

**HOT SPRINGS COUNTY
SCHOOL DISTRICT NO. 1**
THERMOPOLIS, WYOMING
FINANCIAL STATEMENTS
JUNE 30, 2013

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 3
 FINANCIAL STATEMENTS:	
Statements of Net Position.....	4
Statement of Activities.....	5
Combining Balance Sheet - Governmental Funds.....	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	7
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types.....	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	9
Statements of Net Position - Proprietary Funds.....	10
Statements of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	11
Statements of Cash Flows - Proprietary Funds.....	12
Statements of Fiduciary Net Position - Fiduciary Funds.....	13
Statements of Changes in Fiduciary Net Position - Fiduciary Funds.....	14
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - General and Special Revenue Funds.....	15
Notes to Financial Statements.....	16 - 31
 SUPPLEMENTARY INFORMATION:	
Schedule of Expenditures of Federal Awards.....	32 - 33
Schedule of Account Balances - Student Activity Accounts.....	34 - 35
Schedule of Taxes and Revenue Detail - General Fund.....	36
Schedule of Expenditures - General Fund.....	37
Combining Balance Sheet - Trust and Agency Funds.....	38
Combining Balance Sheet - Debt Service Fund.....	39

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
TABLE OF CONTENTS - CONTINUED

	Page
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Debt Service.....	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) Debt Service Fund.....	41
Combining Balance Sheet - Capital Projects Fund.....	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Capital Projects.....	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) - Capital Projects.....	44
 OTHER INDEPENDENT AUDITOR'S REPORT	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters in Accordance with Government Auditing Standards.....	45 - 46
Schedule of Internal Control Findings for Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.....	47 - 51
 HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1'S LETTER OF RESPONSE TO SCHEDULE OF INTERNAL CONTROL FINDINGS.....	
	52 - 53
 OTHER INDEPENDENT AUDITOR'S REPORT	
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.....	54 - 56
Schedule of Findings and Questioned Costs.....	57 - 63

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hot Springs County School District No. 1
Thermopolis, 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 Hot Springs County School District No. 1, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Hot Springs County School District No. 1's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation 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 *Governmental 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we

express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hot Springs County School District No. 1, as of June 30, 2013, and the respective changes in financial position, for the years then ended in accordance with accounting principles generally accepted in the United States of

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hot Springs County School District No. 1's basic financial statement. The supplementary information on pages 34 through 44 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 on pages 32 through 33 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.

All supplementary information 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and 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 12, 2013 on our consideration of Hot Springs County School District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Hot Springs County School District No. 1's internal control over financial reporting and compliance.

Koerwitz Michel Wright & Assoc.

Koerwitz, Michel, Wright and Associates, P.C.
Certified Public Accountants

Thermopolis, Wyoming
November 12, 2013

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
STATEMENTS OF NET POSITION
June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	
ASSETS				
Cash and Cash Equivalents (Note 2)	\$ 3,523,894	\$ 15,694	\$ 3,539,588	\$ 262,321
Certificates of Deposit	-	-	-	205,473
Taxes Receivable and Other, net	58,486	361	58,847	-
Inventories	-	18,052	18,052	-
Capital Assets (Note 3)				
Property and Equipment	50,644,014	115,722	50,759,736	-
Less: Accum. Depr.	(20,506,453)	(111,769)	(20,618,222)	-
Total Assets	<u>33,719,941</u>	<u>38,060</u>	<u>33,758,001</u>	<u>467,794</u>
LIABILITIES				
Accounts Payable	971,013	15,526	986,539	-
Compensated Absences (Note 7)	219,679	-	219,679	-
Long-term Liabilities (Note 7 and 10)				
Due within One Year	112,403	-	112,403	-
Due in more than One Year	171,564	-	171,564	-
Total Liabilities	<u>1,474,659</u>	<u>15,526</u>	<u>1,490,185</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	29,853,594	3,953	29,857,547	-
Restricted for Debt Service	-	-	-	-
Unrestricted	<u>2,391,688</u>	<u>18,581</u>	<u>2,410,269</u>	<u>467,794</u>
Total Net Position	<u>\$ 32,245,282</u>	<u>\$ 22,534</u>	<u>\$ 32,267,816</u>	<u>\$ 467,794</u>

The accompanying notes are an integral part of these financial statements.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues			
	Expenses	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions
Primary Government				
Governmental activities				
Instruction	\$ 6,866,477	\$ -	\$ 3,430,231	\$ -
Instructional Support	2,401,714	-	-	-
General Support	3,821,814	-	-	-
Community Support	20,554	-	-	-
Facilities	443,809	-	-	510,644
Interest on Long-Term Debt	-	-	-	-
Total Governmental Activities	13,554,368	-	3,430,231	510,644
Business-type Activities				
Food Service Fund	371,882	132,949	138,732	-
Total Business-type Activities	371,882	132,949	138,732	-
Total Primary Government	\$ 13,926,250	\$ 132,949	\$ 3,568,963	\$ 510,644
Component Units				
Recreation District	211,727	15,341	-	-
Total Component Units	\$ 211,727	\$ 15,341	\$ -	\$ -

General Revenues:

Taxes, property taxes levied for education, net
Investment Income
Miscellaneous
Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, July 1, 2012

Net Position, June 30, 2013

Net (Expenses) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business- Type Activities	Totals	Component Units
\$ (3,436,246)	\$ -	\$ (3,436,246)	\$ -
(2,401,714)	-	(2,401,714)	-
(3,821,814)	-	(3,821,814)	-
(20,554)	-	(20,554)	-
66,835	-	66,835	-
-	-	-	-
<u>(9,613,493)</u>	<u>-</u>	<u>(9,613,493)</u>	<u>-</u>
-	(100,201)	(100,201)	-
-	(100,201)	(100,201)	-
<u>\$ (9,613,493)</u>	<u>\$ (100,201)</u>	<u>\$ (9,713,694)</u>	<u>\$ -</u>
-	-	-	(196,386)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (196,386)</u>
\$ 8,086,784	\$ -	\$ 8,086,784	\$ 267,772
9,894	43	9,937	3,306
29,690	-	29,690	2,082
(100,000)	100,000	-	-
<u>8,026,368</u>	<u>100,043</u>	<u>8,126,411</u>	<u>273,160</u>
(1,587,125)	(158)	(1,587,283)	76,774
<u>33,832,407</u>	<u>22,692</u>	<u>33,855,099</u>	<u>391,020</u>
<u>\$ 32,245,282</u>	<u>\$ 22,534</u>	<u>\$ 32,267,816</u>	<u>\$ 467,794</u>

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Special Revenue	Debt Service Fund	Capital Projects Fund	Total
ASSETS					
Cash and Cash Equivalents	\$ 2,320,749	\$ 110,550	\$ 13,930	\$ 924,768	\$ 3,369,997
Cash with Agent (Note 10)	-	-	-	-	-
Accounts Receivable and Other	48,619	9,867	-	-	58,486
Interfund Balances	158,325	47,782	-	11,504	217,611
Total Assets	<u>\$ 2,527,693</u>	<u>\$ 168,199</u>	<u>\$ 13,930</u>	<u>\$ 936,272</u>	<u>\$ 3,646,094</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts Payable	\$ 948,156	\$ 31,202	\$ -	\$ -	\$ 979,358
Interfund Balance	-	169,829	-	47,782	217,611
Total Liabilities	948,156	201,031	-	47,782	1,196,969
Fund balances					
Nonspendable:					
Accounts Receivable and Other	48,619	9,867	-	-	58,486
Interfund Balance	158,325	47,782	-	11,504	217,611
Restricted for:					
Debt Service	-	-	-	-	-
Committed to:					
Depreciation Reserve	-	-	-	237,718	237,718
Assigned to					
	-	-	-	-	-
Unassigned	1,372,593	(90,481)	13,930	639,268	1,935,310
Total Fund Balances	<u>1,579,537</u>	<u>(32,832)</u>	<u>13,930</u>	<u>888,490</u>	<u>2,449,125</u>
Total Liabilities and Fund Balances	<u>\$ 2,527,693</u>	<u>\$ 168,199</u>	<u>\$ 13,930</u>	<u>\$ 936,272</u>	<u>\$ 3,646,094</u>

The accompanying notes are an integral part of these financial statements.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013

2013 Fund Balance - Total Governmental Funds - June 30, 2013 \$ 2,449,125

Amounts reported for governmental activities in Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Governmental Capital Assets	\$ 50,644,014	
Less Accumulated Depreciation	<u>(20,506,453)</u>	30,137,561

Bonds, Lease, and Loan Obligations Payable		(283,967)
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Internal Service Funds are used by management to charge the cost of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are reported with the governmental activities.

		<u>(57,437)</u>
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Net Position of Governmental Activities - June 30, 2013		<u><u>\$ 32,245,282</u></u>
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The accompanying notes are an integral part of these financial statements.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
For The Year Ended June 30, 2013

	General Fund	Special Revenue	Debt Service Fund	Capital Projects Fund	Total
REVENUES					
Taxes	\$ 8,374,452	\$ -	\$ (287,668)	\$ -	\$ 8,086,784
Interest	7,439	-	7	2,143	9,589
State Sources	2,453,124	101,959	-	510,643	3,065,726
Miscellaneous	31,873	(2,183)	-	-	29,690
Federal Sources	5,805	869,344	-	-	875,149
Total Revenues	<u>10,872,693</u>	<u>969,120</u>	<u>(287,661)</u>	<u>512,786</u>	<u>12,066,938</u>
EXPENDITURES					
Current (Operating)					
Instruction	5,482,413	676,187	-	-	6,158,600
Instruction Support	1,835,143	303,257	-	-	2,138,400
General Support	3,526,246	-	-	-	3,526,246
Community Support	-	20,554	-	-	20,554
Capital Outlay	-	-	-	588,872	588,872
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Total Expenditures	<u>10,843,802</u>	<u>999,998</u>	<u>-</u>	<u>588,872</u>	<u>12,432,672</u>
Excess of Revenues over Expenditures	28,891	(30,878)	(287,661)	(76,086)	(365,734)
OTHER FINANCING SOURCES (USES) INCLUDING TRANSFERS					
Transfers in	-	17,150	-	(17,150)	-
Transfers out	(100,000)	-	-	-	(100,000)
Total Other Financing Sources (Uses) Including Transfers	(100,000)	17,150	-	(17,150)	(100,000)
Net Change in Fund Balance	(71,109)	(13,728)	(287,661)	(93,236)	(465,734)
Fund Balances, July 1, 2012	1,650,646	(19,104)	301,591	981,726	2,914,859
Fund Balances, June 30, 2013	<u>\$ 1,579,537</u>	<u>\$ (32,832)</u>	<u>\$ 13,930</u>	<u>\$ 888,490</u>	<u>\$ 2,449,125</u>

The accompanying notes are an integral part of these financial statements.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$	(465,734)
Amounts reported for governmental activities in Statement of Net Activities are different because:		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is depreciated over their estimated useful lives:</p>		
Expenditures for capital assets	\$ 397,102	
Less current year depreciation	<u>(1,689,769)</u>	(1,292,667)
<p>Bond, lease and loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal, lease and loan obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
Receipt of Loan proceeds	\$ (140,969)	
Repayment of lease and loan obligations	<u>132,175</u>	(8,794)
<p>When recognizing the sale of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss on the sale is reported on the Statement of Activities.</p>		
Net Book Value of Disposed Assets		(10,244)
<p>Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net income of the Internal Service Funds is reported with the governmental activities in the Statement of Activities.</p>		
		<u>190,314</u>
Change in Net Position of Governmental Activities	\$	<u><u>(1,587,125)</u></u>

The accompanying notes are an integral part of these financial statements.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	<u>Business Type</u>	<u>Governmental</u>
	Food	Activities
	<u>Service Fund</u>	<u>Internal</u>
		<u>Service Fund</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 15,694	\$ 153,897
Accounts Receivable and Other, net	361	-
Inventories	18,052	-
Total Current Assets	<u>34,107</u>	<u>153,897</u>
Noncurrent Assets		
Capital Assets (Note 3)		
Property and Equipment	115,722	-
Less: Accum. Depr.	(111,769)	-
Total Noncurrent Assets	<u>3,953</u>	<u>-</u>
Total Assets	<u>38,060</u>	<u>153,897</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	15,523	-
Unearned Revenue	-	-
Total Current Liabilities	<u>15,523</u>	<u>-</u>
Noncurrent Liabilities		
Incurred but not reported (IBNR) Claims Payable	-	211,334
Total Noncurrent Liabilities	<u>-</u>	<u>211,334</u>
Total Liabilities	<u>15,523</u>	<u>211,334</u>
NET POSITION		
Net Investment in Capital Assets	3,953	-
Unrestricted (Deficit)	<u>18,581</u>	<u>(57,437)</u>
Total Net Position	<u>\$ 22,534</u>	<u>\$ (57,437)</u>

The accompanying notes are an integral part of these financial statements.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	<u>Business Type</u>	<u>Governmental</u>
	Food	Activities
	<u>Service Fund</u>	<u>Internal</u>
		<u>Service Fund</u>
OPERATING REVENUES		
Charges for Services	\$ 132,949	\$ 1,403,309
Federal Sources	138,732	-
Total Operating Revenues	<u>271,681</u>	<u>1,403,309</u>
OPERATING EXPENSES		
Salaries	162,253	-
Employee Benefits	51,943	-
Purchased Services	7,153	-
Food, Supplies and Materials	146,210	-
Depreciation	4,323	-
Capital Outlay	-	-
Insurance Premiums/Claims	-	1,213,300
Total Operating Expenses	<u>371,882</u>	<u>1,213,300</u>
Operating Income (Loss)	<u>(100,201)</u>	<u>190,009</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	43	305
Loss on Disposal of Fixed Assets	-	-
Total Nonoperating Revenues (Expenses)	<u>43</u>	<u>305</u>
Income (Loss) before Contributions and Transfers	<u>(100,158)</u>	<u>190,314</u>
Transfers In	100,000	-
Transfers Out	-	-
Change in Net Position	<u>(158)</u>	<u>190,314</u>
Total Net Position - July 1, 2012	<u>22,692</u>	<u>(247,751)</u>
Total Net Position - June 30, 2013	<u>\$ 22,534</u>	<u>\$ (57,437)</u>

The accompanying notes are an integral part of these financial statements.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	<u>Business Type</u>	<u>Governmental</u>
	Food	<u>Activities</u>
	<u>Service Fund</u>	<u>Internal</u>
		<u>Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 127,274	\$ 1,403,309
Cash Received from Federal Sources	138,732	-
Cash Paid to Employees	(161,808)	-
Cash Paid to Suppliers/Health Claims	<u>(205,227)</u>	<u>(1,410,781)</u>
Net Cash Flows from Operating Activities	<u>(101,029)</u>	<u>(7,472)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers In	100,000	-
Transfers Out	<u>-</u>	<u>-</u>
Net Cash Flows from Noncapital Financing Activities	<u>100,000</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Financing Activities		
Purchase of Capital Assets, net	<u>-</u>	<u>-</u>
Net Cash Flows from Capital and Related Financial Activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest	<u>43</u>	<u>305</u>
Net Cash Flows from Investing Activities	<u>43</u>	<u>305</u>
Net Change in Cash	(986)	(7,167)
Cash and Cash Equivalents, June 30, 2012	<u>16,680</u>	<u>161,064</u>
Cash and Cash Equivalents, June 30, 2013	<u>\$ 15,694</u>	<u>\$ 153,897</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (100,201)	\$ 190,009
Add Depreciation Expense	4,323	-
(Increase) Decrease in Current Assets		
Accounts Receivables and Other, net	(361)	-
Inventories	-	-
Increase (Decrease) in Liabilities		
Accounts Payable	524	-
Unearned Revenue	(5,314)	-
Incurred but not reported claims payable (IBNR)	<u>-</u>	<u>(197,481)</u>
Net Cash Flows from Operating Activities	<u>\$ (101,029)</u>	<u>\$ (7,472)</u>

The accompanying notes are an integral part of these financial statements.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
STATEMENTS OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	Agency Activity Funds	Private Purpose Trust Scholarship Fund
ASSETS		
Cash and Cash Equivalents	\$ 142,226	\$ 48,385
Accounts Receivable	-	-
Investments (Note 6)	-	373,906
Total Assets	142,226	422,291
LIABILITIES		
Other Accounts Payable	-	-
Due to Student Organizations	142,226	-
Total Liabilities	142,226	-
NET POSITION	\$ -	\$ 422,291

The accompanying notes are an integral part of these financial statements.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2013

	<u>Agency Activity Funds</u>	<u>Private Purpose Trust Scholarship Fund</u>
ADDITIONS		
Contributions and Receipts	\$ 236,160	\$ 23,561
Investment Earnings	407	22,741
Total Additions	<u>236,567</u>	<u>46,302</u>
DEDUCTIONS		
Benefits	<u>225,172</u>	<u>26,500</u>
Total Deductions	<u>225,172</u>	<u>26,500</u>
Change in Net Position	11,395	19,802
Net Position/Due to Student Organizations & Other, Beginning of Year	<u>130,831</u>	<u>402,489</u>
Net Position/Due to Student Organizations & Other, Ending of Year	<u>\$ 142,226</u>	<u>\$ 422,291</u>

The accompanying notes are an integral part of these financial statements.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL AND SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2013

	General Fund			Variance Positive (Negative)
	Original Budget	Amended Budget	Actual	
REVENUES				
Taxes - Local	\$ 6,560,900	\$ 6,560,900	\$ 6,674,851	\$ 113,951
Taxes - County	1,659,196	1,659,196	1,699,601	40,405
Interest	-	-	7,439	7,439
State Sources	2,603,061	2,603,061	2,453,124	(149,937)
Miscellaneous Revenues	-	-	31,873	31,873
Federal Revenues	-	-	5,805	5,805
Total Revenues	<u>10,823,157</u>	<u>10,823,157</u>	<u>10,872,693</u>	<u>49,536</u>
EXPENDITURES				
Current				
Instructional	5,801,652	5,801,652	5,482,413	319,239
Instructional Support	1,768,588	1,969,888	1,835,143	134,745
General Support	3,495,398	3,681,748	3,526,246	155,502
Community Support	-	-	-	-
Total Expenditures	<u>11,065,638</u>	<u>11,453,288</u>	<u>10,843,802</u>	<u>609,486</u>
Excess of Net Revenue over (under)				
Expenditures	(242,481)	(630,131)	28,891	659,022
OTHER FINANCING SOURCES (USES)				
Operating Transfers in	-	-	-	-
Operating Transfers (out)	(115,000)	(115,000)	(100,000)	15,000
Excess of Revenues over (under)				
Expenditures and Other Uses	(357,481)	(745,131)	(71,109)	674,022
Fund Balance, July 1, 2012	<u>1,650,646</u>	<u>1,650,646</u>	<u>1,650,646</u>	<u>-</u>
Fund Balance, June 30, 2013	<u>\$ 1,293,165</u>	<u>\$ 905,515</u>	<u>\$ 1,579,537</u>	<u>\$ 674,022</u>

The notes to financial statements are an integral part of these statements.

Special Revenue Fund

Original Budget	Amended Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
100,300	274,700	101,959	(172,741)
5,000	5,000	(2,183)	(7,183)
<u>523,840</u>	<u>1,496,037</u>	<u>869,344</u>	<u>(626,693)</u>
<u>629,140</u>	<u>1,775,737</u>	<u>969,120</u>	<u>(806,617)</u>
400,000	843,850	676,187	167,663
200,000	506,149	303,257	202,892
25,000	25,000	-	25,000
-	20,600	20,554	46
<u>625,000</u>	<u>1,395,599</u>	<u>999,998</u>	<u>395,601</u>
4,140	380,138	(30,878)	(411,016)
-	357,553	17,150	(340,403)
-	-	-	-
4,140	737,691	(13,728)	(751,419)
<u>(19,104)</u>	<u>(19,104)</u>	<u>(19,104)</u>	<u>-</u>
<u>\$ (14,964)</u>	<u>\$ 718,587</u>	<u>\$ (32,832)</u>	<u>\$ (751,419)</u>

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. THE REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hot Springs County School District No. 1 (the "School District") is a separate governmental entity governed by an elected School Board of Trustees organized to provide secondary and primary education to the School District with the school facilities located in Thermopolis, Wyoming. The School District has included all organizations, activities, and functions controlled by the School Board or allowed to the School District by the Wyoming Department of Education. The Board receives funding from local, State, and Federal government sources and must comply with requirements of these funding source entities. However, the Board is deemed to be a primary government unit under Governmental Accounting Standards Board ("GASB") pronouncements, since the Board is elected by the public, has decision making authority, and is financially accountable for its actions.

In addition to the School District being a primary government, it is required to include as component units, legally separate entities for which the School District has control over their Board and which the separate entity is financially accountable to the School District. As such, the Hot Springs County Recreation District is included in these financial statements as a component unit (Note 11). Complete unaudited financial statements for the Recreation District may be obtained from the Recreation District's office located in Thermopolis, Wyoming.

The School District prepares its financial statements in accordance with accounting principles generally accepted in the United States ("GAAP") for governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant policies that apply to the School District.

A. 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.

Government-wide Statements: The statement of net position and the statement of activities display on all of the nonfiduciary activities of the primary government as a whole. These statements include the financial activities of the overall government and its component unit. These statements distinguish between the governmental and business-type activities of the School District. Governmental activities are normally financed through taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties.

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 for the different business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations, if any, that have been made in the funds have been reversed for the statement of activities. Program revenues include: (a) fees, fines, and charges paid by the recipients of goods or services offered by

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

**Note 1. THE REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - (continued)**

A. Basis of Presentation - (continued)

the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements : The fund financial statements provide information about the School District's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as non major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the funds. Exchange transactions are those which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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.

Governmental Funds

General Fund. This is the School District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is a budgeted fund.

Special Revenue Fund. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. These funds include Federal and State Grant Programs. This is a budgeted fund.

Debt Service Fund. Debt Service funds are used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs. This is a budgeted fund.

Capital Projects Fund. Capital Projects Funds are used to account for financial resources to be used for the acquisition, construction, or major maintenance of capital facilities. These funds include bond funds not yet spent and contributions received to build or improve new facilities. The fund also includes a Depreciation Reserve as of June 30, 2013. The Depreciation Reserve is reserved for the replacement of capital assets. This is a budgeted fund.

Proprietary Funds

Enterprise Fund - Food Service Fund. Enterprise Funds are used to account for the operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges; or (b) when the governing

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

Note 1. THE REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

A. Basis of Presentation - (continued)

Proprietary Funds - (continued)

Enterprise Fund -Food Service Fund - (continued)

body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management, public policy, management control, accountability, or other purposes. As such, the School Lunch Program is recorded as a proprietary (enterprise) fund.

Internal Service Fund. Internal Service Funds are used to account for those operations which provide benefits to other funds of the primary government. GASB 10 "*Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*," became effective in 1996. It recommends an internal service fund (proprietary fund type) be utilized for the School District's partially self-funded medical insurance plan (Note 8). Generally, the effect of interfund activity has been eliminated for the government-wide financial statements. Actual receipts and costs that are not equivalent to overhead (e.g. claims payments, claims recoveries) have not been eliminated.

Fiduciary Funds

Agency and Trust Funds. Fiduciary Funds are used to account for assets held by the School District in a trustee (Trust Fund) or agency (Agency Fund) capacity for individuals, private organizations, other governments, and/or other funds and cannot be used to support the District's own programs. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Activities Fund (Student Activity) and Scholarship Trust Fund are, as such, Agency and Private Purpose Trust Funds respectively, and the School District is merely the custodian for the various activities. The Private Purpose Trust Fund represents scholarship monies and is accounted for in essentially the same manner as enterprise funds. See Note 6 for Private Purpose Trust Fund.

B. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *how* transactions are recorded within the financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the resources are available.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

Note 1. THE REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

B. Measurement Focus and Basis of Accounting - (continued)

Governmental Fund Financial Statements : Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental fund. Proceeds of general long-term, debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the School District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted assets available to finance the program. It is the School District's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

C. Net Position and Fund Balances

The government-wide and proprietary financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets is intended to reflect the portion of net position associated with capital assets (net of accumulated depreciation), less outstanding capital assets related debt. Restricted net position represent amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, laws/regulations of other governments or constitution provisions, or (b) resources resulting from enabling legislation. Unrestricted net position represents assets not appropriated for expenditures or legally segregated for a specific future use.

In the balance sheet of governmental funds, the difference between the assets and liabilities of governmental funds is reported as fund balance in accordance with Governmental Accounting Standards Board Statement 54, "*Fund Balance Reporting and Government Fund Type Definitions* ." The School District's fund balance is divided into the following classifications, as applicable, designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

Nonspendable - amounts that are not in a spendable 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.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

Note 1. THE REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

C. Net Position and Fund Balances - (continued)

Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

The School District establishes (and modifies or rescinds) fund balance commitments by passage of a motion by the Board of Trustees and recording of the action in the minutes. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Trustees through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The School District would typically use Restricted fund balances first, followed by Committed resources and the Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first and to deter the use of these other class funds.

D. New GASB Pronouncements

The Governmental Accounting Standards Board has issued new pronouncements listed below that the District has reviewed for application to their accounting and reporting.

Beginning with fiscal year 2013, the School District implemented GASB 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*" This statement requires governments to report deferred outflows and inflows and net position in the statement of financial position and related disclosures. It represents a change in accounting principles and is applied retroactively, requiring reclassifications in the statement of net position for all periods presented, if applicable. The components of net position were renamed to reflect the requirements of this statement.

Beginning with fiscal year 2013, the School District also implemented GASB 65, "*Items Previously Reported as Assets and Liabilities.*" This statement addresses the potential reclassification of items previously reported as assets and liabilities that should be classified as outflows and inflows of resources. GASB 65 was implemented in conjunction with GASB 63 discussed in the previous paragraph. The implementation of GASB 65 had no effect on the School District's financial statements.

E. Budgets

Budgets are adopted for the General, Special Revenue, Debt Service, and Capital Projects Funds. All budgets are adopted in July each year and filed with the Wyoming Department of Education. All appropriations lapse at year-end. See Note 11 for budget basis of accounting.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

**Note 1. THE REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - (continued)**

F. Property Taxes

Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. Property taxes are levied the first week of August each year. Installments are due on September 1 and March 1 and are collectible on November 10 and May 10. If the first installment is made after November 10, the entire amount is due by December 31. At June 30, 2013, substantially all taxes have been collected, as such, remaining delinquent taxes are recognized as revenue when collected. Property taxes collected by the County Treasurer but not remitted to the School District are recorded as a receivable.

G. Encumbrances

Encumbrances are recorded in the General Fund when purchase orders are issued or contracts are entered into for goods and service, and are reflected as a reserved portion of the fund balance. Actual expenditures are recognized when the goods or services are received. Encumbrances are required by state law to be rebudgeted for the next year.

H. Interfund Transactions

Interfund transactions are reflected as loans, services provided or used, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans) and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in the general fund and as a restricted, committed or assigned fund balance in other governmental funds as applicable. See Note 5.

Services provided or used and deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements are repayments (adjustments to the expenditures or expenses) from the funds responsible for certain expenditures or expenses to the funds that initially paid for them. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation. See Note. 5.

I. Other Items

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

Note 1. THE REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

I. Other Items - (continued)

Accounts receivable comprise property and other taxes receivable from the County Treasurer and grant and reimbursements receivable from other governmental entities. Allowances for uncollectible amounts are not deemed necessary as these receivables all have a history of being collected on a timely basis. The District does not require collateral for accounts receivable.

Inventory is recorded by the establishment in the fund reserves shown on the combined balance sheet. All inventory is valued at cost using the latest invoice as a determination method.

For the purpose of the cash flows statement for the proprietary fund and nonexpendable trust fund, the School District considers all cash or time deposits with an original maturity of three months or less, or having a liquidity that would not result in the School District not receiving the carrying value, to be cash equivalents. Changes to marketable securities of the nonexpendable trust fund for unrealized gains or losses are recognized.

Note 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The School District's authorized deposits are controlled by state statute and include, but are not limited to, deposits in banks, certificates of deposit, money market accounts, and treasury notes. Statutes also authorize investment in the Wyoming Government Investment Fund (WGIF) and the WYO-STAR Local Government Investment Pool, which were both established pursuant to the Wyoming Statutory Trust Act. The School District is expected to maintain its funds within the strict guidelines of state statutes discussed above. The School District is also required to maintain accounts in federally insured financial institutions and maintain 100% security for funds in excess of insurance. At June 30, 2013, all funds were held in FDIC or other insured institutions, Wyoming State Treasurer assets reserve programs, and the Wyoming Governmental Investment Fund. At June 30, 2013, all cash investments held were short-term investments with original maturities of 90 days or less, and were considered cash and cash equivalents. Short-term investments are reported at cost, as there was no material difference from fair value. Security was maintained for all of the funds as follows:

	June 30, 2013		
	Financial Institutions	WYO-STAR	Wyoming Government Investment Fund
Cash, checking, & CD	\$ 3,624,530	\$ -	\$ -
Cash, temporary investments	-	537,595	333,499
Total Cash	<u>3,624,530</u>	<u>537,595</u>	<u>333,499</u>
Pledged Securities and FDIC and other Insurance	<u>4,822,570</u>	*	**
Over (Under) Secured	<u>\$ 1,198,040</u>	<u>\$ -</u>	<u>\$ -</u>

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

Note 2. CASH, CASH EQUIVALENTS AND INVESTMENTS - (continued)

* WYO-STAR shares are offered exclusively to Wyoming governmental entities. The fund invests in short-term commercial paper (maturity dates less than 90 days) and U.S. Government Agency Obligations. Due to the short-term nature of the investments, the investments are reported at amortized costs, which approximates fair value. The investments with WYO-Star are investments not subject to credit risk categorization and the degree of risk and rate of return depends on the underlying portfolio. Each participant "pools" its dollars with all other participants within WYO-STAR program. Therefore, all securities purchased to secure these individual accounts are "pooled" to secure the entire pool. The Wyoming State Treasurer confirms "at no time is any portion of the WYO-STAR account unsecured".

** The Wyoming Government Investment Fund (WGIF) is an entity through which political subdivisions may jointly exercise their authority to invest available funds so as to enhance their investment opportunities pursuant to an investment program under applicable law. WGIF constitutes a commingled fund of eligible securities held through a trust department. Under Government Accounting Standards, Statement Number 3, "Investments, including Repurchase Agreements," investments in pools managed by other governments, or in mutual funds are not required to be classified in categories of credit risk. As a "participant", the School District receives an allocated portion of the WGIF's daily declared net investment income and net realized gains and losses from security transactions, if any, based on the School District's ownership in the WGIF. The School District's share of the WGIF's portfolio is uninsured and unregistered with securities held in the WGIF's name. Short-term investments are reported at cost, which approximates fair value and treated as cash equivalents.

The School District's deposits are categorized to give an indication of the level of risk assumed by the School District at June 30, 2013. The categories are described below:

Category 1 - Insured or registered, with securities held by the School District or its agent in the School District's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or its agent in the School District's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or its trust department or its agent but not in the School District's name.

The financial institutions fall into Category 1 for risk purposes while the WYO-STAR and WGIF funds are not required to be classified in categories of credit risk.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

Note 3. CAPITAL ASSETS

Acquisition of capital assets are recorded as expenditures in the governmental fund statements. Capital assets are capitalized and depreciated on the government-wide and proprietary fund statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are defined by the School District as assets with an initial, individual cost of \$2,500 and an estimated useful life more than one year.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2 - 15
Office Equipment	3 - 15
Computer Equipment	3 - 15

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HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

Note 3. CAPITAL ASSETS - (continued)

Capital costs at June 30, 2013 comprised the following:

	Balance July 1, 2012	Additions	Transfers and Deletions	Balance June 30, 2013
Governmental Activities				
Non-depreciable: Land	\$ 209,980	\$ -	\$ -	\$ 209,980
Non-depreciable: Construction in Progress	-	-	-	-
Total	<u>209,980</u>	<u>-</u>	<u>-</u>	<u>209,980</u>
Depreciable:				-
Building & Improvements	46,035,649	-	-	46,035,649
Vehicles	2,158,284	140,750	(150,714)	2,148,320
Equipment & Furniture	2,013,812	256,352	(20,099)	2,250,065
Total	<u>50,207,745</u>	<u>397,102</u>	<u>(170,813)</u>	<u>50,434,034</u>
Less Accumulated Depr.				
Building & Improvements	15,861,827	1,283,244	-	17,145,071
Vehicles	1,608,313	167,465	(150,714)	1,625,064
Equipment & Furniture	1,507,113	239,060	(9,855)	1,736,318
Total	<u>18,977,253</u>	<u>1,689,769</u>	<u>(160,569)</u>	<u>20,506,453</u>
Net Book Value	<u>31,230,492</u>	<u>(1,292,667)</u>	<u>(10,244)</u>	<u>29,927,581</u>
Governmental Activities Capital Assets, net	<u>\$ 31,440,472</u>	<u>\$ (1,292,667)</u>	<u>\$ (10,244)</u>	<u>\$ 30,137,561</u>
Business-Type Activities				
Depreciable:				
Equipment	\$ 115,722	\$ -	\$ -	\$ 115,722
Total	<u>115,722</u>	<u>-</u>	<u>-</u>	<u>115,722</u>
Less Accumulated Depr.				
Equipment	<u>107,445</u>	<u>4,324</u>	<u>-</u>	<u>111,769</u>
Business-Type Activities Capital Assets, net	<u>\$ 8,277</u>	<u>\$ (4,324)</u>	<u>\$ -</u>	<u>\$ 3,953</u>

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

Note 4. PENSION FUND - (Wyoming Retirement)

School District employees participate in the Wyoming Retirement System Public Employees pension plan, a cost sharing, multi-employer defined benefit, contributory retirement plan. The plan provides retirement, disability and death benefits according to predetermined formulas and amounts depending upon the plan. Authority for establishing and amending the benefits and contribution rates rests with the Legislature of the State of Wyoming, Title 9, Chapter 3 of the Wyoming Statutes. The pension program is wholly administered by the State's autonomous program. The School District has no responsibility or authority for the operation or administration of the pension program nor has it any related liability except for the current contribution requirements. The Public Employee Pension Plan statutorily requires 14.12% of the participant's salary to be contributed of which 7.00% represents the employee portion and 7.12% represents the employer portion. Legislation enacted in 1979 allows the employer to pay any or all of the employee's contribution in addition to matching the contribution. The School District has elected to pay 100% of the employee's 7.00% contribution share. The last three years of contribution rates and amounts are as follows:

	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2011</u>
Employer Rate	7.12%	7.12%	7.12%
Employee Rate (Employer elected to pay)	7.00%	7.00%	7.00%
Total Rate	<u>14.12%</u>	<u>14.12%</u>	<u>14.12%</u>
Employee Wages (Subject to Retirement)	<u>\$ 6,772,994</u>	<u>\$ 6,729,465</u>	<u>\$ 6,921,728</u>
Employer Contribution	\$ 962,032	\$ 955,856	\$ 946,597
Employee Contribution (Employer elected to pay)	-	-	-
Total Contribution	<u>\$ 962,032</u>	<u>\$ 955,856</u>	<u>\$ 946,597</u>

Employees retirement benefits are based on a number of factors that have changed at various times over the life of the retirement plan. Specific benefit calculations, retirement provisions, 10 year historical trends and other plan details are available in the Comprehensive Annual Financial Report and Annual Financial Report of the Wyoming Retirement System, 6101 Yellowstone Road, Suite 500, Cheyenne, Wyoming, or at <http://retirement.state.wy.us>.

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HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

Note 5. INTERFUND TRANSFERS TO/FROM OTHER FUNDS

For the year ended June 30, 2013, the following interfund transfers to/from other funds were made:

\$100,000 General Fund to School Lunch Fund to supplement Other Revenue Sources;

The following is interfund loan activity as of June 30, 2013:

The District determined that in a prior year the General Fund would loan the Special Revenue Fund \$150,000 to meet cash flow needs as the Special Revenue Fund is generally funded by reimbursable grant programs. The loan is not expected to be repaid within one year.

The Interfund balance due from Capital Project fund to Special Revenue Fund represents Grant funding that was received in the Capital Project fund for expenditures that were made in the Special Revenue fund. This interfund balance and other minor interfund balances are expected to be paid in the next year.

Note 6. PRIVATE PURPOSE TRUST FUND

The Private Purpose Trust Fund is an unbudgeted fund used to pay scholarships to deserving high school students. These scholarships are paid from the principal and proceeds of interest and dividends received from the investment. The investment was donated and the original value at the donation date is estimated to be less than \$10,000. The investment consists of the following investment fund shares and fair market value at June 30, 2013.

	Value at June 30, 2013
Allianz NFJ Dividend Value Fund	\$ 17,489
American Century Diversified Bond Fund	24,139
Baird Aggregate Bond Fund	17,707
Blackrock Equity Dividend Fund	16,552
Dodge & Cox Income Fund	37,427
Franklin Total Return Fund	39,054
John Hancock Global Shareholder Yield Fund	23,841
JP Morgan Core Bond Fund	26,072
JP Morgan Federal Money Market Fund	2,157
JP Morgan Mid Cap Equity Fund	22,112
Lord Abbett Core Fixed Income Fund	17,356
MFS Massachusetts Inv. Trust	12,125
Scout International Fund	22,439
T Rowe Price Blue Chip Growth Fund	16,446
T Rowe Price Equity Income Fund	12,285
T Rowe Price High Yield Fund	19,454
T Rowe Price International Bond Fund	17,031
T Rowe Price Short Term Bond Fund	30,220
	\$ 373,906

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

Note 6. PRIVATE PURPOSE TRUST FUND - (continued)

Governmental Accounting Standards Board Statement No. 31 requires the reporting of investments at fair value at the end of the year. The June 30, 2013 fair value is shown above. Fair value is reported by the investments custodian.

Note 7. LONG-TERM LIABILITIES

A summary of changes in Long-Term Debt is as follows (see Note 10 for Bonds and Bus lease and loan activity):

Governmental Activities:	Balance 7/1/12	Increases	Decreases	Balance 6/30/13	Due in One Year
Vacation Payable	\$ 75,510	\$ -	\$ (8,892)	\$ 66,618	\$ 66,618
Sick Leave Payable	153,061	-	-	153,061	153,061
Lease Obligations	49,662	-	(49,662)	-	-
Bus Loan Obligation	56,915	-	(27,962)	28,953	28,953
Bus Loan Obligation	168,596	-	(54,251)	114,345	56,176
Bus Loan Obligation	-	140,969	(300)	140,669	27,274
Total	\$ 503,744	\$ 140,969	\$ (141,067)	\$ 503,646	\$ 332,082

The liability for compensated absences (vacation and sick leave) is considered to be encumbered and recorded as a liability in the respective governmental funds. Accordingly, this liability and its change is not a reconciling amount between the budget based financial statements and the government wide financial statements.

Note 8. EMPLOYEE HEALTH INSURANCE PLAN AND OTHER RISKS

In July of 1999, the School District established an Insurance Trust Fund (Internal Service Fund) to account for employee health insurance benefits. The District participates in the Wyoming School Boards Association Insurance Trust (WSBAIT). All full-time employees are eligible for the health plan that includes dental and optical. Board approved monthly premiums for health insurance are charged to the various funds and then deposited into an account from which health claims are paid. Health claims are paid by the third party administrator. Additional insurance has been obtained to protect the School District from large claims. This stop-loss reinsurance covers 100% of any participants claim in excess of \$250,000. Activity for the fiscal year ended June 30, 2013 included approximately \$1,392,698 in contributions and \$1,202,474 in withdrawals respectively which were used to pay insurance claims. Funds available to cover future liabilities, including claims incurred but not reported at June 30, 2013 were \$153,897. Loss contingencies and costs incurred but not reported are estimated to be approximately \$211,334 at June 30, 2013. The liability is recorded in the Financial Statements. WSBAIT has no retrospectively rated policy provision. Other loss contingencies are unknown and not recorded.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

Note 8. EMPLOYEE HEALTH INSURANCE PLAN AND OTHER RISKS - (continued)

If practicable, the District carries insurance coverage to protect itself from losses. Commercial insurance coverage is maintained for property, liability, surety bond and such insurable risks as the School District feels necessary. Liability coverage is provided with the State of Wyoming (LGLP) insurance plan. Other risks not readily insurable and the School District does not believe this put the School District at significant risk. Employees identified as in a hazardous occupation are covered by the State of Wyoming Worker's Compensation Plan. The School District, based on prior experience, does not believe the risk of loss is significant for uncovered employees in Worker's Compensation. Unemployment benefits are paid only when claims are made through, and mandated by, the State Department of Employment.

The School District has been notified of various claims and threatened litigation. Although the ultimate outcome of these claims is not presently determinable, in the opinion of the Board, the resolution of these matters will not have a material adverse affect on the financial condition of the School District.

Note 9. ENDOWMENT FOUNDATION

The Hot Springs County Education Endowment Foundation was established November 27, 1991. The Foundation is a corporation separate from the School District, with its own board of directors. The 13 member board of directors consist of nine community members, the Hot Springs County School Superintendent (or such other person the Superintendent may designate), 1 principal or school director, 1 person from the school district's classified personnel, and 1 person from the Hot Springs County Education Association. The corporation's mission includes enhancement of the overall learning environment of the schools, improvement of the quality of education and stimulation of teacher-student-parent educational goals. The financial statements of the Foundation, are not included in the School District's financial statements.

Note 10. LONG TERM DEBT

Cash with Agent

The Hot Springs County Treasurer held cash of \$287,668 representing property taxes collected in excess of that needed to repay the Bond obligations. During 2013 the County Commissioners determined the funds were no longer required by the District for bond repayment and the funds were transferred to the County General Fund according to State Statute. The transfer of the previously recognized tax proceeds has been recorded as a reduction of tax receipts in the financial statements.

Bus Loan and Lease

During the year ended June 30, 2013 and 2011, the District purchased a bus (2011 - three buses) through a loan for a total purchase price of \$140,969 (2011 - \$280,819). The buses were recorded as assets and the loan as a long term obligation. The District paid \$132,175 in principal during 2013 for all loan and lease obligations. The loan obligations have a potential overriding term allowing for the debt holder to require payment on demand. Amortization expense is included in Depreciation expense. Intrest expense on these categories of long-term debt are recorded in the General Support function.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

Note 10. LONG TERM DEBT - (continued)

Future minimum loan and lease obligations are as follows:

	Principal	Interest
2014	\$ 112,403	\$ 7,964
2015	85,771	6,680
2016	28,223	1,930
2017	28,854	1,299
2018	28,716	646
	\$ 283,967	\$ 18,519

Note 11. COMPONENT ENTITY-HOT SPRINGS COUNTY RECREATION DISTRICT (unaudited)

Nature of the Recreation District

Hot Springs County Recreation District (the "Recreation District") was formed by the Board of Trustees of Hot Springs County School District No. 1 to provide a system of public recreation. The organization was established to make available recreation programs and activities of varied interest on a county-wide basis to meet the needs of the citizens and to maximize the use of existing facilities and resources of Hot Springs County. The organization is a political subdivision of the State of Wyoming.

Hot Springs County Recreation District is a component unit of Hot Springs County School District No. 1. The primary government (Hot Springs County School District No. 1) appoints a voting majority of the Recreation District's Board. The primary government also approves the annual budget of the Recreation District and provides the Recreation District with one-mill of its total property tax levied for Education.

Basis of Accounting - Recreation District

Basis of accounting refers to when revenue and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Recreation District's records are maintained on the cash basis of accounting, and the accompanying component unit statements reflect only cash received and disbursed. Therefore, receivables and payables, long-lived assets, accrued income and expenses and the fixed asset group are not reflected and the component unit statements are not intended to present the financial position of, and results of operations of the programs in conformity with generally accepted accounting principles. In management's opinion, the affect of the presentation of the Recreation District under the cash basis of accounting is not considered material to the reporting entity as a whole.

Other Items - Recreation District

Budgets are adopted for the Recreation District. The budget is adopted in July each year.

The Recreation District considers all cash or time deposits with an original maturity of three months or less to be cash equivalents.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013

Note 12. BUDGET BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of U.S. generally accepted accounting principles (GAAP basis), the budget basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The budget comparison schedule presented for the General Fund is presented on the budget basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

- A. Revenues and other financial sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures/expenses and other financial uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- C. Proceeds from capital leases and the associated capital outlay expenditures are not recorded on the budget basis, but are recorded on the GAAP basis.
- D. Investments are reported at fair value (GAAP basis) rather than cost (budget basis), and
- E. Advances-in and advances-out, if any, are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budget basis statements for the general fund.

	General
Net change in fund balance - GAAP basis	\$ (71,109)
Revenue accruals, net	-
Expenditure accruals, net	-
Other financing sources (uses) accrual	-
Net change in fund balance - Budget basis	\$ (71,109)

Note 12. SUBSEQUENT EVENTS

Subsequent events from July 1, 2013 through November 12, 2013 were evaluated by management for recognition or disclosure in the financial statements. The date through which subsequent events have been evaluated by management is the date the financial statements were available to be issued.

Management has determined there were no subsequent events during the evaluation period necessary for disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures Year Ended</u>
<u>U.S. Department of Agriculture</u>		
Passed through State of Wyoming		
Department of Education		
Child Nutrition Cluster		
National School Lunch Program	10.555	\$ 136,611
Subtotal U.S. Department of Agriculture Passed Through State of Wyoming Department of Education		136,611
<u>U.S. Department of Education</u>		
Passed through State of Wyoming		
Department of Education		
Title 1	84.010A*	67,249
Title 1	84.010A*	552
Title 1	84.010A*	158,711
Subtotal Title 1		226,512
Title II-A - Improving Teacher Quality State Grants	84.367A	43,693
Title II-A - Improving Teacher Quality State Grants	84.367A	26,918
Subtotal Title II-A		70,611
Title II-D	84.318X	26,107
Special Education Cluster		
Title VI (IDEA) - Special Education Preschool Grants	84.173A	2,119
Title VI (IDEA) - Special Education - Grants to States	84.027A	35,402
Title VI (IDEA) - Special Education - Grants to States	84.027A	67,336
Subtotal Special Education Cluster		104,857
Perkins	84.048A	10,810
Perkins	84.048A	13,399
Subtotal Perkins		24,209
Homeless Grant	84.196A	875
SIG Project - 21st Century	84.287C*	131,115
SIG Project - 21st Century	84.287C*	55,003
SIG Project - 21st Century	84.287C*	60,367
Subtotal SIG Project - 21st Century		246,485
Total Federal Expenditures		\$ 836,267

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - (CONTINUED)
For the Year Ended June 30, 2013

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School District and is presented on the modified accrual basis of accounting. 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*. Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the changes in net position of the School District. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. There were no loans/loan guarantees.

Items with asterisk " * " are major programs.

Note 2. Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3. Subrecipients

Subrecipients - of the federal expenditures presented in the schedule, the School District provided no federal awards to subrecipients.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
SCHEDULE OF ACCOUNT BALANCES
STUDENT ACTIVITY ACCOUNTS
June 30, 2013

	<u>Account Balances</u>
Academic Reward Fund	\$ 237
Advisee	5
Anime Fund	147
Art Club	444
Auto Shop	2,102
Blue Grass Academy	60
Books for Babies	8,130
Boys Basketball	1,680
Business Club	577
Cheerleaders	447
Class of 2014 (Sr)	1,533
Class of 2015 (Jr)	2,801
Class of 2016 (Soph)	1,500
Class of 2017 (Fresh)	555
Close Up	3,314
Computer Deposit Funds	6,375
Cross County Track	772
Delt T-Account	9,350
Elementary Activity	737
FCA	299
FCCLA	1,512
FFA	639
Football	1,592
Foreign Language Club	1,244
Girls Basketball	2,768
Golf	671
High School Track	615
HS Band	4,437
HS Concessions Fund	12,762
HS Indoor Track	1,632
Key Club	562
Library	125
Life Skills Class	532
Lights On Community Grant	6,506
Lucerne Activity	8,893
Middle School - At Risk SADD	363

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
SCHEDULE OF ACCOUNT BALANCES - (CONTINUED)
STUDENT ACTIVITY ACCOUNTS
June 30, 2013

	Account Balances (continued)
Middle School Activity	\$ 6,252
National Forensic League	5,719
National Honor Society	93
Photography	109
Publications Travel	297
SEEK	2,915
Special Olympics	730
Sports Medicine	349
Student Activity	2,919
Student Council and Interest	1,977
T-Club	2,355
Thespians	1,407
T-Town Crazies	4,130
Volleyball	3,190
Walking for Wellness	576
Woodworking	3,193
Wrestling	1,851
XC/Pagent Days	2,588
Yearbook	15,658
Due to Student Organizations	\$ 142,226

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
SCHEDULE OF TAXES AND REVENUE DETAIL - GENERAL FUND
For the Year Ended June 30, 2013

Local Taxes

25 mil property taxes	\$ 6,209,048
Motor vehicles taxes	455,723
Car company taxes	<u>10,080</u>
Total Local Taxes	<u>\$ 6,674,851</u>

County Taxes

6 mil property taxes	\$ 1,490,172
Motor vehicles taxes	109,374
Fines and forfeitures	97,636
Car company taxes	<u>2,419</u>
Total County Taxes	<u>\$ 1,699,601</u>

State Sources

Supplemental	\$ 23,963
Foundation	<u>2,429,161</u>
Total State Funds	<u>\$ 2,453,124</u>

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES - GENERAL FUND
For the Year Ended June 30, 2013

Instruction

Salaries	\$ 3,660,243
Employee Benefits	1,433,187
Support Services and Materials	336,707
Capital Outlay	52,276
Total Instruction	<u>5,482,413</u>

Instruction Support

Salaries	707,078
Employee Benefits	246,584
Support Services and Materials	876,721
Capital Outlay	4,760
Total Instruction Support	<u>1,835,143</u>

General Support

Salaries	1,608,928
Employee Benefits	623,758
Support Services and Materials	1,097,941
Capital Outlay	195,619
Total General Support	<u>3,526,246</u>

Total General Fund Expenditures	<u><u>\$ 10,843,802</u></u>
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HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET - TRUST AND AGENCY FUNDS
June 30, 2013

	Fiduciary Fund Types		Totals
	Agency	Private Purpose	
	Activity Funds	Trust Scholarship Funds	
ASSETS			
Cash & Cash Equivalents	\$ 142,226	\$ 48,385	\$ 190,611
Accounts Receivable	-	-	-
Investments - Marketable (Note 6) at market value	-	373,906	373,906
Total Assets	<u>\$ 142,226</u>	<u>\$ 422,291</u>	<u>\$ 564,517</u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Due to student organizations	\$ 142,226	\$ -	\$ 142,226
Total Liabilities	142,226	-	142,226
Fund Equity			
Designated	-	373,906	373,906
Undesignated	-	48,385	48,385
Total Fund Equity	<u>-</u>	<u>422,291</u>	<u>422,291</u>
Total Liabilities and Fund Equity	<u>\$ 142,226</u>	<u>\$ 422,291</u>	<u>\$ 564,517</u>

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET - DEBT SERVICE FUND
June 30, 2013

	Governmental Fund Types		Debt Service Fund Totals
	General Obligation Bonds	Early Retirement	
ASSETS			
Cash & Cash Equivalents	\$ -	\$ 13,930	\$ 13,930
Cash with Agent	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 13,930</u>	<u>\$ 13,930</u>
LIABILITIES AND FUND EQUITY			
Liabilities	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
Fund Equity			
Undesignated	-	13,930	13,930
Total Fund Equity	<u>-</u>	<u>13,930</u>	<u>13,930</u>
Total Liabilities and Fund Equity	<u>\$ -</u>	<u>\$ 13,930</u>	<u>\$ 13,930</u>

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - DEBT SERVICE
For the Year Ended June 30, 2013

	Governmental Fund Types		Debt Service Totals
	General Obligation Bonds	Early Retirement	
REVENUE			
Taxes - Local	\$ (287,668)	\$ -	\$ (287,668)
Interest	-	7	7
Total Revenue	<u>(287,668)</u>	<u>7</u>	<u>(287,661)</u>
EXPENDITURES			
Debt Service			
Principal Retirement	-	-	-
Interest and Charges	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenue over (under) Expenditures	(287,668)	7	(287,661)
Other Financing Sources (uses)			
Transfer in (out) to County	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenue and Other Sources over (under) Expenditures and Other Sources (uses)	(287,668)	7	(287,661)
Fund Balance - July 1, 2012	<u>287,668</u>	<u>13,923</u>	<u>301,591</u>
Fund Balance - June 30, 2013	<u>\$ -</u>	<u>\$ 13,930</u>	<u>\$ 13,930</u>

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS) - DEBT SERVICE
For the Year Ended June 30, 2013

	General Obligations Bonds		
	Original & Amended Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes - Local	\$ -	\$ (287,668)	\$ (287,668)
Interest	-	-	-
Total Revenues	<u>-</u>	<u>(287,668)</u>	<u>(287,668)</u>
EXPENDITURES			
Debt Service (Note 10)			
Principal Retirement	-	-	-
Interest and Charges	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Net Revenue over (under) Expenditures	-	(287,668)	(287,668)
Other Financing Sources (Uses)			
Operating Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues over (under) Expenditures and Other Uses	-	(287,668)	(287,668)
Fund Balance, July 1, 2012	<u>287,668</u>	<u>287,668</u>	<u>-</u>
Fund Balance, June 30, 2013	<u>\$ 287,668</u>	<u>\$ -</u>	<u>\$ (287,668)</u>

Early Retirement			Debt Service Fund Total		
Original & Amended Budget	Actual	Variance Positive (Negative)	Original & Amended Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ (287,668)	\$ (287,668)
-	7	7	-	7	7
-	7	7	-	(287,661)	(287,661)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	7	7	-	(287,661)	(287,661)
-	-	-	-	-	-
-	7	7	-	(287,661)	(287,661)
13,923	13,923	-	301,591	301,591	301,591
<u>\$ 13,923</u>	<u>\$ 13,930</u>	<u>\$ 7</u>	<u>\$ 301,591</u>	<u>\$ 13,930</u>	<u>\$ 13,930</u>

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET - CAPITAL PROJECTS FUND
June 30, 2013

	Governmental Fund Types		Totals
	Capital Projects	Major	
	Other	Maintenance	
ASSETS			
Cash & Cash Equivalents	\$ 624,841	\$ 299,927	\$ 924,768
Due from Special Revenue Fund	11,504	-	11,504
Total Assets	<u>\$ 636,345</u>	<u>\$ 299,927</u>	<u>\$ 936,272</u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts Payable	\$ -	\$ -	\$ -
Due to Special Revenue Fund	-	47,782	\$ 47,782
Total Liabilities	<u>-</u>	<u>47,782</u>	<u>47,782</u>
Fund balances			
Nonspendable:			
Interfund balance	11,504	-	11,504
Restricted for:	-	-	-
Committed to:			
Depreciation Reserve	237,718	-	237,718
Assigned to:	-	-	-
Unassigned:	<u>387,123</u>	<u>252,145</u>	<u>639,268</u>
Total Fund Equity	<u>636,345</u>	<u>252,145</u>	<u>888,490</u>
Total Liabilities and Fund Equity	<u>\$ 636,345</u>	<u>\$ 299,927</u>	<u>\$ 936,272</u>

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - CAPITAL PROJECTS
For the Year Ended June 30, 2013

	Governmental Fund Types		Capital Projects Totals
	Capital Projects Other	Major Maintenance	
REVENUE			
Interest	\$ 1,373	\$ 770	\$ 2,143
State Sources	-	510,643	510,643
Total Revenue	<u>1,373</u>	<u>511,413</u>	<u>512,786</u>
EXPENDITURES			
Improvements - Other	-	-	-
Improvements - Building	-	588,872	588,872
Total Expenditures	<u>-</u>	<u>588,872</u>	<u>588,872</u>
Excess of Revenue over (under) Expenditures	1,373	(77,459)	(76,086)
Other Financing Sources (uses)			
Operating Transfer in (out)	-	(17,150)	(17,150)
Excess of Revenue and Other Sources over (under) Expenditures and Other Sources (uses)	1,373	(94,609)	(93,236)
Fund Balance - July 1, 2012	<u>634,972</u>	<u>346,754</u>	<u>981,726</u>
Fund Balance - June 30, 2013	<u>\$ 636,345</u>	<u>\$ 252,145</u>	<u>\$ 888,490</u>

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGET BASIS) - CAPITAL PROJECTS
For the Year Ended June 30, 2013

	Capital Projects - Other			Variance Positive (Negative)
	Original Budget	Amended Budget	Actual	
REVENUES				
Interest	\$ 1,000	\$ 1,000	\$ 1,373	\$ 373
State Sources	-	-	-	-
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>1,373</u>	<u>373</u>
EXPENDITURES				
Improvements - Other	50,000	50,000	-	50,000
Improvements - Building	-	-	-	-
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Excess of Net Revenue over (under) Expenditures	(49,000)	(49,000)	1,373	50,373
Other Financing Sources (Uses)				
Operating Transfers in	-	-	-	-
Operating Transfers out	-	-	-	-
Excess of Revenues over (under) Expenditures and Other Uses	(49,000)	(49,000)	1,373	50,373
Fund Balance, July 1, 2012	<u>634,972</u>	<u>634,972</u>	<u>634,972</u>	<u>-</u>
Fund Balance, June 30, 2013	<u>\$ 585,972</u>	<u>\$ 585,972</u>	<u>\$ 636,345</u>	<u>\$ 50,373</u>

Major Maintenance				Capital Projects Fund Total		
Original Budget	Amended Budget	Actual	Variance Positive (Negative)	Total Amended Budget	Actual	Variance Positive (Negative)
\$ 1,000	\$ 1,000	\$ 770	\$ (230)	\$ 2,000	\$ 2,143	\$ 143
510,618	510,618	510,643	25	510,618	510,643	25
511,618	511,618	511,413	(205)	512,618	512,786	168
-	-	-	-	50,000	-	50,000
300,000	601,500	588,872	12,628	601,500	588,872	12,628
300,000	601,500	588,872	12,628	651,500	588,872	62,628
211,618	(89,882)	(77,459)	12,423	(138,882)	(76,086)	62,796
-	-	-	-	-	-	-
-	-	(17,150)	(17,150)	-	(17,150)	(17,150)
211,618	(89,882)	(94,609)	(4,727)	(138,882)	(93,236)	45,646
346,754	346,754	346,754	-	981,726	981,726	-
<u>\$ 558,372</u>	<u>\$ 256,872</u>	<u>\$ 252,145</u>	<u>\$ (4,727)</u>	<u>\$ 842,844</u>	<u>\$ 888,490</u>	<u>\$ 45,646</u>

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Jacqueline M. Michel, C.P.A.
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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
Hot Springs County School District No. 1
Thermopolis, Wyoming 82443

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hot Springs County School District No. 1 as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise Hot Springs County School District No. 1's basic financial statements and have issued our report thereon dated November 12, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 certain deficiencies in internal control, described in the accompanying schedule of internal control findings, as items 2013-A and 2013-B, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hot Springs County School District No. 1'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*.

Certain Other Matters Reported

We noted certain other matters that we report which are described in the accompanying schedule of internal control findings as items 2013-C through 2013-H.

Hot Springs County School District No. 1's Response to Internal Control Findings

Hot Springs County School District No. 1's response to the findings identified in our audit is described in the accompanying letter of response beginning on page 52. Hot Springs County School District No. 1's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Koerwitz, Michel, Wright & Assoc.
Koerwitz, Michel, Wright and Associates, P.C.
Certified Public Accountants

Thermopolis, Wyoming
November 12, 2013

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
SCHEDULE OF INTERNAL CONTROL FINDINGS FOR INDEPENDENT
AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
For the Year Ended June 30, 2013

Significant Deficiencies

Finding 2013-A: Segregation of Duties

Criteria

An effective internal control structure of an organization will include policies and procedures to:

1. Protect its assets against theft and waste.
2. Ensure compliance with the organization's policies, procedures, and statutory requirements.
3. Evaluate the performance of personnel to promote efficient operations.
4. Ensure accurate and reliable operating and accounting data.

One of the primary requirements of an effective system of internal control is the segregation of duties. Segregation of duties provides that one individual not be able to handle transactions from initiation to posting and/or have access to both assets and the accounting records. Separation of duties requires that someone other than the employee responsible for safeguarding the asset must maintain the accounting records for that asset. When an organization separates duties of the employees, it minimizes the probability of an error or irregularity occurring and not being detected on a timely basis. Segregation of duties is a deterrent to fraud as the conduct of fraudulent activity would require collusion with another person to accomplish the act.

Condition:

The District employs a full-time Business Manager and three assistants. This level of staffing does not include sufficient personnel to achieve adequate segregation of duties at all times.

Cause

Due to the size of your organization as measured by the scope, volume, and complexity of the organization's activities and financial transactions, it is not practical for you to employ sufficient staff to maintain an adequate segregation of duties at all times.

Effect:

The potential effect of the internal control deficiency is an increase in the risk of fraud and undetected errors in the processing of financial transactions.

Recommendation:

We recognize that it is impractical for the organization to employ sufficient staff to achieve complete segregation of duties over all transactions at all times. However, we feel this weakness in internal control should be pointed out to those charged with governance to highlight the significance of strong oversight by the board of directors. The Board must formulate oversight policies and procedures and perform them conscientiously to mitigate the risk of the lack of segregation of duties.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
SCHEDULE OF INTERNAL CONTROL FINDINGS FOR INDEPENDENT
AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS - (CONTINUED)
For the Year Ended June 30, 2013

Significant Deficiencies - (continued)

Finding 2013-A: Segregation of Duties - (continued)

Views of Responsible Officials and Planned Corrective Actions:

See attached letter of response beginning on page 52.

Finding 2013-B: Entity's Ability to Prepare Financial Statements

Criteria

An organization should have internal controls to allow for the independent preparation of its financial statements in accordance with an acceptable financial reporting framework. These controls should include policies and procedures over the selection and application of accounting principles and sufficient knowledge, skills and experience of management to apply those accounting principles in the preparation of the financial statements.

Condition:

The organization does not employ management or staff with the skills, knowledge and experience to prepare its financial statements in accordance with an acceptable financial reporting framework. Accordingly, the organization engages the auditor to assist with the preparation of the financial statements and assigns a specified individual to supervise, and accept, these non-audit services performed by the auditor.

Cause

Due to the limited resources of the organization, it is not reasonable or cost effective for the organization to retain and train management or staff with the skills, knowledge and experience to prepare financial statements in accordance with an acceptable financial reporting framework without the assistance of the auditors.

Effect:

The inability of management to independently prepare its financial statements constitutes a system deficiency. The primary risk of this system deficiency is that management's participation in the preparation of the financial statements is insufficient to prevent and detect material misstatements including improper reporting and inadequate disclosure. Accordingly, the potential effect is the presentation of financial statements that do not present fairly, in all material respects, the financial position and results of operations of the organization in accordance with the financial reporting framework.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
SCHEDULE OF INTERNAL CONTROL FINDINGS FOR INDEPENDENT
AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS - (CONTINUED)
For the Year Ended June 30, 2013

Significant Deficiencies - (continued)

Finding 2013-B: Entity's Ability to Prepare Financial Statements - (continued)

Recommendation:

We recognize that it is impractical for the organization to retain and train management or staff with the skills, knowledge and experience to independently prepare financial statements. However, we feel this weakness in internal control should be pointed out to those charged with governance to highlight the significance of the participation of management in the preparation of the financial statements with the assistance of the auditor. Management must be conscientious in obtaining an understanding of the process of the preparation of the financial statements, including the required reporting, presentation and disclosure requirements.

Views of Responsible Officials and Planned Corrective Actions:

See attached letter of response beginning on page 52.

Compliance and Other Matters Required to be Reported Under Government Auditing Standards

None noted.

Certain Other Matters Reported

Finding 2013-C: Recording of Capital Asset Activity in School Lunch Fund

As in prior year, as a result of testing capital assets, we noted the District had not recorded capital asset activity in accordance with generally accepted accounting principles (GAAP). We noted that depreciation of capital assets reflected in the subsidiary records had not been recorded in the general ledger. An adjustment to record this activity was agreed with management and made in the financial statements. We recommend the District implement policies and procedures to ensure that capital asset transactions are properly recorded in the general ledger in accordance with GAAP.

Views of Responsible Officials and Planned Corrective Actions:

See attached letter of response beginning on page 52.

Finding 2013-D: Recording Disposition of Assets in Subsidiary Records

As in prior year, we noted the Depreciation Schedule prepared by the District does not include the affects of assets disposed during the year. These disposed assets are removed by the system and the affect not included and available to determine proper accounting. District management was not able to prepare a Schedule form the system to facilitate the proper accounting entries. We recommend the District consult with the software vendor to determine how to produce a report with appropriate capital asset depreciation as it related to disposed assets in order to make accounting entries in accordance with GAAP.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
SCHEDULE OF INTERNAL CONTROL FINDINGS FOR INDEPENDENT
AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS - (CONTINUED)
For the Year Ended June 30, 2013

Certain Other Matters Reported - (continued)

Finding 2013-D: Recording Disposition of Assets in Subsidiary Records - (continued)

Views of Responsible Officials and Planned Corrective Actions:

See attached letter of response beginning on page 52.

Finding 2013-E: Recording of Capital Assets in Governmental Activities

As a result of testing capital assets, we noted the District had not recorded capital asset activity in accordance with GAAP. We noted the following:

1. Depreciation expense on capital assets recorded in the prior year had not been properly reflected in the Depreciation Schedules. The omission was not discovered in a reconciliation of the Depreciation Schedule to the general ledger record of capital assets.
2. During the year, the District disposed of obsolete capital assets. The disposed assets had been removed from the depreciation schedule and the general ledger record of capital assets. However, the accumulated depreciation on the disposed assets had not been removed from the depreciation schedule in accordance with (GAAP).

We recommend the District implement policies and procedures to ensure capital asset transactions are properly recorded in the subsidiary record of capital assets and the Capital Asset general ledger in accordance with GAAP.

Views of Responsible Officials and Planned Corrective Actions:

See attached letter of response beginning on page 52.

Finding 2013-F: Payroll System

As a result of performing testing of payroll processing for a sample of the paychecks of 15 employees for one pay period for compliance with payroll regulations, we noted the following:

1. For one employee, the employee's latest Employee's Withholding Allowance Certification (W-4) was a higher amount than that determined by the District's payroll system. The difference was approximately \$21 higher than the payroll system.
2. For one employee, we noted no written authorization for withholding of premiums for Wyoming Retirement System life insurance.

We recommend the District complete an inventory of payroll deductions and compare to signed employee authorization forms in personnel files and implement policies and procedures to compare the withholding amounts in the payroll system. The withholding amounts should match the written authorizations and if discrepancies are noted, payroll personnel should follow-up and confirm the wishes of employees in writing.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
SCHEDULE OF INTERNAL CONTROL FINDINGS FOR INDEPENDENT
AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS - (CONTINUED)
For the Year Ended June 30, 2013

Certain Other Matters Reported - (continued)

Finding 2013-F: Payroll System - (continued)

Views of Responsible Officials and Planned Corrective Actions:

See attached letter of response beginning on page 52.

Finding 2013-G: Compliance with Expenditure Controls

As a result of performing detailed testing of expenditures for indications of compliance with the District's policies and procedures to maintain control over expenditures, we noted 13 of 79 expenditures tested in the A-133 compliance audit lacked documentation that a review had been performed by the Federal Fund Administrator (Curriculum Director). We understand the purpose of the review is to ensure compliance with the grant program to which the expenditure is being charged. We understand this review is a required procedure for all grant expenditures pursuant to the District's internal policies and procedures.

We recommend the District survey its policies and procedures to ensure that those policies and procedures constituting internal accounting control procedures over compliance are applied as prescribed at all times and documented as performed.

Views of Responsible Officials and Planned Corrective Actions:

See attached letter of response beginning on page 52.

Finding 2013-H: Bank Mandates

As a result of confirming authorized signatories over bank and investment account with the custodians, we noted that at two banks, the former business manager continues to be listed as an authorized signatory on the bank mandates. It is a best practice to revise the bank mandates over deposit accounts with a change in management personnel or Trustees. We recommend the District update its bank mandates at these depository institutions to reflect only current management.

Views of Responsible Officials and Planned Corrective Actions:

See attached letter of response beginning on page 52.

Hot Springs County School District #1

415 Springview

Thermopolis, Wyoming 82443

Business Office

307-864-6580

canderso@hotsprings1.org

November 12, 2013

Koerwitz, Michel, Wright & Associates
630 Broadway
P.O. Box 1362
Thermopolis, WY 82443

Re: Responses to the 2012-2013 Internal Control Audit findings

Dear Michael:

The following are the District's responses to the 2012-2013 Audit findings. They are listed per finding using your numbering system.

Finding 2013-A – Segregation of Duties We acknowledge that with our small fiscal staff it is difficult to maintain the strict separation of duties that would ensure the least amount of risk. We will make every effort to follow procedures and monitor financial activity to maintain security for our financial assets.

Finding 2013-B - Ability to Meet Current Auditing Standards The Business office will strive to gain expertise in preparation of financial statements to be closer to compliance with GAAP. We have relied on the auditors in the past to assist with the financial statements and we will continue to need assistance as we work on increasing our capacity.

Finding 2013-C Recording of Capital Asset Activity in School Lunch Fund Depreciation for School Lunch Fund assets will be calculated and entered into the general ledger in the upcoming years.

Finding 2012-D Recording Disposition of Assets in Subsidiary Records The process of recording the disposition of assets continues to be a challenge but we will work with the updated software to identify the depreciation associated with disposed assets to enter the adjustments into the general ledger. We will monitor our records closely to ensure any sales of assets are handled correctly.

Finding 2012-E Recording of Capital Assets in Governmental Activities - The District has depended on assistance from the auditors in the past to complete the Depreciation calculations and record the changes in the financial records. We have a goal of improving our capacity to generate this information within the business office for the upcoming year-end financial activities.

Finding 2013-F Payroll Systems The withholding difference was caused by the payroll system set to 9 tax periods when the employee was first hired. It wasn't updated to 12 tax periods when the position changed so the calculation was off. This has been corrected. A copy of the original withholding authorization from 1986 was obtained from the WRS and placed in the employee's file to document the enrollment in the WRS life insurance.

Finding 2013-G Compliance with Expenditure Controls - The business office staff will make every effort to ensure that all expenditures are reviewed and signed by the Federal Fund Administrator in addition to other required signatures.

Finding 2013-H Bank Mandates - Updated signatures have been provided to all banks and their records should reflect current management.

Please let me know if you need further clarification regarding these issues.

Sincerely,

A handwritten signature in cursive script that reads "Colleen Anderson".

Colleen Anderson
Business Manager

David L. Koerwitz, C.P.A., P.F.S.
Jacqueline M. Michel, C.P.A.
Michael J. Wright, C.P.A.



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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
Hot Springs County School District No. 1
Thermopolis, WY 82443

Report on Compliance for Each Major Federal Program

We have audited Hot Springs County School District No. 1'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 Hot Springs County School District No. 1's major federal programs for the year ended June 30, 2013. Hot Springs County School District No. 1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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 Hot Springs County School District No. 1's compliance.

Opinion on Each Major Federal Program

In our opinion, Hot Springs County School District No. 1 complied, in a material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-1 through 2013-4. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of Hot Springs County School District No. 1 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 Hot Springs County School District No. 1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine 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 Hot Springs County School District No. 1's internal control over

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-1, that we consider to be significant deficiencies.

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Hot Springs County School District No. 1 as of and for the year ended June 30, 2013, and have issued our report thereon dated November 12, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Koerwitz, Michel, Wright & Assoc.

Koerwitz, Michel, Wright and Associates, P.C.
Certified Public Accountants

Thermopolis, Wyoming
November 12, 2013

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

SECTION I - SUMMARY OF THE AUDITOR'S RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of Hot Springs County School District No. 1.
2. Two significant deficiencies disclosed during the audit of the financial statements are reported in the Schedule of Internal Control Findings. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Hot Springs County School District No. 1 were disclosed during the audit.
4. One significant deficiency in internal control over major federal award programs disclosed during the audit is reported in the Schedule of Findings and Questioned Costs. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for Hot Springs County School District No. 1 expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 501(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major program were:

CFDA #	84.287	Program Name	21st Century Community Learning Centers
CFDA #	84.010	Program Name	Title 1, Part A
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Hot Springs County School District No. 1 was determined to be a low-risk auditee.

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT

Finding 2012-1: Segregation of Duties

Criteria:

An effective internal control structure of an organization will include policies and procedures to:

1. Protect its assets against theft and waste.
2. Ensure compliance with the organization's policies, procedures, and statutory requirements.
3. Evaluate the performance of personnel to promote efficient operations.
4. Ensure accurate and reliable operating and accounting data.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)
For the Year Ended June 30, 2013

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT - (continued)

Finding 2012-1: Segregation of Duties - (continued)

One of the primary requirements of an effective system of internal control is the segregation of duties. Segregation of duties provides that one individual not be able to handle transactions from initiation to posting and/or have access to both assets and the accounting records. Separation of duties requires that someone other than the employee responsible for safeguarding the asset must maintain the accounting records for that asset. When an organization separates duties of the employees, it minimizes the probability of an error or irregularity occurring and not being detected on a timely basis. Segregation of duties is a deterrent to fraud as the conduct of fraudulent activity would require collusion with another person to accomplish the act.

Statement of Condition:

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

Questioned Costs:

\$0.00

Cause:

Due to the size of your organization as measure by the scope, volume, and complexity of the organization's activities and financial transactions, it is not practical for you to employ sufficient staff to maintain an adequate segregation of duties at all times.

Effect or Potential Effect:

The potential effect of the internal control deficiency is an increase in the risk of fraud and undetected errors in the processing of financial transactions.

Recommendation:

We recognize that it is impractical for the organization to employ sufficient staff to achieve complete segregation of duties over all transactions at all times. However, we feel this weakness in internal control should be pointed out to those charged with governance to highlight the significance of strong oversight by the board of directors. The Board must formulate oversight policies and procedures and perform them conscientiously to mitigate the risk of the lack of

Views of Responsible officials and planned corrective actions:

We acknowledge that with our small fiscal staff it is difficult to maintain the strict separation of duties that would ensure the least amount of risk. We will make every effort to follow procedures and monitor financial activity to maintain security for our financial assets.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)
For the Year Ended June 30, 2013

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

Finding 2013-2: Activities Unallowed

CFDA #84.287C - Twenty-First Century Community Learning Centers

Criteria:

The School District must follow the principles and standards set out in OMB Circular A-87 "Cost principles for State, Local, and Indian Tribal Governments" in regard to determining costs carried out through the subject grant. According to OMB Circular A-87 meals are unallowable for staff development. Neither the grant nor OMB Circular A-87 allows grant funds to be spent on meals for staff, unless in conjunction with educating the parents or children.

Statement of Condition:

We noted an expenditure for meals for staff during staff development meetings.

Questioned Costs:

The condition results in questioned costs of \$543.79.

Context:

In a test of a sample of 39 expenditures under this grant, one of the expenditures in the sample for \$88.69 was for meals during staff development meetings. We reviewed the general ledger for staff development meals that did not include parents or children, and we noted seven expenditures totaling \$543.79 that appeared to be meals for staff that would be unallowable under the grant.

Cause:

The cause is inadequate training or understanding of the grant agreement and the federal cost principles of costs allowable under the grant program.

Effect or Potential Effect:

The effect is grant funds that were expended for unallowable costs.

Recommendation:

District staff should increase their understanding of the grant program through training or study of the grant agreement and federal cost principles. The District should also implement policies and procedures to ensure unallowed costs are not expended with federal grant program funding.

Views of Responsible officials and planned corrective actions:

Training for our afterschool program staff is a very important aspect of the quality of our program. Food provided during training was charged as part of the staff development but in the future, food will not be charged to the grant for staff training.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)
For the Year Ended June 30, 2013

**SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD
PROGRAM AUDIT - (continued)**

Finding 2013-3: Cash Management

CFDA #84.010 - Title I Part A

Criteria:

The School District must follow the principles and standards set out in OMB Circular A-133 "Compliance Supplement" in regards to cash management for reimbursement grants. According to OMB Circular A-133, when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested. This grant is on the reimbursable basis, therefore the District must incur and pay the expenses prior to submitting reimbursement requests.

Statement of Condition:

We noted an instance where the District submitted reimbursement of instructional costs prior to incurring the costs.

Questioned Costs:

The timing of the request for reimbursement of \$340.00 should have been subsequent to the incurring of the costs. There was no exception noted to the allowability of these costs.

Context:

In a test of a sample of 64 expenditures under these grants, one of the expenditures in the sample was applied for reimbursement from the grant program intermediary and was reimbursed prior to incurring the expense.

Cause:

The cause is inadequate training or understanding of the grant agreement and the federal cash management compliance criteria for reimbursement basis grant funding and a lack of a consistent policy and implementation of procedures on submission of requests for reimbursement from Federal grant program funding.

Effect or Potential Effect:

The effect is that the District received grant program funding in advance of incurring the expenditure in violation of the grant program and federal cost principles.

Recommendation:

District staff should increase their understanding of the grant program through training or study of the grant agreement and federal cost principles. The District should also implement policies and procedures to ensure it does not apply for reimbursement of grant program expenditures prior to incurring the costs.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)
For the Year Ended June 30, 2013

**SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD
PROGRAM AUDIT - (continued)**

Finding 2013-3: Cash Management - (continued)

Views of Responsible officials and planned corrective actions:

\$ 340.00 was requested prior to the actual expenditure based on an encumbrance that was included in the total expenses. This will be avoided in the future.

Finding 2013-4 - Allowable Costs

CFDA #84.287C - Twenty-First Century Community Learning Centers

Criteria:

The School District must follow the principles and standards set out in OMB Circular A-87 "Cost principles for State, Local, and Indian Tribal Governments" in regard to determining costs carried out through the subject grant. OMB A-87 "Basic Guidelines" indicates that to be allowable under Federal awards, costs must meet certain general criteria. One such criteria is that costs must be adequately documented. Additionally, Circular A-87 requires that compensation for personal services (wages) be appropriately documented in accordance with the generally accepted practice of the organization and approved by a responsible official. The appropriate documentation set out in the Circular for employees who work on multiple activities or cost objectives is personnel activity reports or time sheet. An employee who works on multiple activities or cost objectives must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B, paragraph 8.h(4), (5), and (6). The employee must document the portion of time and effort dedicated to: 1) the federal program or cost objective and 2) each other program or cost objective supported by consolidated federal funds or other revenue sources.

Statement of Condition:

We noted the District had recorded wages, without documentation supporting the employee's portion of time and effort on the Federal program, as an expenditure of this grant program.

Questioned Costs:

The condition results in questioned costs of \$682.68

Context:

In a test of a sample of 39 expenditures under this grant, six of the expenditures in the sample were for payroll expenditures. Of the six expenditures, two were for one employee with no documentation supporting the employee's portion of time and effort on the Federal program. We reviewed documentation for this employee for other payroll periods and noted proper documentation for all but one payroll period. Thus, for three months out of twelve months of payroll, for one employee, the District lacked appropriate documentation to support the employee's portion of time spent on the Federal program.

HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)
For the Year Ended June 30, 2013

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT - (continued)

Finding 2013-4 - Allowable Costs - (continued)

Cause:

The District did not have adequate policies and procedures requiring proper documentation supporting all employees' time and effort spent on a Federal program.

Effect or Potential Effect:

The effect is that payroll costs may be expended from a federal grant program on which an employee did not expend time and effort.

Recommendation:

The District should implement policies and procedures for documentation of employee time and effort on a Federal program to ensure it complies with reporting requirements in the grant agreement and OMB Circular A-87.

Views of Responsible officials and planned corrective actions:

A new staff member was assigned to provide administrative support to the grants. This support was ongoing but some of the documentation of time was missed in the transition. This situation won't occur in the future.

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HOT SPRINGS COUNTY SCHOOL DISTRICT NO. 1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2013

FINDINGS - FINANCIAL STATEMENT AUDIT

Finding 2010-1, 2011-1, 2012-1: Segregation of Duties

Statement of Condition:

Segregation of duties was not met at all times due to the small size of the Organization.

Recommendation:

Many aspects of internal controls rely upon adequate segregation of duties. Segregation of duties provides that one individual not be able to handle or dominate transactions from initiation to posting and/or have access to both assets and the accounting records. Due to the small size of the District's administrative staff, it is not practical for them to maintain adequate segregation of duties. For the financial statements, we believe this is a significant deficiency. For Federal funds, including major programs, the State of Wyoming Department of Education provides controls on the release of funds and review of activity sufficient for this condition to not be a significant deficiency in reference to Federal Awards. Although there is not cost effective features that may eliminate this condition, we feel management, Board, and other agency review of activity reduces the risks.

Current Status

Segregation of Duties has been and will continue to be a significant deficiency repeated as 2013-1.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None noted.