



FINANCIAL REPORT

JUNE 30, 2013





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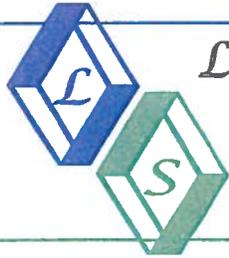


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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Johnson County School District No. 1
Buffalo, Wyoming

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Johnson County School District No. 1, as of and for the year ended June 30, 2013, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Roxy L. Skogen, CPA, CFE

Michael J. Cometto, CPA, CFE

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 – 12 and 44 – 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Johnson County School District No. 1's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other schedules 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 December 23, 2013 on our consideration of the Johnson 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 Johnson County School District No. 1's internal control over financial reporting and compliance.

The accompanying basic financial statements, supplementary information, and our independent auditors' reports are for the purpose of meeting local, state, and federal requirements and for the use of those entities and the management and the Board of Trustees and should not be used or relied upon by any other party for any purpose. Additional users of these financial statements, supplementary information, and independent auditors' reports are hereby advised that the liability of Lovelett, Skogen & Associates, P.C. to third party users who use or rely on this information may be limited pursuant to 1995 Wyoming Session Laws, Chapter 155 creating Wyoming Statute §33-3-201.

Lovelett, Skogen & Associates, P.C.

Casper, Wyoming
December 23, 2013

**JOHNSON COUNTY SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013
(Unaudited)**

This section of the Johnson County School District No. 1 (JCSD) Annual Financial Report represents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The principal financial highlights experienced in the District during FY2013 were investments in facilities. The District continued construction of an Intermediate Elementary School in Buffalo as well as several major maintenance projects designed to improve and lengthen the operation of existing facilities.
- The District's total and net asset positions increased during FY13 primarily due to the investment in capital assets.
- During FY2013:
 - The District finished several major maintenance and construction projects.
 - The District also continued construction of an Intermediate Elementary School which will be completed in early FY14.
- Johnson County's assessed valuation witnessed a decrease due to the mineral extraction industry, particularly the natural gas sector.
 - Valuation fell from \$1.29 to \$1.09 B.
 - The District continued to be classified as a recapture district, sending back to the state \$16.3 M. This status will continue into the near future.

OVERVIEW OF THE FINANCIAL STATEMENTS

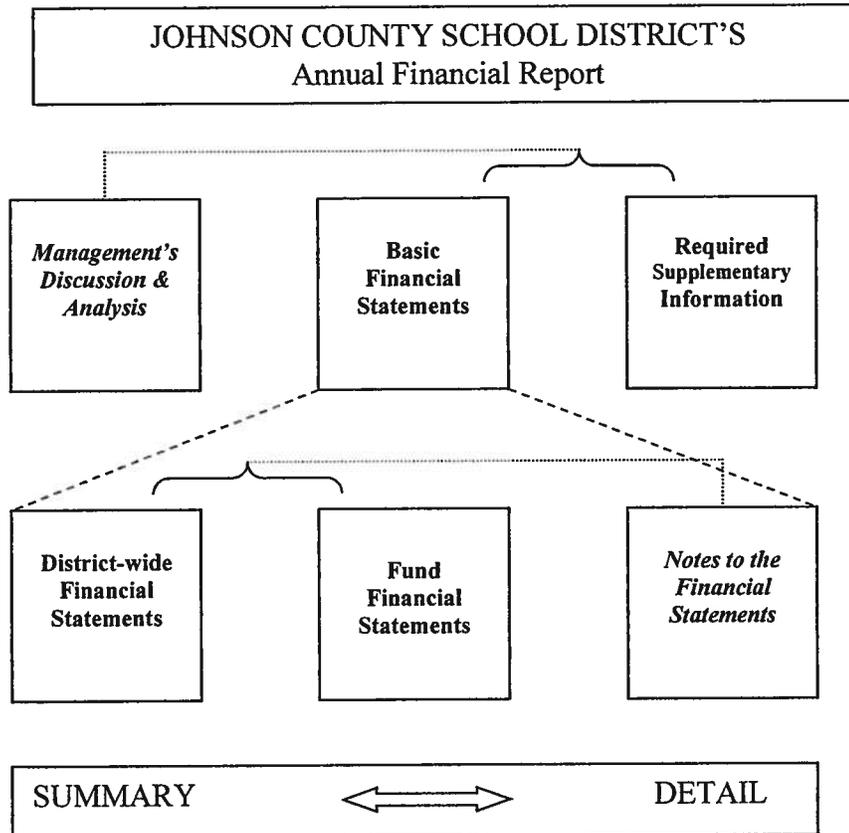
This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide* financial statements that provide both short-term and long-term information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.
 - The **governmental funds statements** tell how *basic* services like regular and special education were financed in the short term as well as what remains for future spending.
 - **Proprietary funds statements** offer short- and long-term financial information about the activities the District operates *like businesses*, such as food services.
 - **Fiduciary funds statements** provide information about the financial relationships in which the District acts solely as *a trustee or agent* for the benefit of others.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the district's budget for the year.

**JOHNSON COUNTY SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013
(Unaudited)**

The schedule below shows how the various parts of this annual report are arranged and related to one another.



District-wide Statements

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

The two district-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

**JOHNSON COUNTY SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013
(Unaudited)**

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

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities* – The District charges fees to help cover the costs of certain services it provides. The District's food service program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like acquisition and construction of facilities or paying its long-term contracts awarded early release staff) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
 - ☞ In fact, the District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
 - ☞ We do not use internal service funds (the other kind of proprietary fund) to report activities that provide supplies and services for the District's other programs and activities.
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for assets that belong to others, such as the student activities funds and the Small Schools Coalition. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**JOHNSON COUNTY SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013
(Unaudited)**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position

Condensed Statement of Net Position (In Millions of Dollars)					
	audit			\$	%
	6/30/2013	6/30/2012		change	change
<u>Assets:</u>					
Current and Other Assets	\$ 9.0	\$ 9.1		\$ (0.1)	-1.1%
Capital Assets, net of accum deprec	\$ 64.0	\$ 54.6		\$ 9.4	17.3%
Total Assets	\$ 73.0	\$ 63.7		\$ 9.3	14.6%
<u>Liabilities:</u>					
Current Liabilities	\$ 3.2	\$ 1.9		\$ 1.3	68.5%
Non-current Liabilities	\$ 0.6	\$ 0.6		\$ 0.0	0.0%
Total Liabilities	\$ 3.8	\$ 2.5		\$ 1.3	52.0%
<u>Net Assets:</u>					
Invested in capital assets, net of debt	\$ 63.6	\$ 54.1		\$ 9.5	17.6%
Restricted	\$ 1.7	\$ 3.1		\$ (1.4)	-45.2%
Unrestricted	\$ 3.9	\$ 3.9		\$ 0.0	0.0%
Total Net Position	\$ 69.2	\$ 61.1		\$ 8.1	13.3%

- Total assets of \$73.0 M increased over the prior year by \$9.3 M or 14.6%. The District continued several major capital construction projects in FY13 causing asset growth to outpace the net of accumulated depreciation to increase capital assets by \$9.4 M.
- Total liabilities of the District increased \$1.3 M or 52.0% over the prior year primarily as a result of an increase in the accounts payable related to the capital construction projects which will continue into FY14.
- Total net position of \$69.2 M rose by just over \$8.1 M or 13.3% over the previous year.

**JOHNSON COUNTY SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013
(Unaudited)**

Changes in net position

Changes in Net Position from Operating Results (In Millions of Dollars)					
		Actual 6/30/2013	6/30/2012	\$ Change	% Change
Revenues					
Program	Charges for Services	\$ 0.3	\$ 0.3	0.0	0.0%
	Operating Grants	\$ 1.6	\$ 2.5	(0.9)	-36.0%
	Capital Grants	\$ 10.2	\$ 1.2	9.0	750.0%
General	Property & Other Taxes	\$ 37.4	\$ 43.3	(5.9)	-13.7%
	General State Aid	\$ (16.3)	\$ (22.4)	6.1	27.3%
	Other	\$ 0.1	\$ 0.2	(0.1)	-50.0%
	Total Revenue	\$ 33.3	\$ 25.1	8.2	32.7%
Expenses					
	Instruction	\$ 12.3	\$ 12.7	(0.4)	-3.2%
	Pupil & Instruct Services	\$ 3.9	\$ 3.8	0.1	2.7%
	Administration	\$ 3.3	\$ 3.3	0.0	0.0%
	Building & Grounds	\$ 3.1	\$ 2.5	0.6	24.0%
	Pupil Transportation	\$ 1.3	\$ 1.5	(0.2)	-13.4%
	Community Services	\$ 0.2	\$ 0.2	0.0	0.0%
	Food Services	\$ 0.6	\$ 0.6	0.0	0.0%
	Other	\$ 0.1	\$ 0.2	(0.1)	-50.0%
	Interest on Long Term Oblig	\$ 0.0	\$ 0.0	0.0	0.0%
	Payments to Other Govt's	\$ 0.0	\$ 0.0	0.0	0.0%
	Total Expenses before Extraordinary Items	\$ 24.8	\$ 24.8	0.0	0.0%
Extraordinary Items					
	Asset Impairment	\$ 0.0	\$ 0.0		
Change in Net Position		\$ 8.0	\$.2		
Net Assets, beginning of year		\$ 61.1	\$ 60.9		
Net Assets, end of year		\$ 69.1	\$ 61.1		

- Total revenue received in FY13 equaled \$33.3 M an 8.2% increase from the previous year. This was largely due to the Capital Grants received from the State of Wyoming for the construction of Cloud Peak Elementary School.
- Property and Other Taxes collected were down \$5.9 M or 13.7% this fiscal year due to the county's assessed valuation decrease.
- Total expenditures of the District held steady at \$24.8 M.
- Net assets of the District equaled \$69.1 M, up \$8 M over the prior year.

**JOHNSON COUNTY SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013
(Unaudited)**

Revenues

- The District received \$49.6 M in total gross revenues for the year ended June 30, 2013. As a recapture district, \$16.3 M was sent back to the state. Bringing the total usable revenue down to \$33.3 M. Of the revenue collected prior to recapture 75% was collected locally from property and other taxes. Operating and Capital grants account for 3.2% and 21% respectively. The remaining .8% came from charges for services and other sources.
- Overall, the composition of revenue changed from the prior year due to an increase in Capital Grants from 2.5% to 21% related to the new school construction funding provided by the state.
- Figure 1: represents the Composition of revenue by source.
- Figure 2: represents the composition of revenue, showing that percentage of recapture.

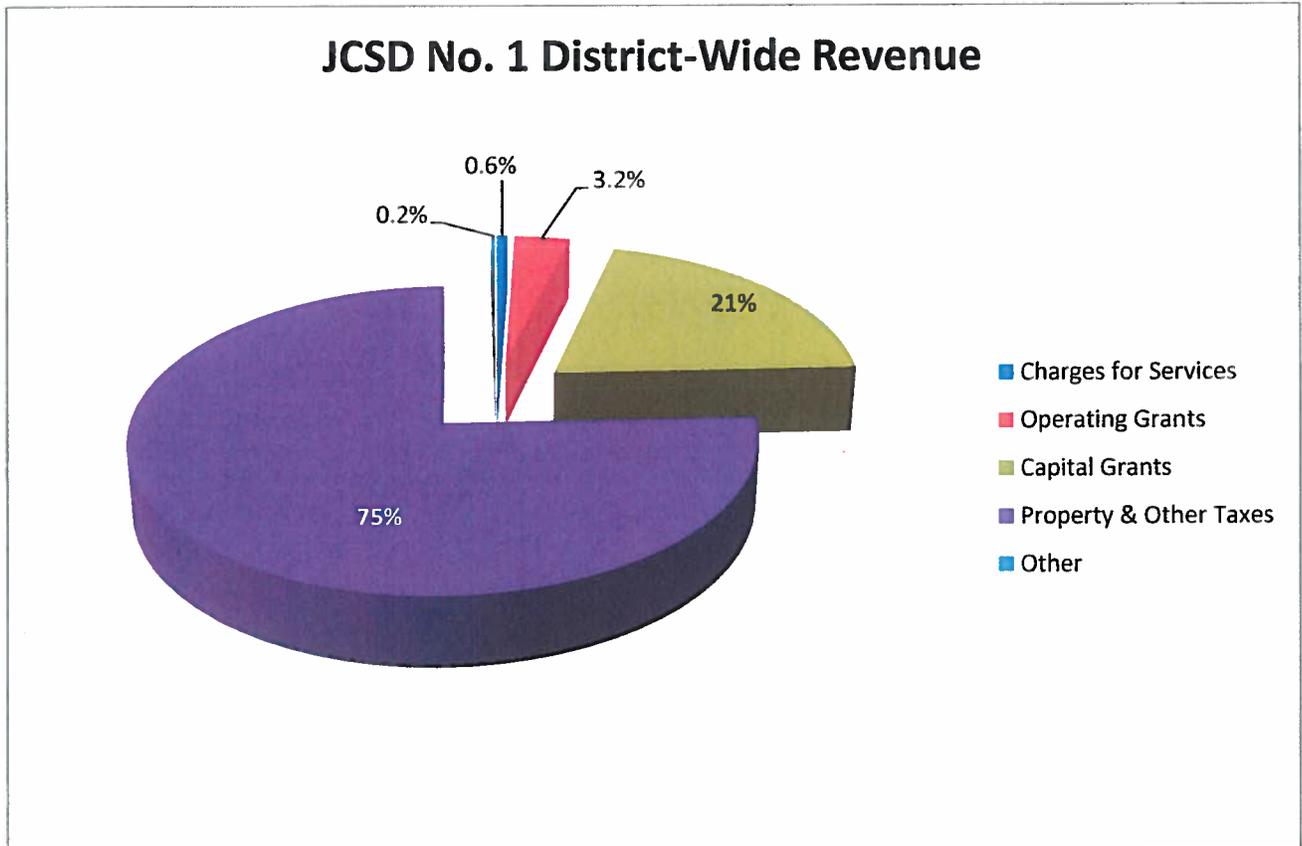


Figure 1: JCSD No. 1 District-Wide Revenue by Source

**JOHNSON COUNTY SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013
(Unaudited)**

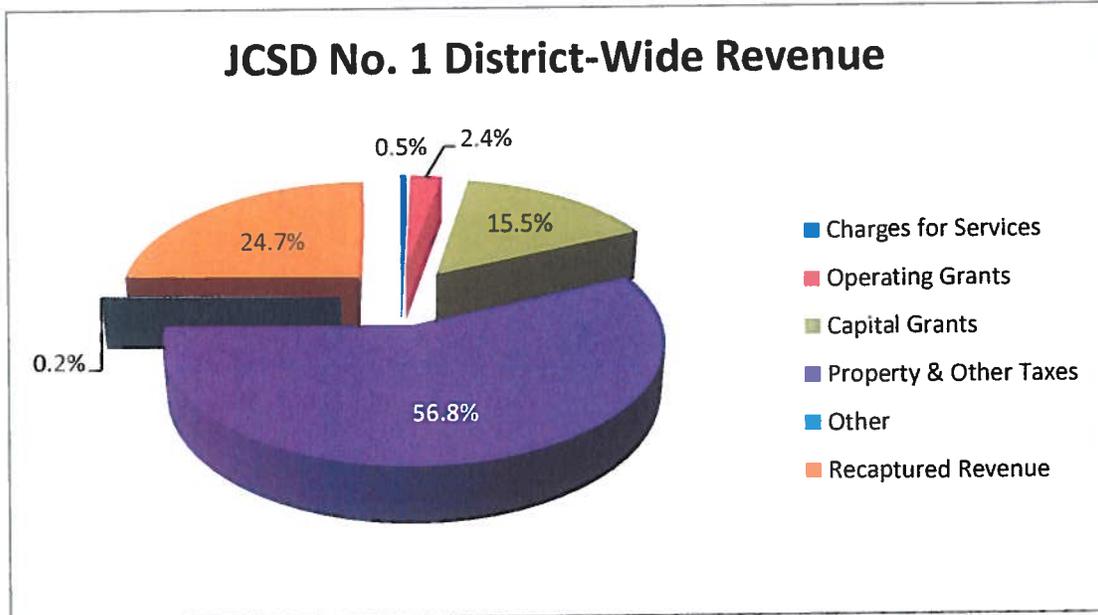


Figure 2: JCSD No.1 District-Wide Revenue Showing Percent of Recapture

Expenses

- The District's total expenses of \$24.8 M an held even with the prior year. 49.7% of this total was expended on instruction, 15.7% on pupil & instructional services, 12.5% on buildings & grounds, 13.3% on administration, and 5.2% on pupil transportation. The remaining 3.6% of total expenses includes food services, community services, teacherages, and other expenses.
- Figure 3: represents the distribution of expenditures by function.

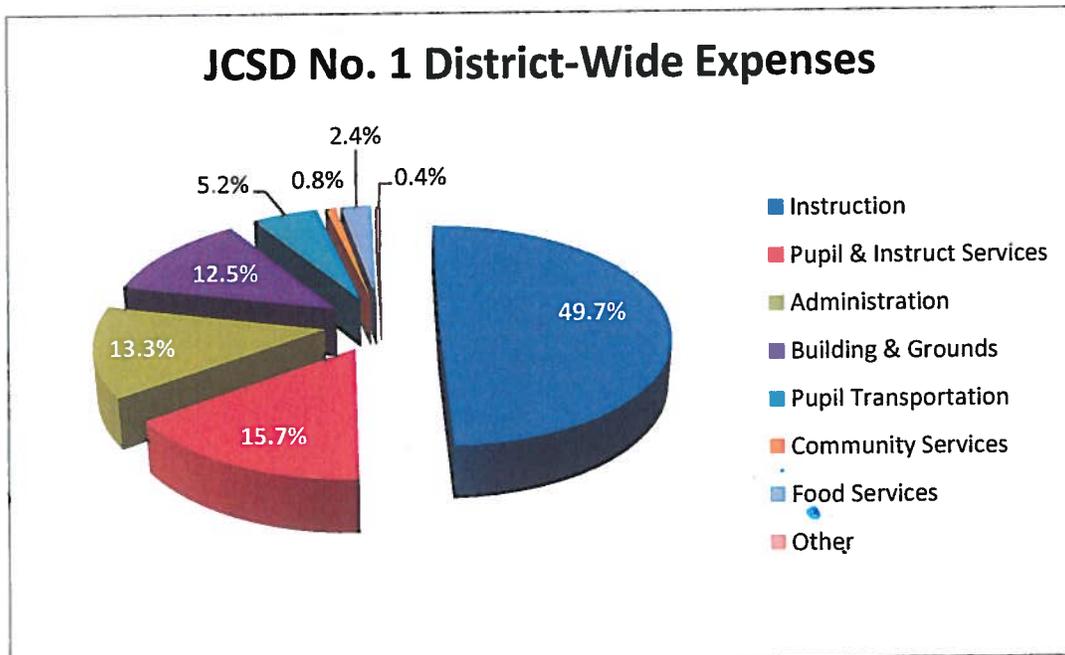


Figure 3: JCSD No. 1 District-Wide Expenses

**JOHNSON COUNTY SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013
(Unaudited)**

FINANCIAL ANALYSIS OF THE DISTRICT FUNDS

General Fund

- The general fund by definition is the fund used to account for all activity of the District not required to be accounted for elsewhere. It is where most of the day to day operations of the District are conducted. Fund balance for the year ended June 30, 2012 is \$2.6 M. This is down \$609 K from FY2012.
- Revenues of the general fund (After recapture) were down \$301 K or 1.6% from the year ended June 30, 2012.
- Expenses of the general fund totaled \$20.0 M matching the prior year's figures.

Capital Construction Fund

- The capital construction fund is comprised of those resources used to acquire or construct major capital facilities. In FY12, the District began the construction of an intermediate elementary school for grades 3-5 in Buffalo. The major funding for this facility will come from the Wyoming School Facilities Department. Those capital grant dollars will be ran through the Capital Construction Fund.
- Revenue in this fund was \$10,215,452, with \$10,214,626 coming from the facilities department.
- Expenses of the Capital Construction Fund \$10,433,948.
- The balance of the Capital Construction Fund \$1,254,184 as of June 30, 2013.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Facilities

During the upcoming year, the District will complete construction on the Cloud Peak Intermediate Elementary School. The new facility is designed to house Buffalo's 3rd, 4th, and 5th grade elementary students. The 3rd grade students are currently being housed at the ever more crowded Meadowlark Elementary and 4th and 5th grades are in the previously vacated Middle School building.

Major Maintenance funding will continue to be utilized to update Meadowlark Elementary as defined by the District's Long-Term Facility Plan through a phased multi-year approach.

County Valuation

The growth in county valuation moved JCSD into recapture status beginning FY2008. This has created a situation in which the District must manage its cash flow in order to operate off of local tax collections, interest payments and other revenue sources. Johnson County has significantly decreased in valuation from its height in FY10. The FY14 valuation fell from \$1.095 B in FY13 to \$784 B. Even with the decline, this is currently the sixth highest valuation on record for Johnson County.

Due to the continued success of the minerals extraction industry, the District will remain a recapture district. As well, the loss of revenue from minimal interest rates due to the national economic troubles will remain a concern over the next several years.

**JOHNSON COUNTY SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013
(Unaudited)**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Johnson County School District No.1, 601 West Lott, Buffalo, WY 82834.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	\$ 6,544,504	\$ 86,087	\$ 6,630,591
Cash with fiscal agent	830,691	-	830,691
Receivables:			
Property taxes	466,384	-	466,384
Other governments, grants	975,306	-	975,306
Other	57	-	57
Inventories and prepaid expenses	106,225	6,393	112,618
Internal balances	44,642	(44,642)	-
Capital assets:			
Land	825,098	-	825,098
Construction in process	12,398,920	-	12,398,920
Other capital assets, net of accumulated depreciation	50,765,683	1,805	50,767,488
Total assets	<u>72,957,510</u>	<u>49,643</u>	<u>73,007,153</u>
Liabilities:			
Accounts payable	2,238,796	13,993	2,252,789
Accrued expenses	410,986	3,303	414,289
Unearned revenue	16,017	400	16,417
Current portion of long-term obligations	473,918	-	473,918
Noncurrent portion of long-term obligations	641,857	-	641,857
Total liabilities	<u>3,781,574</u>	<u>17,696</u>	<u>3,799,270</u>
Net Position:			
Net investment in capital assets	63,665,189	1,805	63,666,994
Restricted for:			
Major maintenance	291,292	-	291,292
Capital projects	436,724	-	436,724
Debt service	61,061	-	61,061
Grant programs	80,248	-	80,248
BOCHES	808,943	-	808,943
Unrestricted	3,832,479	30,142	3,862,621
Total net position	<u>\$ 69,175,936</u>	<u>\$ 31,947</u>	<u>\$ 69,207,883</u>

See accompanying notes to financial statements.

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instructional services:				
Regular instruction	\$ 9,517,970	\$ -	\$ 423,460	\$ -
Special education	2,112,719	-	626,068	-
Vocational education	635,161	-	22,023	-
Supporting services:				
Students	2,597,447	-	-	37,332
Instructional staff	1,315,201	-	374,269	-
Central services	1,110,398	-	18,400	-
School administration	1,340,042	-	-	-
Business services	729,923	-	-	-
Operation and maintenance of facilities	3,142,006	29,400	7,842	10,215,452
Pupil transportation	1,316,622	-	-	-
General administration	127,392	-	-	-
Community services	202,102	-	8,597	-
Other	21,582	-	-	-
Total Governmental Activities	<u>24,168,565</u>	<u>29,400</u>	<u>1,480,659</u>	<u>10,252,784</u>
Business-Type Activities:				
Food services	617,970	265,714	179,915	-
Teacherages	28,851	36,250	-	-
Total Business-Type Activities	<u>646,821</u>	<u>301,964</u>	<u>179,915</u>	<u>-</u>
Total District	<u>\$ 24,815,386</u>	<u>\$ 331,364</u>	<u>\$ 1,660,574</u>	<u>\$ 10,252,784</u>

General revenues:

Property taxes levied for:

BOCHES

Debt service

General purposes

Major maintenance

State aid not restricted to specific purposes

State Foundation Program recapture

Taylor Grazing

Earnings on investments

Miscellaneous

Transfers

Special Item - Impairment of capital assets

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

Net (Expenses) Revenue and Changes in Net Position		
Total Governmental Activities	Business-Type Activities	Total
\$ (9,094,510)	\$ -	\$ (9,094,510)
(1,486,651)	-	(1,486,651)
(613,138)	-	(613,138)
(2,560,115)	-	(2,560,115)
(940,932)	-	(940,932)
(1,091,998)	-	(1,091,998)
(1,340,042)	-	(1,340,042)
(729,923)	-	(729,923)
7,110,688	-	7,110,688
(1,316,622)	-	(1,316,622)
(127,392)	-	(127,392)
(193,505)	-	(193,505)
(21,582)	-	(21,582)
(12,405,722)	-	(12,405,722)
-	(172,341)	(172,341)
-	7,399	7,399
-	(164,942)	(164,942)
(12,405,722)	(164,942)	(12,570,664)
568,101	-	568,101
12,822	-	12,822
35,937,010	-	35,937,010
953,817	-	953,817
(16,353,933)	-	(16,353,933)
50,605	-	50,605
6,260	31	6,291
7,532	-	7,532
(155,000)	155,000	-
(543,797)	-	(543,797)
20,483,417	155,031	20,638,448
8,077,695	(9,911)	8,067,784
61,098,241	41,858	61,140,099
<u>\$ 69,175,936</u>	<u>\$ 31,947</u>	<u>\$ 69,207,883</u>

**FUND
FINANCIAL STATEMENTS**

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	Major Funds			Total Governmental Funds
	General Fund	Capital Construction Fund	Other Governmental Funds	
Assets:				
Cash and investments	\$ 2,159,192	\$ 2,341,959	\$ 1,787,215	\$ 6,288,366
Cash with fiscal agent	769,281	-	61,410	830,691
Receivables:				
Property taxes	466,384	-	-	466,384
Other governments, grants	-	748,767	226,539	975,306
Other	57	-	-	57
Inventories	106,225	-	-	106,225
Due from other funds	65,667	(11,815)	(9,210)	44,642
Total assets	<u>\$ 3,566,806</u>	<u>\$ 3,078,911</u>	<u>\$ 2,065,954</u>	<u>\$ 8,711,671</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 168,078	\$ 1,824,727	\$ 245,991	\$ 2,238,796
Accrued expenses	326,545	-	84,441	410,986
Unearned revenue:				
Grants	-	-	16,017	16,017
Property taxes	447,286	-	-	447,286
Total liabilities	<u>941,909</u>	<u>1,824,727</u>	<u>346,449</u>	<u>3,113,085</u>
Fund Balances:				
Nonspendable for:				
Inventories	106,225	-	-	106,225
Restricted for:				
Major maintenance	-	-	291,292	291,292
Capital projects	-	436,724	-	436,724
Debt service	-	-	61,061	61,061
Grant programs	-	-	80,248	80,248
BOCHES	-	-	808,943	808,943
Special purpose	-	-	475,989	475,989
Unrestricted:				
Assigned for:				
Debt service	-	-	1,972	1,972
Committed for:				
Capital projects	-	817,460	-	817,460
Unassigned reported in:				
General fund	2,518,672	-	-	2,518,672
Total fund balances	<u>2,624,897</u>	<u>1,254,184</u>	<u>1,719,505</u>	<u>5,598,586</u>
Total liabilities and fund balances	<u>\$ 3,566,806</u>	<u>\$ 3,078,911</u>	<u>\$ 2,065,954</u>	<u>\$ 8,711,671</u>

See accompanying notes to financial statements.

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

Total fund balances for governmental funds \$ 5,598,586

Total net position reported for governmental activities in the statement of net assets is different because:

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

Land	\$ 825,098	
Construction in progress	12,398,920	
Buildings and improvements, net of \$12,588,433 accumulated depreciation	49,577,979	
Furniture and equipment, net of \$978,118 accumulated depreciation	966,683	
Leased furniture and equipment, net of \$44,590 accumulated depreciation	25,648	
Transportation equipment, net of \$1,802,008 accumulated depreciation	249,594	
Leased transportation equipment, net of \$165,476 accumulated depreciation	489,576	
Impairment of capital assets	<u>(543,797)</u>	
		63,989,701

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenue in the funds. 447,286

The internal service funds are used by management to charge the costs of the employee health insurance program. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. Internal service fund net position at year-end is: 256,138

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:

Obligations under capital leases	(324,512)	
Accrued compensated absences	(631,650)	
Health insurance incentive	<u>(159,613)</u>	<u>(1,115,775)</u>

Total net assets of governmental activities \$ 69,175,936

See accompanying notes to financial statements.

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Major Funds			Total Governmental Funds
	General Fund	Capital Construction Fund	Other Governmental Funds	
Revenues:				
Local sources	\$ 28,699,406	\$ -	\$ 700,069	\$ 29,399,475
County sources	7,197,620	-	-	7,197,620
State sources (recapture)	(16,303,328)	10,214,626	1,514,081	(4,574,621)
Federal sources	-	-	788,427	788,427
Interest	4,805	826	14,021	19,652
Total revenues	<u>19,598,503</u>	<u>10,215,452</u>	<u>3,016,598</u>	<u>32,830,553</u>
Expenditures:				
Current:				
Instructional services:				
Regular instruction	7,771,455	5,116	497,599	8,274,170
Special education	1,503,631	-	590,038	2,093,669
Vocational education	573,730	-	45,903	619,633
Supporting services:				
Students	2,456,063	-	-	2,456,063
Instructional staff	944,351	-	357,323	1,301,674
Central services	1,000,818	-	97,056	1,097,874
School administration	1,335,606	-	4,200	1,339,806
Business services	702,081	-	-	702,081
Operation and maintenance of facilities	2,291,723	23,093	7,391	2,322,207
Pupil transportation	1,276,546	-	-	1,276,546
General administration	127,392	-	-	127,392
Other supporting services	10,031	-	-	10,031
Community support	-	-	202,102	202,102
Capital outlay	-	10,405,739	1,981,928	12,387,667
Total expenditures	<u>19,993,427</u>	<u>10,433,948</u>	<u>3,783,540</u>	<u>34,210,915</u>
Excess of revenues under expenditures	<u>(394,924)</u>	<u>(218,496)</u>	<u>(766,942)</u>	<u>(1,380,362)</u>
Other financing (uses) sources:				
Transfers (out) in	(240,100)	-	986	(239,114)
Capital lease proceeds	25,647	-	-	25,647
Total other financing (uses) sources	<u>(214,453)</u>	<u>-</u>	<u>986</u>	<u>(213,467)</u>
Net change in fund balance	(609,377)	(218,496)	(765,956)	(1,593,829)
Fund balances - beginning	<u>3,234,274</u>	<u>1,472,680</u>	<u>2,485,461</u>	<u>7,192,415</u>
Fund balances - ending	<u>\$ 2,624,897</u>	<u>\$ 1,254,184</u>	<u>\$ 1,719,505</u>	<u>\$ 5,598,586</u>

See accompanying notes to financial statements.

JOHNSON 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 \$ (1,593,829)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for furniture and equipment and \$50,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 11,672,295	
Depreciation expense	(1,686,159)	
Impairment of capital assets	<u>(543,797)</u>	9,442,339

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.

Other financing source - capital lease	(25,647)	
Principal payments of capital leases	<u>127,795</u>	102,148

Property tax revenues collected after year end for which they are being levied are reported as unearned revenue in the governmental funds. They are, however, recorded as revenues in the statements of activities. Unearned property tax revenues decreased significantly this year. 76,916

In the statement of activities, certain operating expenses - compensated absences (vacations, sick leave, and personal leave) and special termination benefits (health insurance incentive) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, accrued compensated absences decreased by \$72,258 and health insurance incentive increased by \$22,393. 49,865

Internal service funds are used by the District to charge the costs of the current funding of termination benefits to individual funds. The net expenses of the internal service funds is reported with governmental activities. Transfers between the internal service funds and the District are eliminated in the statement of activities.

Internal service fund net revenue		<u>256</u>
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Change in net position of governmental activities \$ 8,077,695

See accompanying notes to financial statements.

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
Assets		
Current assets:		
Cash and investments	\$ 86,087	\$ 256,138
Inventories	6,393	-
Total current assets	<u>92,480</u>	<u>256,138</u>
Capital assets:		
Equipment	121,244	-
Accumulated depreciation	<u>(119,439)</u>	<u>-</u>
Net capital assets	<u>1,805</u>	<u>-</u>
Total assets	<u>\$ 94,285</u>	<u>\$ 256,138</u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 13,993	\$ -
Accrued expenses	3,303	-
Due to other funds	44,642	-
Unearned revenue	<u>400</u>	<u>-</u>
Total current liabilities	<u>62,338</u>	<u>-</u>
Net position:		
Invested in capital assets	1,805	-
Unrestricted	<u>30,142</u>	<u>256,138</u>
Total net position	<u>31,947</u>	<u>256,138</u>
Total liabilities and net position	<u>\$ 94,285</u>	<u>\$ 256,138</u>

See accompanying notes to financial statements.

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
Operating revenues:		
Charges for services:		
Food services	\$ 265,104	\$ -
Teacherage	36,250	-
Miscellaneous	610	-
	<u>301,964</u>	<u>-</u>
Total operating revenues	301,964	-
Operating expenses:		
Food services:		
Salaries	187,732	-
Employee benefits	119,993	-
Purchased services	4,814	-
Supplies and materials, including food	306,244	-
Other	437	-
Depreciation	4,258	-
Teacherage:		
Purchased services	5,383	-
Supplies and materials	11,692	-
Other	6,268	-
	<u>646,821</u>	<u>-</u>
Total operating expenses	646,821	-
Operating loss	<u>(344,857)</u>	<u>-</u>
Nonoperating income:		
Earnings on investments	31	256
Federal sources, including commodity support	179,915	-
	<u>179,946</u>	<u>256</u>
Total nonoperating income	179,946	256
Net (loss) income before transfers and capital contributions	(164,911)	256
Transfers	<u>155,000</u>	<u>-</u>
Change in net position	(9,911)	256
Net position assets - beginning	<u>41,858</u>	<u>255,882</u>
Net position - ending	<u><u>\$ 31,947</u></u>	<u><u>\$ 256,138</u></u>

See accompanying notes to financial statements.

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Enterprise Fund	Internal Service Fund
Cash flows from operating activities:		
Receipts from food sales	\$ 265,714	\$ -
Rent from teacherage	36,250	-
Payments to suppliers	(296,037)	-
Payments to or on behalf of employees	(307,153)	-
Net cash used in operating activities	(301,226)	-
Cash flows from noncapital financing activities:		
Transfers in	155,000	-
Receipt of Federal aid	159,019	-
Net cash provided by noncapital financing activities	314,019	-
Cash flows from capital and related financing activities:	-	-
Cash flows from investing activities:		
Interest received	31	256
Net cash provided by investing activities	31	256
Net increase in cash and cash equivalents	12,824	256
Cash and Cash Equivalents - beginning	28,621	255,882
Cash and Cash Equivalents - ending	\$ 41,445	\$ 256,138
Displayed on statement of net position as:		
Cash and investments	\$ 41,445	\$ 256,138
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (344,857)	\$ -
Adjustments to reconcile operating loss to net cash used in operating activities:		
Noncash commodity support	20,896	-
Depreciation expense	4,258	-
Decrease in inventory	5,548	-
Increase in accounts payable and accrued expenses	12,929	-
Total adjustments	43,631	-
Net cash used in operating activities	\$ (301,226)	\$ -
Noncash investing, capital, and financing activities:	None	None

See accompanying notes to financial statements.

**FIDUCIARY FUND
FINANCIAL STATEMENT**

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2013

	<u>Student Activities Fund</u>
Assets:	
Cash and investments	\$ 1,115,063
Cash with fiscal agent	<u>11,589</u>
Total assets	<u><u>\$ 1,126,652</u></u>
Liabilities:	
Due to Recreation District	\$ 968,948
Due to student groups	<u>157,704</u>
Total liabilities	<u><u>\$ 1,126,652</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS

1. The Reporting Entity, Nature of Operations, Basis of Presentation, Description of Funds, and Significant Accounting Policies

REPORTING ENTITY

For financial reporting purposes, the District includes all of the funds of Johnson County School District No. 1. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of its relationship with the primary government are such that its exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. This report includes the Johnson County School District Recreation District as an Agency Fund.

NATURE OF OPERATIONS

Johnson County School District No. 1 is located within the boundaries of Johnson County in northern Wyoming. The District comprises the entire county and has administrative offices in Buffalo. The District offers an educational program for grades kindergarten through 12 and all schools in the District are accredited by the Wyoming State Board of Education.

The District presently operates four schools within the city limits which are Buffalo High School, Clear Creek Elementary, Clear Creek Middle School, and Meadowlark Elementary. Additional schools maintained in Kaycee, Wyoming, which is located 45 miles south of Buffalo in the southern end of Johnson County, are Kaycee Elementary, Kaycee Junior High, and Kaycee High School. In conjunction with the regular educational programs, the District provides special education, transportation, and food services for the students as mandated by the State of Wyoming and/or federal agencies.

The District operates under a locally elected nine-member Board form of government.

BASIS OF PRESENTATION

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

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. The Reporting Entity, Nature of Operations, Basis of Presentation, Description of Funds, and Significant Accounting Policies (Continued)

Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Financial Statements:

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

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. The Reporting Entity, Nature of Operations, Basis of Presentation, Description of Funds, and Significant Accounting Policies (Continued)

DESCRIPTION OF FUNDS

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds

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

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

Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the total for all funds of that category or type.

In addition, any other governmental fund that the District believes is particularly important to the financial statement users may be reported as a major fund.

The following are the District's major governmental funds:

General Fund - The General Fund is the operating fund of the District and is used to account for all financial resources except those that are required to be accounted for in another fund. The instructional and most of the support service programs of the District are accounted for in the General Fund. The revenue of the fund consists primarily of local property taxes and state funds. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Wyoming.

Capital Construction Fund - The Capital Construction Fund is used to account for the acquisition or construction of major capital facilities as defined by Wyoming State Statute.

Proprietary Funds

Proprietary Funds focus on the determination of changes in net position, financial position and cash flows.

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. The Reporting Entity, Nature of Operations, Basis of Presentation, Description of Funds, and Significant Accounting Policies (Continued)

Enterprise Funds - The Enterprise Fund is a fund used to account for the operations of the school breakfast and lunch program and teacherages on a self-supporting basis. The fund is sustained by charges for lunch, government subsidized meal costs and food commodities, and rent.

Internal Service Fund – Internal Service Funds are used to account for the financing of goods or services provided by the District to the District itself on a cost reimbursement basis. The fund the District has set up to fund current year termination benefits is accounted for as an internal service fund.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the programs as well as a coalition of school districts for which the District is the fiscal agent and the Recreation District to which the District provides fiscal services.

SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Johnson County School District No. 1 have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting policies followed by the District are as follows:

a) Measurement Focus and Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The government-wide, proprietary, and fiduciary fund financial statements are prepared using the economic resources and accrual basis of accounting. Governmental funds use the current financial resources measurement focus and modified accrual basis of accounting.

Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the recognition of expenses versus expenditures.

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. The Reporting Entity, Nature of Operations, Basis of Presentation, Description of Funds, and Significant Accounting Policies (Continued)

Revenues – Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. 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. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, fees, and rentals.

State Recapture Payments and Federal and State Grants and Entitlements

State recapture payments arise when local resources exceed the School Foundation Program guarantee and are recognized as negative revenue in the period such rebates are required. State recapture payments are payable to the State with the final payment due June 15 each year. Federal and state grants and entitlements are recognized as revenue in the period the District is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Unearned Revenue

On governmental fund financial statements, receivables that will not be collected within the available period, including property taxes, have also been reported as unearned revenue.

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. The Reporting Entity, Nature of Operations, Basis of Presentation, Description of Funds, and Significant Accounting Policies (Continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation are not recognized in governmental funds.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and services. It also includes all revenue and expenses not related to capital and financing activities, noncapital financing, or investing activities. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

b) Budgetary Process

All funds are legally required to be budgeted and appropriated. The District's Board of Trustees annually adopts a budget and approves the related appropriations. Legal spending control is at the program level within each of the individual funds, management control is exercised at budgetary line item levels within each fund. The Board of Trustees may amend the budget after it is approved and also authorizes transfers between the various budgetary programs in any fund. The amounts reported as original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board for the year.

c) Property Taxes

Property taxes are levied in the first week of August of each year and are collectible in two installments. Installments are due on September 1 and March 1 and are collectible on November 10 and May 10. If the first installment payment is made after November 10, the entire amount is due by December 31. Property taxes attach as an enforceable lien on the property if payment is not made by November 10 and May 10. On the government-wide statement of net position, property tax receivable has been recorded at the estimated net realizable value with an estimated allowance for amounts uncollectible.

**JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

1. The Reporting Entity, Nature of Operations, Basis of Presentation, Description of Funds, and Significant Accounting Policies (Continued)

d) Cash, Cash Equivalents, and Investments

For purposes of the Proprietary Funds statement of cash flows, the Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. The cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments.

e) Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term Interfund loans are classified as "Due from other funds/Due to other funds". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities.

f) Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise fund.

All capital assets are recorded at cost if purchased, or at its fair market value as of the date of the gift if received as a donation. The District maintains a tiered capitalization policy which is based on the asset category. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. The Reporting Entity, Nature of Operations, Basis of Presentation, Description of Funds, and Significant Accounting Policies (Continued)

All reported capital assets except land, land improvements, and construction in progress are depreciated. Improvements are depreciated over the useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and improvements	20 – 50 years	
Furniture and equipment	5 – 15 years	10 – 20 years
Transportation equipment	5 – 15 years	

g) Inventories

Inventories are accounted for at the lower of cost (first-in, first-out method) or market under the consumption method. Inventories in governmental fund types are equally offset by a fund balance reserve, which indicates that they do not constitute “available spendable resources” even though they are a component of net current position.

h) Compensated Absences

Leave benefits are accrued as a liability as the benefits are earned if the employee’s rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused leave when earned for all eligible employees. The entire compensated absence liability is reported on the government-wide financial statements.

Effective July 1, 2010, the District changed its policy relating to vacation, personal leave, and sick leave. The purpose of the policy is to provide eligible employees with time off for illness and/or personal leave while still receiving full compensation from the District.

Eligibility is determined as follows:

- Regular full-time employees shall be eligible to accrue leave.
- Regular part-time employees, including certified personnel scheduled to carry less than a full teaching load or its equivalent shall be eligible to accrue leave on a prorated basis.

**JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

1. The Reporting Entity, Nature of Operations, Basis of Presentation, Description of Funds, and Significant Accounting Policies (Continued)

- Temporary employees shall not be eligible to accrue leave. Temporary employees who are subsequently appointed as regular employees shall not receive retroactive credit for service from the date of employment for the purpose of calculating leave accrual rates.

Accrual and usage shall be as follows:

- Employees contracted to work 260 or more days will annually accrue:
 - 25 days for the 1st – 5th year of service
 - 30 days for the 6th – 10th year of service
 - 35 days for the 11th or more year of service
- Employees contracted to work more than 200 but less than 260 days will annually accrue:
 - 15 days
- Employees contracted to work 200 days or less, will annually accrue:
 - 12 days

The maximum accumulation of leave shall not exceed one hundred twenty (120) days.

Leave buy back upon separation of service - employees with a minimum of ten (10) years of consecutive service with the district shall have up to (75) days of his or her leave balance paid at a rate of 40% of his or her current daily rate.

Total compensated absences representing personal leave, sick leave, and vacation at June 30, 2013 was \$631,650. The District has started to accumulate resources in the internal service fund to fund this liability.

i) **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities, and long-term obligations payable from enterprise funds are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Capital leases are recognized as a liability on the governmental fund financial statements when due.

The District has established a voluntary exit program providing an opportunity to certain employees who separate from service to continue to have the District pay for health insurance coverage. In accordance with Wyoming Statutes, the District may terminate these payments in the event that funds are not available to make these payments in future years.

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. The Reporting Entity, Nature of Operations, Basis of Presentation, Description of Funds, and Significant Accounting Policies (Continued)

The District records expenditures for voluntary benefits at the time an eligible employee retires.

Payments for this program are made from current year's operations and are budgeted on a year to year basis. The total future liability is reflected as an obligation of the government activities.

j) Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

k) Fund Balance

The District uses the fund balance definitions in GASB Codification Section 1800 for financial reporting for all governmental fund types. The classifications are intended to depict the nature of net resources that are reported in a governmental fund. An individual fund could include any combination of these classifications.

Nonspendable Fund Balance - These fund balances are the net balance of assets and liabilities that are either legally or contractually required to be maintained intact or are "not in spendable" form. This includes all legally or contractually restricted balances as well as prepaid expenses, inventory, and other items considered "not in spendable" form.

Restricted Fund Balance - These fund balances are the net balance of assets and liabilities that have provisions that are externally imposed. These are grants or other funds that are restricted by the debt covenants, grantor, contributor, or by laws or regulations of external governments. In general, these include legally enforceable requirements that the resources be used only for the specific purposes stipulated in the grant, debt covenant, or by law.

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. The Reporting Entity, Nature of Operations, Basis of Presentation, Description of Funds, and Significant Accounting Policies (Continued)

Committed Fund Balance - These fund balances are those imposed by a formal action taken by the Board of Trustees. Once the Board of Trustees has taken formal action the assets cannot be used for other purposes unless the Board of Trustees removes or changes the specified use by taking the same action it employed previously to commit the balances.

Assigned Fund Balance - Assigned fund balances are the net amounts of assets and liabilities constrained by the intent of the Board of Trustees. The intent will not be done by formal action of the Board of Trustees, but will be part of items such as the adopted budget or in a statement by the Board or by the Business Manager.

Unassigned Fund Balance - Typically unassigned fund balances will be limited to the General Fund and by definition they are the residual balance for fund balance.

When an expenditure is incurred for purposes for which a combination of fund balances is available, the District applies restricted fund balances, committed fund balances, assigned fund balances, and unassigned fund balances, respectively.

l) Estimates

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

m) New GASB Pronouncements

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

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is effective for periods beginning after December 15, 2011. This standard provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The District has implemented this reporting for the year ended June 30, 2013. The components of net position were renamed to reflect the requirements of this statement.

**JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

2. Budgetary Basis of Accounting

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

- a) Proceeds from capital leases and the associated capital outlay expenditure are not recorded on the cash basis (budget), but are recorded on the GAAP basis.
- b) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- c) Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

	General Fund
Net change in fund balance - GAAP basis	\$ (609,377)
Revenue accruals	60,201
Expenditure accruals	4,303
Other financing uses accruals	(25,647)
Net change in fund balance - Non-GAAP budgetary basis	\$ (570,520)

3. Cash and Investments

Authorized deposits are controlled by state statute and include but are not limited to deposits in banks, money market accounts, and treasury notes. Statutes also authorize the District to invest in the Wyoming Government Investment Fund (WGIF), which was established pursuant to the Wyoming Statutory Trust Act. Funds residing in this pool may have a maturity of less than three months. An annual report may be obtained for this entity at: 401 West 19th Street, Suite 300, Cheyenne, WY 82001.

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Cash and Investments (Continued)

Cash and investments are comprised of the following at June 30, 2013:

Cash and investments, statement of net position	\$ 6,630,591
Cash and investments, statement of fiduciary net position	1,115,063
	<u>\$ 7,745,654</u>
Cash in bank	\$ 5,026,621
Cash in bank - retainage escrow	1,066,374
WGIF	1,651,809
Petty cash	850
	<u>\$ 7,745,654</u>

The carrying amount of bank deposits at June 30, 2013 is \$6,092,995 and the bank balance is \$6,311,548. The differences between the carrying amount and the bank balances are due to outstanding checks and deposits not yet processed by the bank. Of the book balance, \$995,764 is covered by federal depository insurance; \$4,280,857 was collateralized by securities held by the financial institutions in the District's name and accordingly considered credit risk category 1 and \$816,374 not covered by FDIC insurance as the funds on on deposit in the name of the District and the contractor as part of a retainage escrow account.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The WGIF fund continues to hold an AAAM rating by Standard & Poor's (S&P) indicating that "safety is excellent," and the pool has "superior capacity to maintain principal value and limit exposure to loss." The rate of return depends on the underlying portfolio. The District attempts to match its investment maturities to expected cash flow needs. As of June 30, 2013, the 7 day yield of WGIF was less than 1%.

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JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets

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

	Beginning Balance	Increases	Reclassifications/ Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 825,098	\$ -	\$ -	\$ 825,098
Construction in progress	1,551,487	11,598,265	(750,832)	12,398,920
Total capital assets, not being depreciated	2,376,585	11,598,265	(750,832)	13,224,018
Capital assets, being depreciated:				
Buildings and improvements	61,540,974	-	625,438	62,166,412
Furniture and equipment	1,771,024	48,382	125,394	1,944,800
Transportation equipment	2,051,602	-	-	2,051,602
Equipment under capital lease	44,591	25,648	-	70,239
Transportation equipment under capital lease	655,052	-	-	655,052
Total capital assets, being depreciated	66,063,243	74,030	750,832	66,888,105
Accumulated depreciation for:				
Buildings and improvements	(11,223,324)	(1,365,109)	-	(12,588,433)
Furniture and equipment	(824,638)	(153,480)	-	(978,118)
Transportation equipment	(1,706,032)	(95,976)	-	(1,802,008)
Equipment under capital lease	(37,901)	(6,689)	-	(44,590)
Transportation equipment under capital lease	(100,571)	(64,905)	-	(165,476)
Total	(13,892,466)	(1,686,159)	-	(15,578,625)
Impairment	-	(543,797)	-	(543,797)
Total accumulated depreciation	(13,892,466)	(2,229,956)	-	(16,122,422)
Total capital assets being depreciated, net	52,170,777	(2,155,926)	750,832	50,765,683
Governmental activities capital assets, net	\$ 54,547,362	\$ 9,442,339	\$ -	\$ 63,989,701
	Ending Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Equipment	\$ 121,244	\$ -	\$ -	\$ 121,244
Less accumulated depreciation	(115,181)	(4,258)	-	(119,439)
Business-type activities, capital assets, net	\$ 10,816	\$ (4,258)	\$ -	\$ 1,805

**JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

4. Capital Assets (Continued)

Depreciation expense was charged to functions of the District as follows:

Governmental activities:

Instructional services:

Regular instruction	\$ 1,266,930
Special education	7,230
Vocational education	14,890

Supporting services:

Pupil supporting services	58,470
Business services	40,760
Central services	75,571
Operation and maintenance of facilities	64,955
Pupil transportation	145,802
Other support services	11,551

Total depreciation expense, governmental activities	\$ 1,686,159
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The District is obligated at June 30, 2013 under construction commitments for several projects at various schools within the district for building and renovation projects. Total approved contracts as of June 30, 2013 are \$12,920,418 with \$11,499,868 completed and \$1,420,550 still committed. The majority of the commitment will be financed by additional funds from the Wyoming Schools Facilities Department.

During fiscal 2013, the District recognized an impairment of \$543,797 due to the demolition of the Clear Creek Elementary School in Buffalo. The property was transferred to the City of Buffalo subsequent to year end.

5. Wyoming Retirement System

Substantially all Johnson County School District No. 1 full-time or regular part-time employees participate in the Wyoming Retirement System (System), a cost-sharing, multiple-employer public employee retirement system. The System provides retirement benefits at age 60 with early retirement options available. The System also provides disability and death benefits. Benefits are established by State Statute. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Wyoming Retirement System, Herschler Building, Cheyenne, Wyoming 82002 or by calling (307) 777-7691.

The System statutorily requires 14.12% of the participant's salary to be contributed to the plan. Covered employees are required to contribute 7% of their salary to the plan with the District contributing the remaining 7.12%. As permitted by State statute, the District elected to pay the employees' share of the contribution. The District's contribution to the Plan for the years ending June 30, 2013, 2012 and 2011 were \$1,768,195, \$1,780,993 and \$1,690,550 respectively, equal to the required contributions for each year.

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Long-Term Obligations

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Obligations under capital leases	\$ 426,660	\$ 25,647	\$ (127,795)	\$ 324,512	\$ 100,649
Health insurance incentive	137,220	22,393	-	159,613	85,100
Compensated absences	703,908	219,674	(291,932)	631,650	288,169
Total governmental activity long-term liabilities	<u>\$ 1,267,788</u>	<u>\$ 267,714</u>	<u>\$ (419,727)</u>	<u>\$ 1,115,775</u>	<u>\$ 473,918</u>

Capital leases – The District leases certain transportation equipment and copiers under capital leases, which provide for the purchase of leased equipment for nominal amounts at the end of the lease term. The average interest rate on the leases is approximately 4%. Interest expense of \$16,432 as a result of capital lease obligations is included in the government-wide statement of activities. The obligations under capital leases are paid by the general fund.

The following is a schedule by years of minimum future lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2013:

June 30,	
2014	\$ 113,065
2015	113,065
2016	113,065
2017	5,504
2018	5,503
Total	<u>350,202</u>
Less amount representing interest	<u>(25,690)</u>
Future minimum lease payments	<u>\$ 324,512</u>

Early Retirement Benefit - All District employees who meet the Rule of 85 (age plus years of experience in Wyoming), or employees who have attained age sixty (60), or employees who have served the District for at least thirty (30) years, all of whom have served the last ten (10) years in Johnson County School District No. 1 in a full-time employment capacity and are presently employed by the District on a full-time basis, and are covered by the District's health insurance policy on the date of application, shall be eligible for the health insurance retirement incentive option. The option allows the District to pay \$350 per month toward the employee's health insurance for a period of ten (10) years or age 65, whichever comes first.

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Long-Term Obligations (continued)

The District placed a cap of \$65,000 per year to be paid toward the insurance and, therefore, the number of employees that may elect the incentive is limited annually. The Board can change the annual limit when deemed necessary and the current retiree census shows total contributions in excess of \$65,000.

The District is required to have an actuarial valuation of the post-retirement benefit plan (other than pensions) to be conducted every two years, the result of which is to identify the actuarial accrued liability, the annual required contribution, and the net OPEB (other post-employment benefit) obligation. The retiree benefits included in this actuarial valuation are District paid and retiree paid health insurance benefits subsidized by the District.

Plan Description – The post-retirement benefit plan offered by the District provides post-employment medical, dental, and vision benefits for retirees and their dependents. Upon retirement, individuals are eligible to continue to receive coverage under the District's group health care plan. The Board has the authority for establishing and amending the plan. This plan does not issue a separate report.

Funding Policy – Contributions are required for both retiree and dependent coverage. The District is currently providing a subsidy to offset the retiree's contribution for the medical insurance program. The monthly contribution is required for both retiree and dependent coverage and is being financed on a pay-as-you-go basis. For fiscal 2013, the post-retirement plan is considered an unfunded plan, as the District has not established an irrevocable trust fund for retiree health care benefits as of June 30, 2013.

For the plan year ending June 30, 2013, there were 227 participants; 200 active employees, 4 self-pay retirees under age 65, and 23 District pay retirees.

Annual OPEB Cost and Net OPEB Obligation allows the use of one of the following actuarial cost methods for the valuation: Unit Credit, Entry Age Normal, Attained Age, Aggregate, Frozen Entry Age, or Frozen Attained Age. These methods can be amortized on either a level dollar or a level percentage of payroll basis. The actuarial valuation assumes the use of the Projected Unit Credit method with amortization on a level dollar basis, because it is believed the Unit Cost method provides the most logical correlation between accruing and expensing retiree benefits.

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Long-Term Obligations (continued)

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual Required Contribution (ARC)	\$ 192,129
Interest on net OPEB obligation	5,489
Adjustment to annual required contribution	<u>(7,935)</u>
Annual OPEB cost	189,683
Less:	
Employer contributions	<u>(167,290)</u>
Increase in net OPEB obligation	22,393
Net OPEB Obligation at beginning of year	<u>137,220</u>
Net OPEB Obligation at end of year	<u><u>\$ 159,613</u></u>

The Net OPEB Obligation (NOO) is the cumulative difference between the ARC and the employer's contributions to the plan. For the fiscal year ended June 30, 2013, the NOO is projected to be \$22,393, and assumes the District continues on a pay-as-you-go (unfunded) basis.

The Annual Required Contribution (ARC) includes an amount to amortize the calculated unfunded actuarial liability. As of June 30, 2013, the ARC included \$(7,935) representing the amount of amortization of the actuarial accrued liability over 30 years.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the previous year were as follows:

Year Ended	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Annual OPEB cost	\$ 189,683	\$ 144,485
Percentage of OPEB cost contributed	<u>88%</u>	<u>46%</u>
Net OPEB obligation	<u><u>\$ 22,393</u></u>	<u><u>\$ 77,935</u></u>

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Long-Term Obligations (continued)

The actuarial valuation date was as of July 1, 2012. The Schedule of Funded Status and Funding Progress are presented here:

Actuarial Valuation Year Ended June 30	Actuarial Valuation of Plan Assets (A)	Actuarial Accrued Liabilities (AAL) (B)	Unfunded AAL (Funding Excess) (B-A)	Funded Ratio (A/B)	Covered Payroll C	Unfunded AAL as a percentage of covered payroll ((B-A)/C)
2012	\$ -	\$ 1,795,373	\$ 1,795,373	0%	\$ 13,189,742	10%
2011	\$ -	\$ 1,306,118	\$ 1,306,118	0%	\$ 12,602,288	10%

The Actuarial Accrued Liability (AAL) for this postretirement benefit plan as of July 1, 2012 is \$1,795,373. This represents the present value of all future expected post-retirement medical payments and administrative costs which are attributable to past service.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions – Projections and benefits are based on the substantive plan and include the types of benefits available at the valuation date. Actuarial calculations reflect long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Compensated absences and health insurance incentive will be paid by the fund in which the employee worked.

7. Fund Equity and Net Position

The nonspendable fund balance account is summarized below:

Inventories – represents a portion of fund balance segregated for future use and are therefore not available for future appropriation or expenditure for general use.

Specific restrictions of fund balance and net position accounts are summarized below:

Grant Programs – to segregate the portion of fund balance/net position resulting from grant proceeds for which the District has met the eligibility requirements and thus recorded the revenue, but has yet to spend the funds on the specific program.

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Fund Equity and Net Position (Continued)

Major Maintenance – to segregate the portion of fund balance/net position to be used for capital outlay expenditures which meet the Wyoming Department of Education’s definition of major maintenance.

Debt Service – to segregate a portion of the fund balance/net position for debt service, including both principal and interest payments. The restriction was established to satisfy legal restrictions imposed by bond agreements.

Capital Projects – to segregate the portion of fund balance/net position that is not available for general expenditure or expense but rather restricted for future property, plant, and equipment major repair or replacement.

BOCHES – to segregate the portion of fund balance/net position that is not available for general expenditure or expense but rather restricted for Board of Cooperative Higher Education Services.

Specific assignments of fund balance accounts are summarized below:

Capital Projects – to segregate the portion of fund balance/net position that is not available for general expenditure or expense but rather assigned for future property, plant, and equipment major repair or replacement.

Debt Service – to segregate a portion of the fund balance/net position for debt service, including both principal and interest payments.

Specific commitments of fund balance accounts are summarized below:

Capital Projects – to segregate the portion of fund balance/net position that is not available for general expenditure or expense but rather committed for future property, plant, and equipment major repair or replacement.

8. Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District currently manages said risk through the purchase of commercial insurance and participation in the Wyoming Workers’ Compensation Program. All risk management activities are accounted for in the General Fund. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Contingencies

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

10. Interfund Balances and Activity

Internal balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

The composition of internal balances, which have been eliminated for the government-wide basic financial statements, as of June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$ 100,420
General Fund	Capital Projects Fund	21,025
Enterprise Fund	General Fund	55,778
Capital Projects Fund	Major Maintenance Fund	9,210

Transfers are used to account for unrestricted revenues collected in one fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

Transfers during the year are as follows:

<u>Transfer To</u> <u>Receiving Fund</u>	<u>Transfer From</u> <u>Paying Fund</u>	<u>Amount</u>
Enterprise Fund	General Fund	\$ 155,000
Debt Service Fund	General Fund	85,100
Agency Fund	Grant Programs	84,114

REQUIRED SUPPLEMENTARY INFORMATION

**JOHNSON COUNTY SCHOOL DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
BUDGET (NON-GAAP) TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local sources	\$ 12,670,089	\$ 12,670,089	\$ 28,746,866	\$ 16,076,777
County sources	7,255,053	7,255,053	7,209,011	(46,042)
State sources	50,000	50,000	(16,303,328)	(16,353,328)
Interest income	6,155	6,155	6,155	-
Total revenues	<u>19,981,297</u>	<u>19,981,297</u>	<u>19,658,704</u>	<u>(322,593)</u>
Expenditures:				
Current:				
Instructional services	10,908,294	10,878,293	10,849,736	28,557
Supporting services	2,343,544	2,413,544	2,403,130	10,414
General administration	6,573,162	6,738,163	6,736,258	1,905
Total expenditures	<u>19,825,000</u>	<u>20,030,000</u>	<u>19,989,124</u>	<u>40,876</u>
Excess of revenues over expenditures	<u>156,297</u>	<u>(48,703)</u>	<u>(330,420)</u>	<u>(281,717)</u>
Other financing uses:				
Transfer out	<u>(150,000)</u>	<u>(250,000)</u>	<u>(240,100)</u>	<u>9,900</u>
Change in fund balance	<u>\$ 6,297</u>	<u>\$ (298,703)</u>	<u>\$ (570,520)</u>	<u>\$ (271,817)</u>

See accompanying notes to required supplementary information.

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

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

- a) Proceeds from capital leases and the associated capital outlay expenditure are not recorded on the cash basis (budget), but are recorded on the GAAP basis.
- b) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- c) Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Major Maintenance Fund (major special revenue fund):

	General Fund
Net change in fund balance - GAAP basis	\$ (609,377)
Revenue accruals	60,201
Expenditure accruals	4,303
Other financing uses accruals	(25,647)
Net change in fund balance - Non-GAAP budgetary basis	\$ (570,520)

OTHER SUPPLEMENTAL INFORMATION

**JOHNSON COUNTY SCHOOL DISTRICT NO. 1
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013**

	Grant Programs	Debt Service
Assets:		
Cash and investments	\$ (40,147)	\$ 1,972
Cash with fiscal agent	-	61,410
Receivables:		
Other governments, grants	210,522	16,017
Total assets	\$ 170,375	\$ 79,399
Liabilities:		
Accounts payable	\$ 11,204	\$ 349
Accrued expenses	78,923	-
Unearned revenue	-	16,017
Due to other funds	-	-
Total liabilities	90,127	16,366
Fund balances:		
Restricted for:		
Grant programs	80,248	-
Debt service	-	61,061
Major maintenance	-	-
Capital projects	-	-
BOCHES	-	-
Assigned for:		
Debt Service	-	1,972
Total fund balances	80,248	63,033
Total liabilities and fund balances	\$ 170,375	\$ 79,399

Major Maintenance	Special Purpose Fund	BOCHES	Total Nonmajor Governmental Funds
\$ 318,685	\$ 687,290	\$ 819,415	\$ 1,787,215
-	-	-	61,410
-	-	-	226,539
<u>\$ 318,685</u>	<u>\$ 687,290</u>	<u>\$ 819,415</u>	<u>\$ 2,075,164</u>
\$ 18,183	\$ 211,301	\$ 4,954	\$ 245,991
-	-	5,518	84,441
-	-	-	16,017
9,210	-	-	9,210
<u>27,393</u>	<u>211,301</u>	<u>10,472</u>	<u>355,659</u>
-	-	-	80,248
-	-	-	61,061
291,292	-	-	291,292
-	475,989	-	475,989
-	-	808,943	808,943
-	-	-	1,972
<u>291,292</u>	<u>475,989</u>	<u>808,943</u>	<u>1,719,505</u>
<u>\$ 318,685</u>	<u>\$ 687,290</u>	<u>\$ 819,415</u>	<u>\$ 2,075,164</u>

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Grant Programs</u>	<u>Debt Service</u>
Revenues:		
Local sources	\$ 131,968	\$ -
State sources	560,264	-
Federal sources	788,427	-
Interest	-	12,822
Total revenues	<u>1,480,659</u>	<u>12,822</u>
Expenditures:		
Current:		
Instructional services		
Regular instruction	399,090	76,700
Special education	590,038	-
Vocational education	20,756	-
Supporting services:		
Instructional staff	352,730	4,200
Central services	17,341	-
School administration	-	4,200
Operation and maintenance of facilities	7,391	-
Community support	8,102	-
Capital outlay	-	-
Total expenditures	<u>1,395,448</u>	<u>85,100</u>
Excess of revenues over (under) expenditures	<u>85,211</u>	<u>(72,278)</u>
Transfer (out) in	<u>(84,114)</u>	<u>85,100</u>
Net change in fund balances	1,097	12,822
Fund balances - beginning	<u>79,151</u>	<u>50,211</u>
Fund balances - ending	<u>\$ 80,248</u>	<u>\$ 63,033</u>

Major Maintenance	Special Purpose Fund	BOCHES	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 568,101	\$ 700,069
953,817	-	-	1,514,081
-	-	-	788,427
439	760	-	14,021
<u>954,256</u>	<u>760</u>	<u>568,101</u>	<u>3,016,598</u>
-	-	21,809	497,599
-	-	-	590,038
-	-	25,147	45,903
-	-	393	357,323
-	-	79,715	97,056
-	-	-	4,200
-	-	-	7,391
-	-	194,000	202,102
756,796	1,225,132	-	1,981,928
<u>756,796</u>	<u>1,225,132</u>	<u>321,064</u>	<u>3,783,540</u>
<u>197,460</u>	<u>(1,224,372)</u>	<u>247,037</u>	<u>(766,942)</u>
-	-	-	986
197,460	(1,224,372)	247,037	(765,956)
93,832	1,700,361	561,906	2,485,461
<u>\$ 291,292</u>	<u>\$ 475,989</u>	<u>\$ 808,943</u>	<u>\$ 1,719,505</u>

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
SCHEDULE OF BALANCE SHEETS
GRANT PROGRAMS
JUNE 30, 2013

Grantor/Program Title	Pass-Through Grantor's Number	ASSETS		
		Cash	Internal Balances	Due from Other Governments
U.S. Department of Education				
Title I	121601T1A00	\$ -	\$ -	\$ -
	111601T1A00	-	-	-
Title I - ARRA	131601T1A00	1	-	1,043
Perkins Vocational Education	131601VEA00	-	-	1,774
Title VI-B Preschool	131601VIBP00	-	-	-
Title VI-B/ Special Education	101001AVIB00	-	-	-
	131601VIB00	(655)	-	8,144
Title IIA (K-12 Teacher Qual.)	131601T2A00	(54,374)	-	56,907
U.S. Department of Labor				
Workforce Investment Act - Youth	2603YI06W010	(238)	-	1,206
Wyoming Department of Education				
Wyoming Bridges Summer School	State	(66,668)	-	141,448
Instructional Facilitators	State	-	-	-
National Board Certified Teacher	State	-	-	-
Other District Programs				
	State	81,787	-	-
		<u>\$ (40,147)</u>	<u>\$ -</u>	<u>\$ 210,522</u>

<u>Total Assets</u>	<u>LIABILITIES</u>			<u>Fund Equity</u>	<u>Total Liabilities and Fund Equity</u>
	<u>Accounts Payable</u>	<u>Accrued Expenses</u>	<u>Deferred Revenue</u>		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,044	-	1,044	-	-	1,044
1,774	1,774	-	-	-	1,774
-	-	-	-	-	-
-	-	-	-	-	-
7,489	5,178	2,311	-	-	7,489
2,533	573	1,960	-	-	2,533
968	-	968	-	-	968
74,780	2,140	72,640	-	-	74,780
-	-	-	-	-	-
-	-	-	-	-	-
<u>81,787</u>	<u>1,539</u>	<u>-</u>	<u>-</u>	<u>80,248</u>	<u>81,787</u>
<u>\$ 170,375</u>	<u>\$ 11,204</u>	<u>\$ 78,923</u>	<u>\$ -</u>	<u>\$ 80,248</u>	<u>\$ 170,375</u>

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING USES
GRANT PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2013

Grantor/Program Title	Pass-Through Grantor's Number	REVENUES		
		Local	Federal	State
U.S. Department of Education				
Title I	121601T1A00	\$ -	\$ 7,443	\$ -
	111601T1A00	-	1,724	-
	131601T1A00	-	330,746	-
Perkins Vocational Education	131601VEA00	-	20,756	-
Title VI-B Preschool	131601VIBP00	-	1,252	-
Title VI-B/ Special Education	131601VIB00	-	16,017	-
	121601VIB00	-	260,654	-
Title IIA (K-12 Teacher Qual.)	131601T2A00	-	139,626	-
U.S. Department of Labor				
Workforce Investment Act - Youth	2603YI06W010	-	10,209	-
Wyoming Department of Education				
Wyoming Bridges Summer School	State	-	-	165,964
Instructional Facilitators	State	-	-	290,300
National Board Certified Teacher	State	-	-	104,000
Other District Programs	Local	131,968	-	-
		<u>\$ 131,968</u>	<u>\$ 788,427</u>	<u>\$ 560,264</u>

Total Revenue	EXPENDITURES					OTHER FINANCING USES
	Instruction	Instructional Support	General Support	Community Support	Total Expenditures	Transfers
\$ 7,443	\$ 7,443	\$ -	\$ -	\$ -	\$ 7,443	\$ -
1,724	1,724	-	-	-	1,724	-
330,746	330,746	-	-	-	330,746	-
20,756	20,756	-	-	-	20,756	-
1,252	1,252	-	-	-	1,252	-
16,017	12,861	3,156	-	-	16,017	-
260,654	235,043	25,611	-	-	260,654	-
139,626	105,963	33,663	-	-	139,626	-
10,209	-	-	4,575	5,634	10,209	-
165,964	167,612	-	929	-	168,541	-
290,300	-	290,300	-	-	290,300	-
104,000	104,000	-	-	-	104,000	-
131,968	22,483	-	19,228	2,469	44,180	84,114
<u>\$ 1,480,659</u>	<u>\$ 1,009,883</u>	<u>\$ 352,730</u>	<u>\$ 24,732</u>	<u>\$ 8,103</u>	<u>\$ 1,395,448</u>	<u>\$ 84,114</u>

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
DETAIL SCHEDULE OF REVENUES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

District

25 Mill district tax	\$ 27,539,492
Motor vehicle tax	932,984
Penalties, interest, and other	189,998
Rent of school property	29,400
Miscellaneous	7,532
	<hr/>
Total District	<u>\$ 28,699,406</u>

County

6 Mill county tax	\$ 6,609,478
Motor vehicle tax	223,916
Penalties, interest, and other	45,600
Fines and forfeitures	309,161
Forest reserve	9,465
	<hr/>
Total County	<u>\$ 7,197,620</u>

State

Recapture payments	\$ (16,358,495)
Miscellaneous	4,562
Taylor grazing	50,605
	<hr/>
Total State	<u>\$ (16,303,328)</u>

Interest

	<u>\$ 4,805</u>
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JOHNSON COUNTY SCHOOL DISTRICT NO. 1
DETAIL SCHEDULE OF EXPENDITURES AND TRANSFERS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

Instruction		
Salaries		\$ 7,334,102
Employee benefits		2,745,221
Purchased services		351,194
Supplies and materials		335,132
Capital outlay		44,235
Other		41,107
		<u>41,107</u>
Total Instruction		<u>\$ 10,850,991</u>
Instructional Support		
Salaries		\$ 1,358,412
Employee benefits		546,842
Purchased services		278,449
Supplies and materials		154,268
Capital outlay		-
Other		60,267
		<u>60,267</u>
Total Instructional Support		<u>\$ 2,398,238</u>
General Support		
Salaries		\$ 3,303,955
Employee benefits		1,332,739
Purchased services		623,826
Supplies and materials		1,117,518
Capital outlay		320,650
Other		45,509
		<u>45,509</u>
Total General Support		<u>\$ 6,744,197</u>
Operating Transfers Out		
Transfer to Enterprise Fund		\$ 155,000
Transfer to Debt Service Fund		85,100
		<u>85,100</u>
		<u>\$ 240,100</u>

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Education			
Passed through Wyoming Department of Education:			
Title I	84.010A	121601T1A00	\$ 7,443
		111601T1A00	1,724
		131601T1A00	330,746
Perkins Vocational Education	84.048A	13160VEA00	20,756
Special Education/IDEA Cluster:			
Title VI-B Preschool	84.173A	131601VIBP00	1,252
Title VI-B/ Special Education	84.027A	131601VIB00	16,017
		121601VIB00	260,654
Title IIA Teacher Quality	84.367A	131601T2A00	<u>139,626</u>
Total U.S. Department of Education			<u>778,218</u>
U.S. Department of Agriculture			
Passed through Wyoming Department of Education:			
Child Nutrition Cluster:			
National School Lunch	10.555	N/A	153,917
National School Lunch - Commodities			20,896
National School Breakfast	10.553	N/A	<u>5,102</u>
Total U.S. Department of Agriculture			<u>179,915</u>
U.S. Department of Labor			
Passed through Wyoming Department of Workforce Service:			
Workforce Investment Act - Youth	17.259	2603YI06W010	<u>10,209</u>
Total Expenditures of Federal Awards			<u>\$ 968,342</u>

See accompanying notes to schedule of expenditures of federal awards.

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1. General

The schedule of expenditures of federal awards presents the activity of all federal award programs of Johnson County School District No. 1. The District reporting entity is defined in Note 1 to the District's basic financial statements. All federal financial awards received directly from federal agencies as well as federal financial awards passed through from other governmental agencies are included on the schedule. Of the federal expenditures presented in the schedule, the District provided no federal awards to subrecipients.

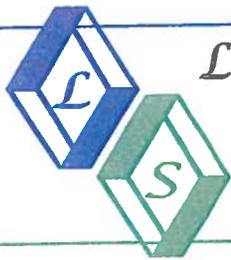
Note 2. Basis of Accounting

The schedule of expenditures of federal awards was prepared using the same basis of accounting used in preparation of the fund financial statements from which the information was derived as described in Note 1 to the District's basic financial statements. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Categorical block grants are recorded at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Cost-reimbursement grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Note 3. Commodities

Nonmonetary assistance, such as food received from the United States Department of Agriculture, is reported as revenue, at fair market value, on the date received by the District.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Johnson County School District No. 1
Buffalo, Wyoming

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Johnson 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 the District's basic financial statements and have issued our report thereon dated December 23, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-1 to be a material weakness.

Roxy L. Skogen, CPA, CFE

Michael J. Cometto, CPA, CFE

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Johnson County School District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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*.

Johnson County School District No. 1's Response to Findings

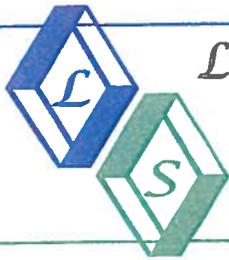
Johnson County School District No. 1's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Johnson County School District No. 1's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lovelett, Skogen & Associates, P.C.

Casper, Wyoming
December 23, 2013



LOVELETT,
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ASSOCIATES, P.C.

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

To the Board of Trustees
Johnson County School District No. 1
Buffalo, Wyoming

Report on Compliance for Each Major Federal Program

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Johnson 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 Johnson County School District No. 1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Johnson County School District No. 1's compliance.

Roxy L. Skogen, CPA, CFE

Michael J. Cometto, CPA, CFE

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Johnson County School District No. 1 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Johnson County School District No. 1's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Johnson County School District No. 1's internal control over compliance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of 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 Johnson County School District No. 1 as of and for the year ended June 30, 2013, and have issued our report thereon dated December 23, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Lovelett, Skogen & Associates, P.C.

Casper, Wyoming
December 23, 2013

JOHNSON COUNTY SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF AUDITORS' RESULTS

(d)(1)(i)	Type of auditors' report issued?	Unqualified
(d)(1)(ii)	Were there any material weaknesses in internal control noted at the financial statement level?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control noted at the financial statement level that are not considered to be material weaknesses?	No
(d)(1)(iii)	Was there any material noncompliance noted at the financial statement level?	No
(d)(1)(iv)	Were there any material weaknesses in internal control noted for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control noted for major federal programs that are not considered to be material weaknesses?	No
(d)(1)(v)	Type of major programs' compliance opinion?	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vi)	Are there any known questioned costs reported under § .510?	No
(d)(1)(vii)	Major Programs (list):	
	Name of Federal Program or Cluster	CFDA Numbers
	Child Nutrition Cluster	
	National School Lunch Program	10.555
	School Breakfast Program	10.553
	Special Education (IDEA) Cluster	
	Special Education Grants	84.027
	Special Education Grants - Preschool	84.173
(d)(1)(viii)	Dollar threshold: Type A/B programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low risk auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

2013-1

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**JOHNSON COUNTY SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013**

Section II – Financial Statement Findings:

**Finding 2013-1: Internal Control Structure
Material Weakness**

Criteria: Internal control is a process, affected by the District's Board of Trustees, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of its financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulation.

Internal control consists of five interrelated components:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

Condition: The District posted checks written in July 2013 and deposits taken to the bank in July 2013 back into the general ledger with a date of June 2013. The District is to report to the WDE on the cash basis and the District budget has been maintained on the cash basis. By posting transactions in the general ledger with a date that is different than the date of the actual transaction, inaccurate financial results are presented.

Effect: Assets, liabilities, revenue, and expenditures were misstated as to cutoff between fiscal years.

Recommendation: Proper cutoff is extremely critical in all aspects of accounting. Any process or procedure that holds the books open or closes them in advance will yield inaccurate financial results. We strongly recommend that all check disbursements be dated in sequence using the date the check is actually produced and the date the deposit is taken to the bank.

Response: There was one material weakness listed on the audit in regards to proper cutoff dates of checks written and deposits being made into the appropriate fiscal year.

On June 30, 2013, the Business Manager was out of the office due to personal medical issues. During that time there was a miscommunication between staff and him regarding processing checks and deposits for year end.

Written procedures regarding proper year end processes and cutoff dates have been put into place and will be followed by all staff to ensure proper accounting for financial reporting.