurance premium reimbursement	186,146	0	0	0	186,146
	<u>2,056,209</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,056,209</u>
Total Deferred Inflow of Resources					
FUND BALANCE					
Restricted					
Debt service	0	0	0	0	0
Capital projects	0	0	0	65,447	65,447
Maintenance	0	0	129,360	0	129,360
Special Purpose	0	0	0	19,909	19,909
Scholarships	0	0	0	19,356	19,356
Assigned					
Scholarships	0	0	0	21,535	21,535
Unassigned	1,096,377	0	0	0	1,096,377
	<u>1,096,377</u>	<u>0</u>	<u>129,360</u>	<u>126,247</u>	<u>1,351,984</u>
Total Fund Balance					
TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCE					
	<u>\$ 3,411,375</u>	<u>\$ 1,351</u>	<u>\$ 134,840</u>	<u>\$ 204,037</u>	<u>\$ 3,751,603</u>

See Notes to Financial Statements

BIG HORN COUNTY SCHOOL DISTRICT NUMBER 3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 1,351,984
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of assets is \$25,769,870 and the accumulated depreciation is \$9,291,059.	16,478,811
Receivables will be collected after this year and are not considered available soon enough to pay for current period's expenditures, and therefore are deferred in the governmental funds.	173,035
Property taxes Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year end consist of:	
Compensated absences and early retirement payable	(41,687)
 TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	 \$ 17,962,143

BIG HORN COUNTY SCHOOL DISTRICT NUMBER 3
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	<u>Major Funds</u>			<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Major Maintenance Fund</u>		
REVENUES					
Taxes	\$ 3,753,448	\$ 91	\$ 0	\$ 0	\$ 3,753,539
Intergovernmental	4,243,006	0	434,259	1,345,240	6,022,505
Investment income	2,891	0	2,495	18	5,404
Other revenue	61,822	0	0	2,538	64,360
Total Revenues	<u>8,061,167</u>	<u>91</u>	<u>436,754</u>	<u>1,347,796</u>	<u>9,845,808</u>
EXPENDITURES					
Current					
Instruction					
Regular	3,302,171	0	0	974,049	4,276,220
Special	1,059,726	0	0	194,648	1,254,374
Instructional support					
Instructional staff	483,028	0	0	0	483,028
Instructional pupil	665,369	0	0	0	665,369
General support					
Administration	766,565	0	0	0	766,565
Business	158,126	0	0	0	158,126
Board					
Operations and maintenance	806,425	0	0	0	806,425
Transportation	634,331	0	0	0	634,331
Major maintenance	0	0	615,660	0	615,660
Capital outlay					
Facilities acquisition, construction, and improvement services	0	0	0	174,909	174,909
Total Expenditures	<u>7,875,741</u>	<u>0</u>	<u>615,660</u>	<u>1,343,606</u>	<u>9,835,007</u>
Excess of revenues over (under) expenditures	<u>185,426</u>	<u>91</u>	<u>(178,906)</u>	<u>4,190</u>	<u>10,801</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	103,378	0	0	0	103,378
Operating transfers out	(140,000)	(103,378)	0	0	(243,378)
Total Net Transfers	<u>(36,622)</u>	<u>(103,378)</u>	<u>0</u>	<u>0</u>	<u>(140,000)</u>
Excess of revenues and other sources over (under) expenditures and other	148,804	(103,287)	(178,906)	4,190	(129,199)
FUND BALANCE - JULY 1	<u>947,573</u>	<u>103,287</u>	<u>308,266</u>	<u>122,057</u>	<u>1,481,183</u>
FUND BALANCE - JUNE 30	<u>\$ 1,096,377</u>	<u>\$ 0</u>	<u>\$ 129,360</u>	<u>\$ 126,247</u>	<u>\$ 1,351,984</u>

See Notes to Financial Statements

BIG HORN COUNTY SCHOOL DISTRICT NUMBER 3
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (129,199)

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

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 capital outlays exceeds depreciation expense and loss on dispositions in the period.

Depreciation expense	(660,111)	
Capital outlays	<u>940,598</u>	280,487

Because some revenues will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount.

16,907

Governmental funds do not reflect expenses which will be paid by future financial resources. However, accrued obligations at year end are reflected in the statement of activities and expenses.

Accrued compensated absences and early retirement		<u>25,707</u>
---	--	---------------

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 193,902**

BIG HORN COUNTY SCHOOL DISTRICT NUMBER 3
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

ASSETS	Food Service
Current Assets	
Cash	\$ 15,501
Inventory	<u>16,455</u>
Total Current Assets	31,956
Noncurrent Assets	
Equipment (net of accumulated depreciation)	<u>57,287</u>
TOTAL ASSETS	<u><u>\$ 89,243</u></u>
NET POSITION	
Net investment in capital assets	57,287
Unrestricted	<u>31,956</u>
TOTAL NET POSITION	<u><u>\$ 89,243</u></u>

BIG HORN COUNTY SCHOOL DISTRICT NUMBER 3
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	<u>Food Service</u>
OPERATING REVENUES	
Charges for services	<u>\$ 63,879</u>
OPERATING EXPENSES	
Salaries	99,317
Employee benefits	62,528
Purchased services	3,338
Direct food costs	141,142
Commodities	15,348
Depreciation	<u>5,022</u>
Total Operating Expenses	<u>326,695</u>
Operating income (loss)	<u>(262,816)</u>
NONOPERATING REVENUES	
Federal reimbursements	<u>135,071</u>
Total Nonoperating Revenues	<u>135,071</u>
Income (loss) before transfers	(127,745)
TRANSFERS IN	
Operating transfers	<u>164,587</u>
Net income (loss)	36,842
NET POSITION - JULY 1	<u>52,401</u>
NET POSITION- JUNE 30	<u><u>\$ 89,243</u></u>

See Notes to Financial Statements

BIG HORN COUNTY SCHOOL DISTRICT NUMBER 3
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	<u>Food Service</u>
INCREASE (DECREASE) IN CASH	
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 63,879
Cash payments for goods and services	(166,827)
Cash paid to employees	<u>(161,845)</u>
Net Cash Used in Operating Activities	<u>(264,793)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	<u>(24,587)</u>
Net Cash Provided by Investing Activities	<u>(24,587)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from federal sources	135,071
Operating transfer from other fund	<u>164,587</u>
Net Cash Provided by Noncapital Financing Activities	<u>299,658</u>
NET CHANGE IN CASH	10,278
CASH - BEGINNING OF YEAR	<u>5,223</u>
CASH - END OF YEAR	<u><u>\$ 15,501</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating income (loss)	\$ (262,816)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation	5,022
(Increase) decrease in inventory	<u>(6,999)</u>
Net Cash Used in Operating Activities	<u><u>\$ (264,793)</u></u>

BIG HORN COUNTY SCHOOL DISTRICT NUMBER 3
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2013

	<u>Student Activity</u>
ASSETS	
Cash	<u>\$ 92,521</u>
LIABILITIES	
Accounts payable and accrued expenses	1,912
Internal balances payable	\$ 7,438
Due to student groups	<u>83,171</u>
Total Liabilities	<u>92,521</u>
NET POSITION	
Unrestricted	<u>\$ 0</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)

Notes to Financial Statements

BIG HORN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - Organization and Summary of Significant Accounting Policies

General Information

Big Horn County School District Number 3 (the District) operates under an elected board of trustee's format and provides educational services to the children of the District. The District offers an educational program for grades Kindergarten through 12. The District operates Greybull High School (grades 9-12), Greybull Middle School (grades 6-8), and Greybull Elementary School (grades K-5).

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Big Horn County School District Number 3, this includes general operations, food service, and student related activities of the School District. The following activities are also included within the reporting entity.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The Greybull Recreation District is the only component unit of the School District.

The Greybull Recreation District has been included as a discretely presented component unit in the financial statements. The Board of Trustees of the School District (1) appoint all of the seven board members to the recreation board, and (2) approve up to 1 mil tax levy for recreation authorized by Title 18, Chapter 9, Article 2 of the Wyoming Statutes. Separate financial statements of the recreation district may be obtained by contacting the Greybull Recreation District, 527 1 Avenue South, Greybull, WY 82426.

The most significant of the School District's accounting policies are described below:

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, consisting of a statement of net position, and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

NOTE 1 - Organization and Summary of Significant Accounting Policies (cont.)

Basis of Presentation (cont.)

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

The statement of net position presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

2. Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major governmental fund and proprietary fund are presented in separate columns. Non-major funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the School District's enterprise fund are food service charges. Operating expenses for the School District's enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

Fund Accounting

The School District uses funds to maintain its financial records with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

1. Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. Following are the School District's major governmental funds.

NOTE 1 - Organization and Summary of Significant Accounting Policies (cont.)

Fund Accounting (cont.)

General Fund

The general fund is the operating fund of the School District and is used to account for all financial resources not accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Wyoming.

Debt Service Fund

The debt service fund of the School District is used to account for tax revenues and other resources are restricted, committed, or assigned to expenditure for principal and interest.

Major Maintenance Fund

The major maintenance fund accounts for resources from the State of Wyoming used for the maintenance of capital assets.

Nonmajor Governmental Funds

The other governmental funds of the School District account for grants and other resources whose use is restricted or committed to a particular purpose.

Capital Projects Fund

The capital projects fund accounts for all financial resources, generally from State of Wyoming sources, that are restricted, committed, or assigned, for the acquisition, construction, or improvement of capital facilities.

2. Proprietary Fund

The proprietary fund is used to account separately for operations that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs of providing goods or services are financed or recovered in part through user charges. The School District's only proprietary fund is the Food Service Enterprise fund.

Operating revenues are defined as direct charges related to the fund's activities such as sales for school lunches. Non operating revenues are revenues generated from federal reimbursement and or different grants that the school may obtain and not directly related to the sales of school lunch services.

3. Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the School District's own programs. The School District has no trust funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The School District's agency fund accounts for those student activity programs. The student activity programs have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

NOTE 1 - Organization and Summary of Significant Accounting Policies (cont.)

Measurement Focus and Basis of Accounting

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as is the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net positions are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

2. Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period.

Revenue from federal, state, and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as grant advances until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Budget and Budgetary Accounting

The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts after approved budget amendments during fiscal year 2013.

The District follows these procedures in establishing the budgetary data reflected for the General Fund in the financial statements. The Special Revenue, Debt Service, and Capital Projects Funds are also required to adopt budgets although that data is not presented in the financial statements.

- Prior to May 15, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing that July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. In addition, more detailed line budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
- Public hearings are conducted within the District to obtain taxpayer comments.
- Prior to August 1, the budget is legally enacted through passage of a motion.

Big Horn County School District Number 3

Notes to Financial Statements

June 30, 2013

NOTE 1 - Organization and Summary of Significant Accounting Policies (cont.)

Budget and Budgetary Accounting (cont.)

- The District can, after public notice, transfer budgeted amounts between departments within any funds.
- Budgets for the General, Special Revenue, Debt Service, and Capital Project Funds are adopted on a basis and perspective which can differ significantly from generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Board. Management exercises control by line item.
- All appropriations, except capital projects funds, lapse each fiscal year end.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers cash and cash equivalents to consist of all cash, either on hand or in banks, including time deposits, and any highly liquid debt instruments purchased with a maturity of three months or less.

Inventory

On government-wide financial statements and the proprietary fund financial statements, inventory is presented at the lower of cost or market on a first-in, first-out basis. Inventory consists of expendable supplies and food held for use and accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased and are charged to expense when consumed or sold.

Property Taxes

The District's property taxes are levied at the County level on October 1 of each year. The County Assessor is responsible for assessment of all taxable real property within Big Horn County. The County Treasurer computes the annual tax for each parcel of real property and prepares tax books used as the basis for issuing tax bills to all taxpayers in the County. Property taxes are collected by the County Treasurer, who remits to each unit its respective share of the collections. Provided the payments are timely, the tax can be paid in two equal installments on November 10 and May 10 or the tax may be paid in full on December 31. Taxes collected are distributed after the end of each month.

The levy becomes an enforceable lien against the property as of January 1 of the preceding levy year. Thus, in accordance with GASB Codification Section N50, a property tax receivable has been recorded equal to fifty percent of the amount levied for the District on the following August. This amount is considered a deferred inflow of resources and will be recognized in the period for which the taxes are levied. A one percent allowance has been recorded against the receivable at year-end.

Capital Assets

General capital assets result from expenditures in the governmental funds and include property, plant, and equipment. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District capitalizes items costing \$500 or more that have estimated useful lives in excess of one year. The School District possesses insignificant infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

NOTE 1 - Organization and Summary of Significant Accounting Policies (cont.)

Capital Assets (cont.)

All reported capital assets except for land and land improvements are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives.

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	20- 50 years
Furniture and equipment	3-10 years
Vehicles	3-8 years

Compensated Absences

Compensated absences, consisting of vacation and sick leave, are reported in the fund financial statements in the period paid. For purposes of the government-wide financial statements, the liability for compensated absences is reflected when vested to the employees.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, 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 governmental funds. The bonds and capital leases, and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until the maturity date of each installment.

Grant Advances

Grant advances are amounts received from grant and contract sponsors that have not been earned.

Fund Balance

The District uses the fund balance definitions in GASB Codification Section 1800 for financial reporting for all governmental fund type. The definitions provide more clearly defined fund balance categories to make the nature and extent of the constraints place on government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints.

Nonspendable fund balance – amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself enacted by resolution of the District's Board of Directors. Committed fund balance cannot be used for any other purpose unless the commitment expires as set forth in the resolution, or a new resolution by the District's Board of Directors.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the District's Board of Directors delegates authority.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Big Horn County School District Number 3

Notes to Financial Statements

June 30, 2013

NOTE 1 - Organization and Summary of Significant Accounting Policies (cont.)

Fund Balance (cont.)

The School District applies nonspendable, restricted, committed, assigned, and then unassigned resources when an expense is incurred for purposes that satisfy the related definition and criteria for the related net position classification shown above for government wide financial statements.

The District applies restricted and then unrestricted resources when an expense is incurred for purposes that satisfy the related definition and criteria for the related net position classification shown above for fund financial statements.

The board has not elected to adopt a minimum fund balance policy as of June 30, 2013.

Net position

Net position is a function of assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources equals net position. The caption 'invested in capital assets, net of related debt', consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" in the governmental fund financial statements. Interfund receivables and payables are eliminated in the government-wide financial statements, except those with business-type and fiduciary funds, which are reported in the government-wide financial statements as "internal balances".

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Recently Adopted Accounting Standards

During 2012, the District adopted the following GASB Statements:

GASB Statement No. 62, ("GASB 62") *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* was issued in December 2010. The objective of GASB 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board (FASB) Statements and Interpretations; (2) Accounting Principles Board Opinions; and (3) Accounting research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement did not have a significant impact on the School District's financial statements.

NOTE 1 - Organization and Summary of Significant Accounting Policies (cont.)

Recently Adopted Accounting Standards (cont.)

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. The requirements of GASB 62 became effective for fiscal periods beginning after December 31, 2011. The adoption of this Statement, effective January 1, 2012, had no impact on the financial statements of the District.

GASB Statement No. 63, ("GASB 63") *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related disclosures. GASB 63 provides that amounts that are required to be reported as deferred outflows of resources be reported in the statement of financial position in a separate section following assets. Similarly, amounts that are required to be reported as deferred inflows of resources be reported in the statement of financial position in a separate section following liabilities. The term "net position" replaces the term "net position" for reporting the net residual of assets and deferred outflows in excess of liabilities and deferred inflows. The requirements of the new statement became effective for fiscal periods beginning after December 15, 2011. This statement impacted the format and reporting of the balance sheet at the government-wide and also at the fund level.

Accounting Standards Issued and Early Adopted

GASB Statement No. 65, ("GASB 65") *Items Previously Reported as Assets and Liabilities*. The objective of this statement is 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 (expenses) or inflows of resources (revenues). The provisions of this Statement are effective for fiscal periods beginning after December 15, 2012. The District has completed the process of evaluating the impact that may result from adopting GASB 65 and elected to early adopt this standard in conjunction with GASB Statement No. 63. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

NOTE 2 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP); the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

- A. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- B. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).

NOTE 2 - Budgetary Basis of Accounting (cont.)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Major Maintenance Fund.

	<u>Net Change in Fund Balance</u>	
	<u>General Fund</u>	<u>Major Maintenance Fund</u>
GAAP Basis	\$ 148,804	\$ (178,906)
Net adjustment for revenue accruals	0	0
Net adjustment for expenditure accruals	(14,561)	(42,958)
Budget Basis	<u>\$ 134,243</u>	<u>\$ (221,864)</u>

NOTE 3 - Deposits and Investments

Statutes authorize the District to invest primarily in various federal government instruments, savings certificates of savings and loan associations, bank certificates of deposits, Wyoming State Treasurer Investment Pool, and Wyoming Government Investment Pool. The District has elected to invest cash in excess of immediate needs in normal bank accounts that provide immediate liquidity.

The District's cash and investments are subject to several types of risk, which are examined in more detail below.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At year-end, the carrying amount of the District's bank deposits (for both the primary government and the component units) was \$1,939,748 and the bank balance was \$2,007,432. Of the bank balance, \$565,447 was covered by federal depository insurance; \$1,441,985 was covered by collateral held in the pledging banks' trust departments.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize the custodial credit risk by limiting investments to the types of securities allowed by state law and by pre-qualifying the financial institutions, broker/dealers intermediaries, and advisors with which the District would do business.

The Wyoming Government Investment Fund is an external investment pool that invests primarily in U.S. Government Agency Obligations and short-term commercial obligations. The pooled securities are held in safekeeping by a third party trust in the pool's name. The pool reports their investments at amortized cost, which they believe approximates fair value. The Wyoming Government Investment Fund is not rated. At June 30, 2013, the District had \$5,179 invested in the fund.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. The District minimizes the concentration of the credit risk by diversification so that the impact of potential losses from any one type of deposit and or security or issuer will be minimized.

As of June 30, 2013 the District had deposits in three financial institutions. Two of these intuitions held over 5% of the District's total deposits.

Big Horn County School District Number 3

Notes to Financial Statements

June 30, 2013

NOTE 4 - Receivables

Receivables at June 30, 2013, consisted of property taxes, accounts, and intergovernmental grants. Taxes receivable represent uncollected taxes and interest thereon, net of an allowance for uncollectibles, which amounts to approximately \$44,000. Other receivables are considered collectible in full. Other receivables at June 30, 2013 include: \$257,757 in the special revenue fund which consisted of various state and federal grants as well as \$186,146 in excess health insurance premiums that will be paid to them over the next two years as a result of a previous contract with the previous health insurance provider. The previous health insurance provider is paying back the reserves according to the contractual agreement. The District has recognized a corresponding receivable and deferred inflows of resources for the amount owed. The entire balance is expected to be paid back to the District in full by June 30, 2015.

NOTE 5 - Capital Assets

Capital Assets activity for the fiscal year ended June 30, 2013, is as follows:

	<u>Balance June 30, 2012</u>	<u>Additions & Transfers</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 506,643	\$ 0	\$ 0	\$ 506,643
Construction in process	465,589	516,114	798,423	183,280
Total Capital Assets, Not Being Depreciated	<u>972,232</u>	<u>516,114</u>	<u>798,423</u>	<u>689,923</u>
Capital Assets, Being Depreciated				
Buildings and improvements	20,105,117	828,829	0	20,933,946
Equipment and contents	2,816,562	256,328	86,969	2,985,921
Vehicles	1,154,144	134,750	131,814	1,157,080
Total Capital Assets, Being Depreciated	<u>24,075,823</u>	<u>1,219,907</u>	<u>218,783</u>	<u>25,076,947</u>
Less Accumulated Depreciation				
Buildings and improvements	6,194,162	374,256	0	6,568,418
Equipment and contents	1,843,812	209,479	86,969	1,966,322
Vehicles	808,757	76,376	131,814	753,319
Total Accumulated Depreciation	<u>8,846,731</u>	<u>660,111</u>	<u>218,783</u>	<u>9,288,059</u>
Capital Assets, Being Depreciated, Net	<u>15,229,092</u>	<u>559,796</u>	<u>0</u>	<u>15,788,888</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,201,324</u>	<u>\$ 1,075,910</u>	<u>\$ 798,423</u>	<u>\$ 16,478,811</u>
Business-Type Activities				
Capital Assets, Being Depreciated				
Equipment and contents	\$ 218,448	\$ 24,587	\$ 0	\$ 243,035
Less Accumulated Depreciation	180,726	5,022	0	185,748
Business-Type Activities Capital Assets, Net	<u>\$ 37,722</u>	<u>\$ 19,565</u>	<u>\$ 0</u>	<u>\$ 57,287</u>
Component Unit - Recreation Board				
Capital Assets, Being Depreciated				
Equipment and contents	\$ 38,515	\$ 0	\$ 0	\$ 38,515
Less Accumulated Depreciation	17,974	3,435	0	21,409
Component Unit Capital Assets, Net	<u>\$ 20,541</u>	<u>\$ (3,435)</u>	<u>\$ 0</u>	<u>\$ 17,106</u>

Big Horn County School District Number 3

Notes to Financial Statements

June 30, 2013

NOTE 5 - Capital Assets (cont.)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities

Instruction	
Regular	\$ 551,092
Special	0
Vocational	9,287
General Support	
Operations and maintenance	7,788
Transportation	91,944
Total Depreciation Expense-Governmental Activities	<u>660,111</u>

Business-Type Activities

Food service	<u>5,022</u>
--------------	--------------

Component Unit

Recreation	<u>\$ 3,438</u>
------------	-----------------

NOTE 6 - Defined Benefit Pension Plans

The District contributes to the Wyoming Retirement System (WRS) Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the Wyoming Retirement System. WRS provides retirement, disability, and death benefits to plan members and beneficiaries. The Wyoming Retirement Board, after approval of the Wyoming State Legislature, may amend contribution requirements to WRS. WRS issues a publicly available financial report that includes financial statements and required supplementary information for WRS. That report may be obtained by writing to Wyoming Retirement Board, First Floor East-Herschler Building, 112 West 25th Street, Cheyenne, WY 82002.

The plan statutorily required 11.25%, until September of 2010 when the rate was increased 2.87% bringing the required contribution rate to 14.12% of the participant's salary to be contributed to the plan, paid by the participant and the employer in a manner as determined by the employer. Total District contributions to WRS for the years ended June 30, 2013, 2012, and 2011 were \$655,850, \$655,909 and \$643,490, respectively.

NOTE 7 - Long-Term Debt

The following is a summary of changes in long-term debt of the District for the year:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>	<u>Current Portion of Long-Term Debt</u>
Compensated absences	\$ 35,213	\$ 330,888	\$ 337,429	28,672	\$ 7,168
Early retirement	31,710	0	18,695	13,015	9,156
	<u>\$ 66,923</u>	<u>\$ 330,888</u>	<u>\$ 356,124</u>	<u>\$ 41,687</u>	<u>\$ 16,324</u>

Big Horn County School District Number 3
 Notes to Financial Statements
 June 30, 2013

NOTE 7 - Long-Term Debt (cont.)

At June 30, 2013, the District is committed to the following annual payments for early retirement:

<u>Year</u>	<u>Amount</u>
2014	\$ 9,656
2015	3,359
	<u>\$ 13,015</u>

NOTE 8 - Due To/From Other Funds and Transfers

Interfund receivables and payable balances as of June 30, 2013, are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other</u>
Non-major governmental funds	\$ 0	\$ 7,438
Agency fund	7,438	0
	<u>\$ 7,438</u>	<u>\$ 7,438</u>
		Transfers from Other Funds
Interfund Transfers	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General fund	\$ 140,000	\$ 103,378
Food service	0	140,000
Debt Service fund	103,378	0
	<u>\$ 243,378</u>	<u>\$ 243,378</u>

The purpose of the transfer from the General Fund to the Enterprise Fund was to finance operations.

Big Horn County School District Number 3

Notes to Financial Statements

June 30, 2013

NOTE 9 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

B. Litigation

None

C. Property and Liability Risk Management

Real and personal property owned by the District is subject to loss from natural disasters and actions of others. In addition, the District has the potential to be named as a responsible party in liability claims. The District purchases commercial insurance packages to offset such losses, should they occur.

NOTE 10 - Upcoming Accounting Pronouncements

The Government Accounting Standards Board (GASB) has issued Statements No. 67, which applies to financial reporting by most pension plans and No. 68, *Accounting and Financial Reporting for Pensions*, which applies to financial reporting by most governments that provide their employees with pension benefits. Statement No. 67 is effective for periods beginning on or after June 15, 2013 and Statement No. 68 is effective for periods beginning on or after June 15, 2014. These statements will result in major changes in the calculation and reporting of pension obligations and expenses. The District will be required to recognize their unfunded pension benefit obligation as liability on its government wide statements. The district currently evaluation the impact this standard will have on its financial statements.

Required Supplementary Information

BIG HORN COUNTY SCHOOL DISTRICT NUMBER 3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,846,539	\$ 3,846,539	\$ 3,753,448	\$ (93,091)
Intergovernmental	4,243,006	4,243,006	4,243,006	0
Investment income	5,000	5,000	2,891	(2,109)
Other revenue	32,582	32,582	61,822	29,240
	<u>8,127,127</u>	<u>8,127,127</u>	<u>8,061,167</u>	<u>(65,960)</u>
Total Revenues				
EXPENDITURES				
Instruction				
Regular	3,428,647	3,428,647	3,318,222	110,425
Special	1,141,195	1,141,195	1,059,726	81,469
Instructional support				
Instructional staff	455,000	455,000	483,028	(28,028)
Instructional pupil	635,783	635,783	665,369	(29,586)
General support				
Administration	807,283	807,283	766,565	40,718
Business	210,300	210,300	158,126	52,174
Operations and maintenance	815,000	815,000	804,935	10,065
Transportation	650,000	650,000	634,331	15,669
Total Expenditures	<u>8,143,208</u>	<u>8,143,208</u>	<u>7,890,302</u>	<u>252,906</u>
Excess of revenues over (under) expenditures	<u>(16,081)</u>	<u>(16,081)</u>	<u>170,865</u>	<u>186,946</u>
OTHER FINANCING SOURCES (USES)				
Fund transfers (out)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(36,622)</u>	<u>113,378</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(166,081)</u>	<u>(166,081)</u>	<u>134,243</u>	<u>300,324</u>
FUND BALANCE - JULY 1	<u>(197,005)</u>	<u>(137,081)</u>	<u>50,198</u>	<u>187,279</u>
FUND BALANCE - JUNE 30	<u>\$ (363,086)</u>	<u>\$ (303,162)</u>	<u>\$ 184,441</u>	<u>\$ 487,603</u>

BIG HORN COUNTY SCHOOL DISTRICT NUMBER 3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL (NON-GAAP BASIS)
MAJOR MAINTENANCE FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
REVENUES				
Intergovernmental	\$ 434,259	\$ 434,259	\$ 434,259	\$ 0
Investment income	425	425	2,495	2,070
Other revenue	132,070	132,070	0	(132,070)
	<u>566,754</u>	<u>566,754</u>	<u>436,754</u>	<u>(130,000)</u>
Total Revenues				
EXPENDITURES				
Total Capital Outlay	<u>788,618</u>	<u>788,618</u>	<u>658,618</u>	<u>(130,000)</u>
Excess of revenues over (under) expenditures	<u>(221,864)</u>	<u>(221,864)</u>	<u>(221,864)</u>	<u>0</u>
FUND BALANCE - JULY 1	<u>356,602</u>	<u>356,602</u>	<u>305,940</u>	<u>(50,662)</u>
FUND BALANCE - JUNE 30	<u>\$ 134,738</u>	<u>\$ 134,738</u>	<u>\$ 84,076</u>	<u>\$ (50,662)</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)

Supplementary Information

BIG HORN COUNTY SCHOOL DISTRICT NUMBER 3
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>Combined Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Scholarship Trust Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and investments in treasury	\$ 26,088	65,447	\$ 33,453	\$ 124,988
Receivables				
Grants	71,611	0	0	71,611
Internal balances receivable	<u>0</u>	<u>0</u>	<u>7,438</u>	<u>7,438</u>
Total Assets	<u>\$ 97,699</u>	<u>\$ 65,447</u>	<u>\$ 40,891</u>	<u>\$ 204,037</u>
LIABILITIES				
Liabilities				
Accounts payable and accrued expenses	\$ 71,611	\$ 0	\$ 0	\$ 71,611
Grant advances	<u>6,179</u>	<u>0</u>	<u>0</u>	<u>6,179</u>
Total Liabilities	<u>77,790</u>	<u>0</u>	<u>0</u>	<u>77,790</u>
FUND BALANCE				
Restricted:				
Special Purposes	19,909	0	0	19,909
Capital projects	0	65,447	0	65,447
Scholarships	0	0	19,356	19,356
Assigned:				
Scholarships	<u>0</u>	<u>0</u>	<u>21,535</u>	<u>21,535</u>
Total Fund Balance	<u>19,909</u>	<u>65,447</u>	<u>40,891</u>	<u>126,247</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 97,699</u>	<u>\$ 65,447</u>	<u>\$ 40,891</u>	<u>\$ 204,037</u>

BIG HORN COUNTY SCHOOL DISTRICT NUMBER 3
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	<u>Combined Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Scholarship Trust Fund</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Intergovernmental	\$ 1,170,331	\$ 174,909	\$ 0	\$ 1,345,240
Investment income	18	0	0	18
Other revenue	0	0	2,538	2,538
	<u>1,170,349</u>	<u>174,909</u>	<u>2,538</u>	<u>1,347,796</u>
EXPENDITURES				
Current				
Instruction				
Regular	973,725	0	324	974,049
Special	194,648	0	0	194,648
Capital Outlay	0	174,909	0	174,909
	<u>1,168,373</u>	<u>174,909</u>	<u>324</u>	<u>1,343,606</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	0	0	0	0
Excess of revenues over (under) expenditures	1,976	0	2,214	4,190
FUND BALANCE - JULY 1	<u>17,933</u>	<u>65,447</u>	<u>38,677</u>	<u>122,057</u>
FUND BALANCE - JUNE 30	<u>\$ 19,909</u>	<u>\$ 65,447</u>	<u>\$ 40,891</u>	<u>\$ 126,247</u>

BIG HORN COUNTY SCHOOL DISTRICT NUMBER 3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass- Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Education			
Passed Through State Department of Education			
Vocational Education	84.048A	130203VEA00	\$ 17,122
Vocational Education	84.048A	1202032VEA00	3,202
Special Education Title VIb	84.027A	130203VIB00	34,458
Special Education Title VIb	84.027A	130203VIB00	3,544
Special Education - Preschool	84.173A	1202032T6900	126,384
Special Education - Preschool	84.173A	110203VIB00	1,096
Title I	84.010A	1302032T1A00	180,052
Title I	84.010A	1202032T1A00	7,786
Title I	84.010A	110203T1A00	646
Title IIA	84.367A	1202032T2A00	6,338
Title IIA	84.367A	1302032T2A00	27,755
School Improvement Grant	84.388A	1202032AGIA0	<u>554,682</u>
Total Department of Education			<u>963,065</u>
U.S. Department of Agriculture			
Passed through State Department of Education			
National School Lunch Program			
Reimbursement	10.555		93,029
Value of USDA Commodities	10.555		15,348
Fresh Fruits and Vegetable Program	10.582		<u>10,406</u>
Total Department of Agriculture			<u>118,783</u>
Total Federal Financial Assistance			<u>\$ 1,081,848</u>

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Big Horn County School District Number 3 and is presented on the modified accrual basis of accounting, except for amounts presented under the U.S. Department of Agriculture, which are presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

McKEE, MARBURGER & FAGNANT, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

185 SOUTH FIFTH STREET

LANDER, WYOMING 82520

DEAN W. MCKEE, CPA
RICHARD F. FAGNANT, CPA
MICHAEL B. LEWIS, CPA
DAVID BRINDA, CPA
SARAH L. SWEENEY, CPA

LORIELLE MORTON, CPA
TIMOTHY R. FIXTER, CPA, CFE

JOHN R. MORTENSON, CPA
OF COUNSEL

TELEPHONE
(307) 332-4545

FACSIMILE
(307) 332-3271

www.mmfcpa.com

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*

Board of Trustees
Big Horn County School District Number 3
Greybull, Wyoming

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Big Horn County School District Number 3 (the District) as of and for the year ended June 30, 2013, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 15, 2013. 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.

Internal Control Over Financial Reporting

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

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control (Finding 2013-1), described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Big Horn County School District Number 3's Response To The Findings

Big Horn County School District Number 3's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Big Horn County School District Number 3's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report is intended solely for the information and use of management of Big Horn County School District Number 3, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

McKee, Markburger & Fogmenet PC

Lander, Wyoming
November 15, 2013

McKEE, MARBURGER & FAGNANT, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

185 SOUTH FIFTH STREET

LANDER, WYOMING 82520

DEAN W. MCKEE, CPA
RICHARD F. FAGNANT, CPA
MICHAEL B. LEWIS, CPA
DAVID BRINDA, CPA
SARAH L. SWEENEY, CPA

LORIELLE MORTON, CPA
TIMOTHY R. FIXTER, CPA, CFE

JOHN R. MORTENSON, CPA
OF COUNSEL

TELEPHONE
(307) 332-4545

FACSIMILE
(307) 332-3271

www.mmfcpa.com

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

Board of Trustees
Big Horn County School District Number 3
Lander, Wyoming

Report on Compliance for Each Major Federal Program

We have audited Big Horn County School District Number 3's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Big Horn County School District Number 3's major federal programs for the year ended June 30, 2013. Big Horn County School District Number 3'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 Number 3'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 Big Horn County School District Number 3's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Big Horn County School District Number 3's compliance.

Opinion on Each Major Federal Program

In our opinion, Big Horn County School District Number 3, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Big Horn County School District Number 3, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City Big Horn County School District Number 3's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Big Horn County School District Number 3's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-1 to be a significant deficiency.

Big Horn County School District Number 3's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Big Horn County School District Number 3'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.

McKee, Markburger & Segment PC

Lander, Wyoming
November 15, 2013

**BIG HORN COUNTY SCHOOL DISTRICT NUMBER 3
SCHEDULE OF FINDING AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness identified?	___ Yes	<u> X </u> No
Significant deficiency identified not Considered to be material weaknesses?	<u> X </u> Yes	___ none reported
Noncompliance material to financial statements noted?	___ Yes	<u> X </u> No
Federal Awards		
Internal control over major programs:		
Material weakness identified?	___ Yes	<u> X </u> No
Significant deficiency identified not Considered to be material weakness?	<u> X </u> Yes	___ none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u> X </u> Yes	___ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.388A	School Improvement Grant
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<u> X </u> Yes ___ No

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2013-1

Criteria

Circumstances permitting, accounting and bookkeeping duties should be assigned to different individuals to promote safeguarding of assets and accuracy of financial information.

Condition

The number of employees performing accounting and bookkeeping duties is not sufficient to provide an adequate segregation of duties. Because of the limited number of individuals involved in the accounting and bookkeeping functions, there is a greater risk that assets will not be properly safeguarded and that errors in financial information will occur and not be detected in a timely manner.

Recommendation

Although it is not cost efficient to increase the number of employees performing accounting and bookkeeping functions, all employees either supervising or performing the duties and the Board of Trustees of the District should constantly be aware of this deficiency in internal controls.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2013-1 Refer to the above description. Applicable to all major programs.

**BIG HORN COUNTY SCHOOL DISTRICT NUMBER 3
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Item 2012-1- Segregation of duties - still present

Item 2012-2- Controls over financial reporting – Not present

BIG HORN COUNTY SCHOOL DISTRICT NUMBER 3
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2013

CORRECTIVE ACTION – ITEM 2013-1 SEGREGATION OF DUTIES

Classes of financial transactions have been segregated to the extent possible among the existing employees, and the District has provided further segregation by the addition of new staff. However, because of the limited number of employees involved in the accounting and bookkeeping functions, a corrective action plan to remedy the lack of segregation of duties is not cost justified. Rather, each level of management, the Board of Trustees, Superintendent, and Business Manager, is aware of the concept of 'segregation of duties' and also aware of potential problems that may occur when accounting and bookkeeping duties cannot be segregated.

Because there is awareness, each level of management is charged with the responsibility to follow-up on any circumstances or transactions that they perceive to be unusual.