

Lincoln County School District No. 1

Financial Report

June 30, 2013

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Independent Auditor's Report

The Board of Trustees
Lincoln County School District No. 1
Diamondville, 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 Lincoln 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

The financial statements of Oyster Ridge Board of Cooperative Educational Services (“the BOCES”) were reviewed, and the Review Report of Independent Accountant stated that they were not aware of any material modifications that should be made to the 2013 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. Further, the financial statements of the Frontier Area Park and Recreation District (“the Recreation District”) have not been audited, and we were not engaged to audit the Recreation District’s financial statements as part of our audit of the District’s basic financial statements. The Recreation District’s financial activities are included in the District’s basic financial statements as a discretely presented component unit and represent 0.5%, 0.5%, and 59.9% of the assets, net assets and revenues, respectively, of the District’s discretely presented component units.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the BOCES and Recreation District’s financial statements been audited, 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 Lincoln 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

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 33–37 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 Lincoln County School District No. 1’s basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was 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 schedule of expenditures of federal awards is 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 October 24, 2013, on our consideration of Lincoln 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 Lincoln County School District No. 1's internal control over financial reporting and compliance.

DeCoria & Company, PC

DeCoria & Company, PC
Afton, Wyoming

October 24, 2013

Basic Financial Statements

Lincoln County School District No. 1
Statement of Net Position - District-Wide
June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,651,294	\$ 9,697	\$ 4,660,991	\$ 716,165
Cash in custody of County Treasurer	416,633	-	416,633	-
Investments	6,726,961	-	6,726,961	25,484
Accounts receivable	3,494	-	3,494	11,843
Grants receivable	602,087	-	602,087	-
Property taxes receivable	44,823	-	44,823	-
Inventories	34,532	6,823	41,355	-
Prepaid expenses	-	-	-	756
Due from other fund	-	7,055	7,055	-
Total current assets	12,479,824	23,575	12,503,399	754,248
Noncurrent assets:				
Capital assets, net	34,639,452	3,458	34,642,910	68,680
Total noncurrent assets	34,639,452	3,458	34,642,910	68,680
Total assets	47,119,276	27,033	47,146,309	822,928
LIABILITIES				
Current liabilities:				
Accounts payable	1,806,076	-	1,806,076	4,557
Accrued liabilities	714,752	19,920	734,672	1,130
Deferred revenue	41,862	-	41,862	-
Accrued compensated absences, due within one year	37,695	-	37,695	5,992
Capital lease obligations, due within one year	46,267	-	46,267	-
Bonds payable, due within one year	525,000	-	525,000	-
Due to other fund	7,055	-	7,055	-
Total current liabilities	3,178,707	19,920	3,198,627	11,679
Noncurrent liabilities:				
Accrued compensated absences, due after one year	53,794	-	53,794	8,988
Capital lease obligations, due after one year	146,604	-	146,604	-
Bonds payable, due after one year	4,050,000	-	4,050,000	-
Total noncurrent liabilities	4,250,398	-	4,250,398	8,988
Total liabilities	7,429,105	19,920	7,449,025	20,667
NET POSITION				
Net investment in capital assets	29,871,581	3,458	29,875,039	68,680
Restricted for recreation related activities	329,997	-	329,997	-
Restricted for special revenue programs	1,239,550	-	1,239,550	-
Restricted for capital construction projects	7,081,144	-	7,081,144	47,580
Restricted for debt service	416,633	-	416,633	-
Unrestricted	751,266	3,655	754,921	686,001
Total net position	\$ 39,690,171	\$ 7,113	\$ 39,697,284	\$ 802,261

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

Lincoln County School District No. 1
Statement of Activities - District-Wide
Year Ended June 30, 2013

Functions/Programs	Primary Government					Total	Component Units
	Expenses	Charges for Services	Grants and Contributions	Governmental Activities	Business-Type Activities		
Governmental activities:							
Instruction:							
Regular instruction	\$ 3,342,889	\$ -	\$ -	\$ (3,342,889)		\$ (3,342,889)	\$ -
Special instruction	1,759,342	-	597,385	(1,161,957)		(1,161,957)	-
Vocational instruction	229,141	-	-	(229,141)		(229,141)	-
Adult instruction	-	-	-	-		-	(145,470)
Total instruction	5,331,372	-	597,385	(4,733,987)		(4,733,987)	(145,470)
Support services:							
Pupil services	801,629	-	-	(801,629)		(801,629)	-
Staff services	880,168	-	64,759	(815,409)		(815,409)	-
Central administration	292,470	-	-	(292,470)		(292,470)	-
School administration	596,005	-	-	(596,005)		(596,005)	-
Business administration	144,705	-	-	(144,705)		(144,705)	-
General maintenance	1,374,760	-	545,214	(829,546)		(829,546)	(2,862)
Transportation services	638,769	-	-	(638,769)		(638,769)	-
Other support services	-	-	-	-		-	(122,533)
Community support	165,960	-	-	(165,960)		(165,960)	(604,054)
Interest	383,490	-	-	(383,490)		(383,490)	(392)
Depreciation	780,186	-	-	(780,186)		(780,186)	(15,260)
Total support services	6,058,142	-	609,973	(5,448,169)		(5,448,169)	(745,101)
Total governmental activities	11,389,514	-	1,207,358	(10,182,156)		(10,182,156)	(890,571)
Business-type activities:							
Food services	326,118	166,982	89,901		\$ (69,235)	(69,235)	-
Total business-type activities	326,118	166,982	89,901		(69,235)	(69,235)	-
Total school district	\$ 11,715,632	\$ 166,982	\$ 1,297,259	(10,182,156)	(69,235)	(10,251,391)	(890,571)
General revenue:							
Property taxes				10,431,525	-	10,431,525	944,274
Interest and investment earnings				6,525	-	6,525	337
Other local sources				549,668	-	549,668	60,172
Other county sources				140,348	-	140,348	-
State sources				6,270,862	-	6,270,862	-
Total general revenue				17,398,928	-	17,398,928	1,004,783
Excess (deficiency) of expenditures over (under) revenues before transfers				7,216,772	(69,235)	7,147,537	114,212
Special items:							
Gain on disposal of capital assets				1,635	-	1,635	-
Transfers				(69,800)	69,800	-	-
Changes in net position				7,148,607	565	7,149,172	114,212
Total net position, beginning of year				32,541,564	6,548	32,548,112	688,049
Total net position, end of year				\$39,690,171	\$ 7,113	\$39,697,284	\$ 802,261

**Lincoln County School District No. 1
Balance Sheet - Governmental Funds
June 30, 2013**

	General Fund	Special Revenue Fund	Capital Construction Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,279,703	\$ 851,636	\$ 1,519,955	\$ -	\$ 4,651,294
Cash in custody of County Treasurer	-	-	-	416,633	416,633
Investments	908,829	270,728	5,547,404	-	6,726,961
Accounts receivable	3,494	-	-	-	3,494
Grants receivable	-	90,690	511,397	-	602,087
Property taxes receivable	35,788	-	-	-	35,788
Inventories	34,532	-	-	-	34,532
Due from other funds	-	105,511	1,234,287	-	1,339,798
Total assets	<u>\$ 3,262,346</u>	<u>\$ 1,318,565</u>	<u>\$ 8,813,043</u>	<u>\$ 416,633</u>	<u>\$ 13,810,587</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 79,516	\$ 3,696	\$ 1,722,864	\$ -	\$ 1,806,076
Accrued liabilities	672,260	42,492	-	-	714,752
Deferred revenue	-	32,827	9,035	-	41,862
Due to other funds	1,346,853	-	-	-	1,346,853
Total liabilities	<u>2,098,629</u>	<u>79,015</u>	<u>1,731,899</u>	<u>-</u>	<u>3,909,543</u>
Fund balances:					
Nonspendable	34,532	-	-	-	34,532
Restricted for recreation related activities	329,997	-	-	-	329,997
Restricted for special revenue programs	-	1,239,550	-	-	1,239,550
Restricted for capital construction projects	-	-	7,081,144	-	7,081,144
Restricted for debt service	-	-	-	416,633	416,633
Unassigned	799,188	-	-	-	799,188
Total fund balances	<u>1,163,717</u>	<u>1,239,550</u>	<u>7,081,144</u>	<u>416,633</u>	<u>9,901,044</u>
Total liabilities and fund balances	<u>\$ 3,262,346</u>	<u>\$ 1,318,565</u>	<u>\$ 8,813,043</u>	<u>\$ 416,633</u>	<u>\$ 13,810,587</u>

**Lincoln County School District No. 1
 Reconciliation of the Balance Sheet - Governmental Funds
 with the Statement of Net Position - District-Wide
 June 30, 2013**

**Amounts reported for governmental activities in the Statement of Net Position - District-Wide
 are different because:**

Total fund balances - Governmental Funds		\$ 9,901,044
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:		
The cost of capital assets is	\$ 53,587,976	
Accumulated depreciation is	<u>(18,948,524)</u>	
		34,639,452
Taxes owed to the District as of June 30, 2013, but not paid to the District within 30 days after year-end, are not a receivable on the fund financial statements but are carried as an asset on the District-Wide statements		9,035
Noncurrent liabilities, including capital lease obligations, accrued compensated absences and bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds:		
Accrued compensated absences, due within one year	(37,695)	
Capital lease obligations, due within one year	(46,267)	
Bonds payable, due within one year	(525,000)	
Accrued compensated absences, due after one year	(53,794)	
Capital lease obligations, due after one year	(146,604)	
Bonds payable, due after one year	<u>(4,050,000)</u>	
		<u>(4,859,360)</u>
Total net position - District-Wide		<u>\$ 39,690,171</u>

Lincoln County School District No. 1
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2013

	General Fund	Special Revenue Fund	Capital Construction Fund	Debt Service Fund	Total Governmental Funds
Revenues:					
Property taxes	\$ 9,036,665	\$ -	\$ -	\$ 1,385,825	\$ 10,422,490
Interest and investment earnings	1,907	177	3,564	877	6,525
Other local sources	549,668	-	-	-	549,668
Other county sources	140,348	-	-	-	140,348
State sources	325	706,382	6,270,537	-	6,977,244
Federal sources	-	500,976	-	-	500,976
Total revenues	9,728,913	1,207,535	6,274,101	1,386,702	18,597,251
Expenditures:					
Instruction:					
Regular instruction	3,344,568	-	-	-	3,344,568
Special instruction	1,162,840	597,385	-	-	1,760,225
Vocational instruction	341,130	-	-	-	341,130
Total instruction	4,848,538	597,385	-	-	5,445,923
Support services:					
Pupil services	802,031	-	-	-	802,031
Staff services	815,851	64,759	-	-	880,610
Central administration	308,880	-	-	-	308,880
School administration	596,304	-	-	-	596,304
Business administration	144,778	-	-	-	144,778
General maintenance	1,306,033	143,122	-	-	1,449,155
Transportation services	732,662	-	-	-	732,662
Community support	165,960	-	-	-	165,960
Capital outlay	-	-	7,778,848	-	7,778,848
Principal and interest	-	-	-	2,583,490	2,583,490
Total support services	4,872,499	207,881	7,778,848	2,583,490	15,442,718
Total expenditures	9,721,037	805,266	7,778,848	2,583,490	20,888,641
Excess (deficiency) of revenues over (under) expenditures	7,876	402,269	(1,504,747)	(1,196,788)	(2,291,390)
Special item:					
Proceeds from sale of capital assets	1,635	-	-	-	1,635
Transfers to (from) other fund	(1,048,486)	(1,314)	980,000	-	(69,800)
Net change in fund balances	(1,038,975)	400,955	(524,747)	(1,196,788)	(2,359,555)
Total fund balances, beginning of year	2,202,692	838,595	7,605,891	1,613,421	12,260,599
Total fund balances, end of year	\$ 1,163,717	\$ 1,239,550	\$ 7,081,144	\$ 416,633	\$ 9,901,044

Lincoln County School District No. 1
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds with the Statement of Activities - District-Wide
Year Ended June 30, 2013

Amounts reported for governmental activities in the Statement of Activities - District-Wide are different because:

Net change in fund balances - Governmental Funds	\$ (2,359,555)
Capital outlays to purchase capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities - District-Wide, the cost of these assets is allocated over their estimated useful lives as depreciation. This is the amount by which purchases of capital assets, \$8,042,521 exceeded depreciation, \$780,186, during the current fiscal year.	7,262,335
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces liabilities in the Statement of Net Position - District-Wide.	2,200,000
Repayment of capital lease principal is an expenditure in the Governmental Funds, but the repayment reduces liabilities in the Statement of Net Position - District-Wide.	31,594
An increase in property taxes receivable on the Statement of Net Position District-Wide as compared to property taxes receivable on the Balance Sheet-Governmental Funds, increases property tax revenue in the Statement of Activities - District-Wide.	9,035
In the Statement of Activities - District-Wide, certain operating expenses (e.g., compensated absences) are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (i.e., the amount actually paid). In the current year, accrued compensated absences paid exceeded accrued compensated absences earned by \$5,199.	<u>5,198</u>
Changes in governmental net position - District-Wide	<u><u>\$ 7,148,607</u></u>

Lincoln County School District No. 1
Statement of Net Position - Proprietary Fund
June 30, 2013

	<u>Food Services Fund</u>
ASSETS	
Current assets:	
Cash	\$ 9,697
Inventories	6,823
Due from other fund	<u>7,055</u>
Total current assets	<u>23,575</u>
Noncurrent assets:	
Capital assets, net	<u>3,458</u>
Total noncurrent assets	<u>3,458</u>
Total assets	<u>27,033</u>
LIABILITIES	
Current liabilities:	
Accrued liabilities	<u>19,920</u>
Total liabilities	<u>19,920</u>
NET POSITION	
Net investment in capital assets	3,458
Unrestricted	<u>3,655</u>
Total net position	<u><u>\$ 7,113</u></u>

Lincoln County School District No. 1
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund
Year Ended June 30, 2013

	<u>Food Services Fund</u>
Operating revenues:	
Local sources	\$ 166,982
	<u>166,982</u>
Operating expenses:	
Payroll costs	163,315
Direct food costs	150,759
Supplies	9,739
Depreciation expense	2,305
	<u>326,118</u>
	Operating loss <u>(159,136)</u>
Non-operating revenues:	
Federal grants	<u>89,901</u>
	Total non-operating revenues <u>89,901</u>
	Loss before transfers (69,235)
Transfer in	<u>69,800</u>
	Change in net position 565
Total net position, beginning of year	<u>6,548</u>
	Total net position, end of year <u>\$ 7,113</u>

**Lincoln County School District No. 1
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2013**

	<u>Food Services Fund</u>
Cash flows from operating activities:	
Cash received from user charges	\$ 166,982
Cash paid to employees for services	(162,988)
Cash paid for direct food costs	(151,047)
Cash paid for supplies	<u>(9,739)</u>
Net cash used by operating activities	<u>(156,792)</u>
Cash flows from non-capital financing activities:	
Transfer in	69,800
Non-operating grants	<u>89,901</u>
Net cash provided by non-capital financing activities	<u>159,701</u>
Increase in cash and cash equivalents	2,909
Cash and cash equivalents, beginning of year	<u>6,788</u>
Cash and cash equivalents, end of year	<u><u>\$ 9,697</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (159,136)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	2,305
Changes in assets and liabilities:	
Inventories	(288)
Accrued liabilities	<u>327</u>
Net cash used by operating activities	<u><u>\$ (156,792)</u></u>

**Lincoln County School District No. 1
Statement of Assets and Liabilities - Fiduciary Fund
June 30, 2013**

	<u>Student Activity Funds</u>
ASSETS	
Current assets:	
Cash and cash equivalents	<u>\$ 127,964</u>
Total assets	<u><u>\$ 127,964</u></u>
LIABILITIES	
Current liabilities:	
Due to student groups	<u>\$ 127,964</u>
Total liabilities	<u><u>\$ 127,964</u></u>

Lincoln County School District No. 1
Combining Statement of Net Position - Component Units (Unaudited) ⁽¹⁾
June 30, 2013

	Oyster Ridge BOCES	Frontier Area Park and Recreation District	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 673,368	\$ 42,797	\$ 716,165
Investments	25,484	-	25,484
Accounts receivable	10,898	945	11,843
Prepaid expenses	756	-	756
Total current assets	<u>710,506</u>	<u>43,742</u>	<u>754,248</u>
Noncurrent assets:			
Capital assets, net	68,680	-	68,680
Total noncurrent assets	<u>68,680</u>	<u>-</u>	<u>68,680</u>
Total assets	<u>779,186</u>	<u>43,742</u>	<u>822,928</u>
LIABILITIES			
Current liabilities:			
Accounts payable	4,557	-	4,557
Accrued liabilities	1,130	-	1,130
Compensated absences, due within one year	5,992	-	5,992
Total current liabilities	<u>11,679</u>	<u>-</u>	<u>11,679</u>
Noncurrent liabilities:			
Compensated absences, due after one year	8,988	-	8,988
Total noncurrent liabilities	<u>8,988</u>	<u>-</u>	<u>8,988</u>
Total liabilities	<u>20,667</u>	<u>-</u>	<u>20,667</u>
NET POSITION			
Net investment in capital assets	68,680	-	68,680
Restricted for capital maintenance projects	47,580	-	47,580
Unrestricted	642,259	43,742	686,001
Total net position	<u>\$ 758,519</u>	<u>\$ 43,742</u>	<u>\$ 802,261</u>

⁽¹⁾ The classification of assets, liabilities and net assets has been made by each component unit and is not necessarily consistent with the District's classification nor comparable across component units.

Lincoln County School District No. 1
Combined Statement of Activities - Component Units (Unaudited) ⁽¹⁾
Year Ended June 30, 2013

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Adult instruction	\$ 191,706	\$ 4,636	\$ 41,600	\$ (145,470)
Support services	122,533	-	-	(122,533)
General maintenance	2,862	-	-	(2,862)
Community support	604,054	-	-	(604,054)
Interest expense	392	-	-	(392)
Depreciation expense	15,260	-	-	(15,260)
Total governmental activities	<u>\$ 936,807</u>	<u>\$ 4,636</u>	<u>\$ 41,600</u>	<u>(890,571)</u>
General revenue:				
				944,274
Property taxes, general purposes				337
Interest and investment earnings				<u>60,172</u>
Other local sources				
			Total general revenue	<u>1,004,783</u>
			Change in net position	114,212
			Total net position, beginning of year	<u>688,049</u>
			Total net position, end of year	<u>\$ 802,261</u>

⁽¹⁾ The classification of revenues between various categories of program revenues and general revenues has been made by each component unit and is not necessarily consistent with the District's classification nor comparable across component units.

Lincoln County School District No. 1
Statement of Activities - Oyster Ridge BOCES (Unaudited)⁽¹⁾
Year Ended June 30, 2013

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Adult instruction	\$ 191,706	\$ 4,636	\$ 41,600	\$ (145,470)
Support services	122,533	-	-	(122,533)
General maintenance	2,862	-	-	(2,862)
Interest expense	392	-	-	(392)
Depreciation expense	15,260	-	-	(15,260)
Total governmental activities	<u>\$ 332,753</u>	<u>\$ 4,636</u>	<u>\$ 41,600</u>	<u>(286,517)</u>
General revenue:				
				314,667
Property taxes, general purposes				337
Interest and investment earnings				60,172
Other local sources				<u>60,172</u>
			Total general revenue	<u>375,176</u>
			Change in net position	88,659
			Total net position, beginning of year	<u>669,860</u>
			Total net position, end of year	<u>\$ 758,519</u>

⁽¹⁾ The classification of revenues between various categories of program revenues and general revenues has been made by each component unit and is not necessarily consistent with the District's classification nor comparable across component units.

Lincoln County School District No. 1

Statement of Activities - Frontier Area Park and Recreation District (Unaudited)⁽¹⁾

Year Ended June 30, 2013

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Community support	\$ 604,054	\$ -	\$ -	\$ (604,054)
Total governmental activities	<u>\$ 604,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(604,054)</u>
General revenue:				
				629,607
			Total general revenue	<u>629,607</u>
			Change in net position	25,553
			Total net position, beginning of year	<u>18,189</u>
			Total net position, end of year	<u>\$ 43,742</u>

⁽¹⁾ The classification of revenues between various categories of program revenues and general revenues has been made by each component unit and is not necessarily consistent with the District's classification nor comparable across component units.

Lincoln County School District No. 1
Notes to Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies

A. Organization

Lincoln County School District No. 1 (“the District”) is governed by an elected five-member Board of Trustees (the Board), which has governance responsibilities over activities related to public elementary and secondary school education in the southern portion of Lincoln County, Wyoming. The District receives funding from local, county, state and federal government sources and must comply with the requirements of these funding entities. The District is not included in any other governmental reporting entity as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, since board members are elected by the public; have decision-making authority; have the power to designate management; have the responsibility to significantly influence operations; and have primary accountability for fiscal matters.

The Oyster Ridge Board of Cooperative Education Services (the BOCES) and the Frontier Area Park and Recreation District (“the Recreation District”) are considered to be component units of the District because they are fiscally dependent on the District, and a majority of the BOCES’ governing board is appointed by the District’s Board. The District levies a property tax mill on behalf of both the BOCES and the Recreation District. The BOCES provides educational services, including vocational-technical education, college credit courses and adult education. The Recreation District provides funding for community recreation programs within the District. The component unit columns in the accompanying financial statements include the financial data of the BOCES and the Recreation District. The BOCES issues stand-alone financial statements that are available by contacting the management of the BOCES. The Recreation District does not issue stand-alone financial statements.

B. District-Wide and Fund Financial Statements

Management’s Discussion and Analysis

The management’s discussion and analysis introduces the basic financial statements and provides an analytical overview of the District’s financial activities in a narrative format. An analysis of the District’s overall financial position and results of operations is included to assist users in assessing whether the financial position has improved or deteriorated as a result of the year’s activities. These financial statements do not include a Management’s Discussion and Analysis.

District-Wide Financial Statements

The district-wide financial statements, including the Statement of Net Position – District-Wide and the Statement of Activities – District-Wide, report information on all of the nonfiduciary activities of the District and its component units. These statements distinguish between the *governmental* and *business-type activities* of the District. Governmental transactions are generally financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

Lincoln County School District No. 1
Notes to Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies, Continued

B. District-Wide and Fund Financial Statements, continued

District-Wide Financial Statements, continued

In general, the effect of interfund transactions has been eliminated from the district-wide financial statements. Exceptions to this general rule are transactions between the District's governmental and business-type activities. Elimination of these transactions would distort the direct costs and program revenues reported for the various functions concerned.

The Statement of Activities – District-Wide presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and the business-type activity of the District. Direct expenses are those that are specifically associated with a program or function. The District does not charge indirect expenses to programs or functions. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Depreciation is presented in its entirety on the Statement of Activities – District-Wide. No depreciation has been allocated to any of the District's specific functions.

Fund Financial Statements

The fund financial statements provide information on the District's funds, including its fiduciary funds. Separate statements for each fund category – *Governmental, Proprietary* and *Fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and business-type funds, each displayed separately.

Budgetary Comparison Schedules

The budgetary comparison schedules are presented as required supplementary information to demonstrate whether resources were obtained and used in accordance with the District's legally adopted budgets. The District may revise the original budgets over the course of the year for various reasons. Budgetary information includes comparisons of the District's original adopted budgets to the final budgets and actual results.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The district-wide, proprietary funds and fiduciary funds financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the accrual basis, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, 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 stipulated by the provider have been met and satisfied.

Lincoln County School District No. 1
Notes to Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies, Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 30 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, judgments, compensated absences and early retirement liabilities, which are recognized to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

The District reports the following governmental funds:

General Fund: The General Fund is the primary operating fund of the District and is used to account for all financial resources except those 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 federal and state funds. This is a budgeted fund.

Special Revenue Fund: The Special Revenue Fund is used to account for funds received from federal and state grants and other local sources that have restrictions on their use. This is a budgeted fund.

Capital Construction Fund: The Capital Construction Fund is used to account for funds received from the Wyoming School Facilities Commission that are specifically designated for construction of capital assets. This is a budgeted fund.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and related costs. The revenue of the fund consists primarily of local property taxes. This is a budgeted fund, and any fund balances are considered as resources available for use.

The District reports the following proprietary fund:

Food Services Fund: The Food Services Fund is used to account for the District's school lunch program, which make sales to students and other individuals. Operating revenues are comprised of user charges. Non-operating revenues are comprised of grant revenues, interest income and transfers from other funds. This is a budgeted fund.

Lincoln County School District No. 1
Notes to Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies, Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, continued

The District reports the following fiduciary fund:

Student Activity Funds: The Student Activity Fund is an agency funds used to account for activities of student groups and other types of activities requiring clearing accounts. This fund has no net assets; assets are equal to liabilities and do not include revenues and expenditures for general operations of the District.

D. Budgetary Information

Under Wyoming law, the District's approved budgets establish maximum legal authorization for expenditures during the fiscal year. The budgets are prepared on the cash basis. Unused appropriations lapse at the end of the year, unless the Board extends existing encumbrances beyond year-end.

On or before May 15 of each year, the District's administration submits to the Board a preliminary operating budget for each of the budgeted funds for the fiscal year commencing July 1. The operating budgets include proposed expenditures detailed at the functional level and the means of financing them.

In July, the Board conducts its annual budget hearing and budgets are legally adopted through the passage of an appropriation by the Board.

Actual expenditures and operating transfers out may not legally exceed budget appropriations at the functional level. The legal level of budgetary control is the functional level at which the Board must approve any over-expenditures of appropriations or transfers of appropriated amounts. The functional levels are Instruction, Instructional Support, General Support, Non-Instructional Support Services, Facility Acquisition and Construction Services and Fund Transfers.

The School Board may amend the budget after holding a budget hearing at any time during the year. The administration may transfer between budgetary line items within a function without Board approval.

E. Generally Accepted Accounting Principles

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles and standards.

F. Cash and Cash Equivalents

The District considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

**Lincoln County School District No. 1
Notes to Financial Statements
June 30, 2013**

1. Summary of Significant Accounting Policies, Continued

G. Receivables

Receivables shown on the governmental fund financial statements are those for which payment was received within 30 days after the financial statement date. All receivables, regardless of when they are collected, are recognized on the district-wide financial statements. Such receivables are shown net of any allowances for uncollectible amounts.

H. Inventories

Inventories, which consist primarily of instructional and food supplies, are reported at the lower of cost (first-in, first-out) or net realizable value, or if donated, at fair value when received. Donated food commodities are reported in the Food Services Fund as revenue and expense when received.

I. Capital Assets

Capital assets are reported in the district-wide financial statements and the proprietary funds. Purchased or constructed capital assets are reported at historical cost, less accumulated depreciation. If historical cost is unknown, estimated historical cost is used. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of routine repairs and maintenance that do not improve or extend the useful lives of the related assets are not capitalized. The District uses a capitalization threshold of \$2,500. When capital assets are sold or otherwise disposed of, the cost and associated accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the Statement of Activities – District-Wide, or the Statement of Revenues, Expenses and Changes in Fund Net Assets, in the case of proprietary funds.

All reported capital assets except land and construction in progress are depreciated. Depreciation is calculated on capital assets using the straight-line method over the estimated useful lives of those assets, as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land improvements	10 to 30 years	--
Buildings and building improvements	10 to 30 years	--
General equipment	5 to 10 years	5 to 10 years
Transportation equipment	5 to 10 years	--

J. Accrued Liabilities and Long-Term Obligations

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

In general, governmental funds payables and accrued liabilities that are paid in a timely manner from current financial resources are reported as obligations of the funds.

Lincoln County School District No. 1
Notes to Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies, Continued

K. Compensated Absences

Compensated absences consist of accumulated sick, personal and vacation leave balances that are unpaid by the financial statement date.

Teachers receive 10 sick days per year, while classified staff, which includes employees who work, 9, 10 or 12 months, receives 1 day per month. Sick leave can be accumulated to a maximum of 180 days. No liability is recorded for non-vesting accumulated rights to receive sick pay.

Employees are also granted two personal days per year which are not allowed to accumulate. Any unused personal days are paid out to the employees at the end of the fiscal year at a rate of \$60 per day.

The District records a liability for accumulated unused vacation time for all eligible employees. Full-time employees earn 10 days for 1-7 years of service, 15 days for 8-15 years of service and 20 days for greater than 15 years of service. Administrators receive 20 days of vacation per year.

Compensated absences are reported as an obligation of the governmental activities in the district-wide statements. Accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

When an employee terminates employment with the District, unused sick leave is paid at a rate of \$42 per day for accumulated sick leave days in excess of the first 45 days. Unused vacation is paid at the employee's hourly rate.

L. 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 is reported as restricted when there are limitations imposed on its 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.

M. Fund Balances

Fund Balance Reporting

Fund balance amounts are reported within one of the following fund balance categories:

Nonspendable: The nonspendable fund balance category is associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned);

Lincoln County School District No. 1
Notes to Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies, Continued

M. Fund Balances, continued

Fund Balance Reporting, continued

Restricted: The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation;

Committed: The committed fund balance category includes amounts that can be used only for the specific purposes determined by a formal action of the District's Board of Directors (the District's highest level of decision-making authority);

Assigned: The assigned fund balance category is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed;

Unassigned: The unassigned fund balance category is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Order of Fund Balance Spending

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First Nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance.

N. Property Tax Calendar

The Lincoln County Treasurer is responsible for levying and collecting property taxes on behalf of the District. Property taxes are levied on or about July 1 and are due in two installments. The first installment becomes due on September 1 and is delinquent on November 10; the second installment becomes due March 1 and is delinquent on May 10. Property taxes attach as an enforceable lien on property on May 11 of each year. Taxes receivable represents taxes levied but uncollected by the County Treasurer at June 30, 2013.

O. Property Taxes Levied for Other Governments

The District is authorized by Wyoming State statutes to levy and collect property tax revenue on behalf of an established BOCES and Recreation District.

P. Grant Revenue

The District receives financial assistance from governmental agencies in the form of grants, which are accounted for in the special revenue fund. Revenue is deemed earned and thus recognized when applicable program expenditures are recorded. Funds received but not earned at June 30, 2013 are recorded as deferred revenue.

Lincoln County School District No. 1
Notes to Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies, Continued

Q. Operating and Non-Operating Revenues

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

R. Use of Estimates

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

2. Cash and Cash Equivalents

The District's cash and cash equivalents consist of checking, savings and money market accounts at local banks.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Wyoming statute 9-4-820 requires the District to collateralize bank deposits that exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC). In addition, for collateral held by a custodian other than the Federal Reserve, an approved Joint Custody Receipt form must be properly executed to perfect the District's interest in collateral pledged by depository financial institutions. The District's Superintendent monitors cash account balances to see that sufficient collateral is pledged to the District.

The carrying amount of bank deposits at June 30, 2013 was \$4,788,955 (including cash held in fiduciary fund) and bank balances totaled \$5,638,648. The differences between the carrying amount of bank deposits and the bank balances consist of outstanding checks and deposits not processed by the bank as of June 30, 2013. As of June 30, 2013 the District's bank balances of \$5,638,648 were insured or collateralized as follows:

Insured by FDIC	\$ 627,964
Collateralized with security held by pledging institution's trust department or correspondent bank under a joint custody receipt in the name of the District and the financial institution.	<u>5,010,684</u>
Total	<u>\$ 5,638,648</u>

Cash and cash equivalents held by the Lincoln County Treasurer on behalf of the District are covered by Lincoln County under FDIC insurance and/or joint custody receipts in the name of the County and the County's financial institution.

Lincoln County School District No. 1
Notes to Financial Statements
June 30, 2013

3. Investments

Wyoming statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements. District policy restricts investments to certificates of deposit with local banks, the Wyoming Government Investment Fund, and the Wyoming State Treasurer's Investment Pool, unless specific Board action authorizes an alternative investment. The District has no policies in place related to exposure to credit risk, custodial credit risk, concentration of credit risk, interest rate credit risk, or foreign currency credit risk other than the above-described investment policy.

As of June 30, 2013, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Interest Rate</u>	<u>Fair Value</u>
Wyoming Government Investment Fund (WGIF)	44.8 days average	n/a	<u>\$ 6,726,961</u>
Total investments			<u>\$ 6,726,961</u>

Interest Rate Risk The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk State law limits investments to obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. The District has no investment policy that would further limit its investment choices. WGIF is not rated as to credit risk.

Concentration of Credit Risk The District places no limit on the amount the District may invest in any one issuer. More than five percent of the District's investments are in the WGIF. This investment represents 100% of the District's total investments.

WGIF is overseen by a board of trustees elected by the Fund's member organizations.

4. Receivables

Grants Receivable

Grants receivable balances consist of revenues earned by the District from various state or federal grants that had not been received by the District as of June 30, 2013. The balance reported for grants receivable as of June 30, 2013 is \$602,087.

Property Taxes Receivable

Property taxes receivable consist of property taxes received in the first 30 days after June 30, 2013 that relate to taxes levied prior to and during the 2013 fiscal year. The balance reported for property taxes receivable as of June 30, 2013 in the fund financial statements is \$35,788. The balance reported for property taxes receivable as of June 30, 2013 in the Entity-Wide financial statements is \$44,823.

Lincoln County School District No. 1
Notes to Financial Statements
June 30, 2013

4. Receivables, Continued

Some of the District's taxes were paid under protest to the County Treasurer during the 2013 fiscal year. This means that the property owners are disputing the assessed valuation of their property, and therefore the amount of their property tax bill. When taxes are paid under protest, the Treasurer must hold that money in a protest account until the protest is resolved with the State Board of Equalization. Because the taxes were paid under protest, and the ultimate amount the District will receive is still in question, no receivable has been recognized on the financial statements for those taxes.

5. Capital Assets

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

Governmental Activities:

	June 30, 2012	Additions	Disposals	June 30, 2013
Buildings and improvements	\$ 29,272,027	\$ 73,668	\$ -	\$ 29,345,695
Equipment	2,002,568	128,073	-	2,130,641
Transportation equipment	1,974,256	61,931	(26,690)	2,009,497
Total depreciable capital assets	33,248,851	263,672	(26,690)	33,485,833
Accumulated depreciation	(18,195,027)	(780,186)	26,690	(18,948,523)
Net depreciable capital assets	15,053,824	(516,514)	-	14,537,310
Land	1,776,883	-	-	1,776,883
Construction in progress	10,546,410	7,778,849	-	18,325,259
Net capital assets	<u>\$ 27,377,117</u>	<u>\$ 7,262,335</u>	<u>\$ -</u>	<u>\$ 34,639,452</u>

Depreciation expense for governmental funds has not been allocated to any of the District's individual functions. Rather, the District has included all depreciation related to governmental funds as a single line item on the Statement of Activities – District-Wide. Depreciation expense for the combined governmental funds was \$780,186 for the year ended June 30, 2013.

The District purchased certain vehicles under long-term agreements that represented capital leases. Assets purchased under capital leases, which are included in vehicles above, totaled \$298,689 at June 30, 2013. During 2013, amortization expense (which was included in depreciation expense and accumulated depreciation in the previous table) on this equipment was \$37,922, and accumulated amortization totaled \$66,585 at June 30, 2013.

Lincoln County School District No. 1
Notes to Financial Statements
June 30, 2013

5. Capital Assets, Continued

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

Business-type Activities:

Lunch Fund:

	June 30, 2012	Additions	Disposals	June 30, 2013
Equipment	\$ 53,902	\$ -	\$ -	\$ 53,902
Accumulated depreciation	(48,139)	(2,305)	-	(50,444)
Net capital assets	<u>\$ 5,763</u>	<u>\$ (2,305)</u>	<u>\$ -</u>	<u>\$ 3,458</u>

Depreciation expense recognized by the District's Lunch Fund was \$2,305.

6. Interfund Receivables and Payables

Interfund receivables and payables arise primarily from one fund holding cash on behalf of another fund in order to limit the number of bank accounts held by the District. Interfund receivables and payables may also arise from one fund making payments on behalf of another fund to cover expenditures until grant revenues are received. When grant or other funds are received, the paying fund is reimbursed for the payments made on behalf of the receiving fund.

Interfund receivables and payables at June 30, 2013 are summarized as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Special Revenue Fund	General Fund	\$ 105,511
Capital Construction Fund	General Fund	1,234,287
Proprietary Fund	General Fund	7,055

7. Interfund Transfers

Interfund transfers for the year ended June 30, 2013 are summarized as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Reason</u>	<u>Amount</u>
General Fund	Food Services Fund	Cover program shortfall	\$ 69,800
General Fund	Capital Construction Fund	Assist with Construction	980,000
Special Revenue Fund	General Fund	Repay prior years loan	1,314

8. Short-Term Borrowings

The District had no short-term borrowings at June 30, 2013, nor were there any short-term borrowings or repayments during 2013.

Lincoln County School District No. 1
Notes to Financial Statements
June 30, 2013

9. Long-Term Obligations

General Obligation Bonds

On July 29, 2011, the District issued \$8,200,000 of Series 2011 general obligation bonds. These bonds have interest rates from 4.00% to 4.40% and mature between 2014 and 2021. They will be used to finance the construction and equipping and furnishing of an auxiliary gymnasium and related improvements, the funding of a reserve fund for the maintenance and repair of the auxiliary gymnasium, and to pay for the costs of issuance. The bond principal and interest will be paid from taxes levied on all taxable property lying within the District. Future payments under these bonds are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 525,000	\$ 183,000	\$ 708,000
2015	550,000	153,900	703,900
2016	575,000	140,000	715,000
2017	600,000	117,000	717,000
2018	600,000	97,650	697,650
2029-2021	<u>1,725,000</u>	<u>141,900</u>	<u>1,866,900</u>
Total commitment	<u>\$ 4,575,000</u>	<u>\$ 833,450</u>	<u>\$ 5,408,450</u>

Capital Lease Obligations

The District leases certain equipment under long-term agreements that represent capital leases. Future minimum lease payments under capital lease obligations are as follows:

<u>Year Ending June 30,</u>	
2014	\$ 64,259
2015	64,259
2016	64,259
2017	<u>45,752</u>
Total future minimum lease payments	238,529
Less amount representing interest	<u>(45,658)</u>
Present value of net minimum lease payments	192,871
Less amount due within one year	<u>(46,267)</u>
Amount due after one year	<u>\$ 146,604</u>

Lincoln County School District No. 1
Notes to Financial Statements
June 30, 2013

9. Long-Term Obligations, Continued

A summary of changes in long-term obligations of the District for the year ended June 30, 2013 are as follows:

	Long-Term Obligations June 30, <u>2012</u>	Long-Term Obligations Incurred	Long-Term Obligations Paid	Long-Term Obligations June 30, <u>2013</u>
Accrued compensated absences	\$ 96,687	\$ 108,633	\$ (113,831)	\$ 91,489
Capital lease obligations	224,465	--	(31,594)	192,871
General obligation bonds	<u>6,775,000</u>	--	<u>(2,200,000)</u>	<u>4,575,000</u>
	<u>\$7,096,152</u>	<u>\$ 108,633</u>	<u>\$(2,345,425)</u>	<u>\$ 4,859,360</u>

10. Fund Balance and Net Assets

Restrictions of fund balance and net assets are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific restrictions on net assets are summarized below:

General Fund: The fund balance is restricted to segregate funds to be used specifically for recreation related activities.

Special Revenue Fund: The fund balance is restricted to segregate funds for grant expenditures which meet the requirements established by the various state and federal granting agencies. The Grant Funds are reported as part of the Special Revenue Funds.

Capital Construction: The fund balance is reserved to segregate funds for the purpose of capital construction projects.

Debt Service: The fund balance is reserved to segregate a portion of the net assets for debt service, including both principal payments and interest payments.

11. Wyoming Retirement System Defined Contribution Plan

All full-time and regular part-time employees participate in the State of Wyoming Retirement System ("the Plan"), a multi-employer, cost-sharing public employee retirement plan. The Plan is a defined benefit plan covering substantially all employees of the State, electing local municipalities, and the Public School System of Wyoming.

The Plan statutorily requires 14.12% of the participant's salary to be contributed to the Plan, with the District required to contribute a minimum of 7.12% of the employee's salary. The District can, however, elect to contribute more than the required amount. During the period covered by these financial statements, the District has elected to contribute both the employer and employee portions of the retirement contribution, even though it is not required to do so.

Lincoln County School District No. 1
Notes to Financial Statements
June 30, 2013

11. Wyoming Retirement System Defined Contribution Plan, Continued

The Plan allows for normal retirement after four years of service and attainment of age 60. Retirees can select one of five options for receiving benefits. Early retirement is allowed, provided the employee has completed four years of service and attained age 50, but results in a reduction of benefits based on the length of time remaining to normal retirement age. Employees terminating prior to normal retirement can elect to withdraw all employee contributions plus accumulated earnings through the date of their termination.

The District's contributions for the years ended June 30, 2013, 2012 and 2011 totaled \$735,370, \$700,462 and \$657,082, respectively.

The Plan issues stand alone financial statements. A copy of the Plan's financial statements may be obtained by contacting the Wyoming Retirement System at First Floor East - Herschler Building, 122 West 25th Street, Cheyenne, WY 82002.

12. Risk Management

School Risk Retention Program

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District participates in the School Risk Retention Program ("the SRRP"). The SRRP is a risk-sharing pool comprised of a number of Wyoming school districts. The SRRP is self-insured for smaller claims, and purchases commercial insurance for catastrophic coverage. As a member of the SRRP, the District could be called upon to make additional payments to the SRRP if losses were to exceed available reserves. However, the District has not been called upon to make additional contributions to the SRRP above its normal premiums. Claims for the District have not exceeded coverage through the SRRP.

Litigation

The District is occasionally named as a defendant in lawsuits arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a materially adverse effect on the accompanying District-Wide financial statements and accordingly, no provision for loss has been recorded.

13. Contingent Liabilities

Grant Programs

The District receives significant financial assistance from federal and state governmental agencies in the form of grants, which are governed by various rules and regulations of the grantor agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the District's independent auditors and other governmental auditors. Therefore, to the extent that the District has not complied with the terms and conditions governing the grants, refunds of any money received may be required, and the collectibility of any related receivables at June 30, 2013, may be impaired.

Lincoln County School District No. 1
Notes to Financial Statements
June 30, 2013

13. Contingent Liabilities, Continued

School Foundation Program

The District's funding for the General Fund is determined by the School Foundation Funding Model, which was passed into law by the State of Wyoming (State) Legislature. Funding is determined based on a variety of data submitted to the State by the District. Beginning in fiscal year 2003, the State Department of Audit began auditing the information submitted by Districts to the State at least once every three years. If the Department of Audit finds errors in the data submitted by the District, a retroactive funding adjustment is made. If the District was over-funded, the District is required to refund the overpayment to the State.

14. Related Party Transactions

The BOCES leases its building and related facilities from the District. The lease was renewed on July 1, 2012, for a five-year period ending June 30, 2017. The annual rent is \$1, to be paid in advance, plus the responsibility of managing the care and maintenance of the building. The terms of the lease require the BOCES to pay all utilities and make all normal and ordinary repairs and maintenance to the premises to keep them in the state of repair and condition that existed at the commencement of the lease.

Required Supplementary Information

Lincoln County School District No. 1
Budgetary Comparison Schedule (Budgetary Basis) for the General Fund
Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variances Positive/(Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Property taxes	\$ 9,071,988	\$ 9,318,874	\$ 9,043,418	\$ 246,886	\$ (275,456)
Interest and investment earnings	-	-	3,653	-	3,653
Other local sources	610,679	611,750	574,487	1,071	(37,263)
Other county sources	-	-	140,834	-	140,834
State sources	-	-	325	-	325
Federal sources	-	-	-	-	-
Total revenues	9,682,667	9,930,624	9,762,717	247,957	(167,907)
Expenditures:					
Instruction:					
Regular instruction	3,310,000	3,338,954	3,337,898	(28,954)	1,056
Special instruction	1,100,000	1,150,699	1,150,085	(50,699)	614
Vocational instruction	250,000	229,586	229,312	20,414	274
Total instruction	4,660,000	4,719,239	4,717,295	(59,239)	1,944
Support services:					
Pupil services	750,000	803,221	797,853	(53,221)	5,368
Staff services	650,000	858,509	813,457	(208,509)	45,052
Central administration	300,000	326,066	298,088	(26,066)	27,978
School administration	600,000	596,987	596,304	3,013	683
Business administration	160,000	166,343	142,688	(6,343)	23,655
General maintenance	1,330,200	1,434,309	1,283,123	(104,109)	151,186
Transportation services	950,000	727,721	725,290	222,279	2,431
Community support	230,000	164,394	163,006	65,606	1,388
Capital outlay	-	-	-	-	-
Total support services	4,970,200	5,077,550	4,819,809	(107,350)	257,741
Total expenditures	9,600,000	9,796,789	9,537,104	(166,589)	259,685
Excess (deficiency) of revenues over (under) expenditures before transfers	82,667	133,835	225,613	414,546	91,778
Special item:					
Proceeds from sale of capital assets	-	-	1,635	-	(1,635)
Transfers (to) from other fund	(100,000)	(1,049,800)	(1,049,800)	949,800	-
Net change in fund balance	\$ (17,333)	\$ (915,965)	(822,552)	\$ 1,364,346	\$ 90,143
Net adjustments to the modified accrual basis of accounting			(216,423)		
Net change in fund balance			\$ (1,038,975)		

Lincoln County School District No. 1
Budgetary Comparison Schedule (Budgetary Basis) for the Special Revenue Fund
Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variances Positive/(Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	-	-	176	-	176
Other local sources	-	-	-	-	-
Other county sources	-	-	-	-	-
State sources	500,000	500,000	825,470	-	325,470
Federal sources	500,000	500,000	448,578	-	(51,422)
Total revenues	1,000,000	1,000,000	1,274,224	-	274,224
Expenditures:					
Instruction:					
Regular instruction	-	-	-	-	-
Special instruction	675,000	675,000	614,846	-	60,154
Vocational instruction	-	-	-	-	-
Total instruction	675,000	675,000	614,846	-	60,154
Support services:					
Pupil services	-	-	-	-	-
Staff services	75,000	75,000	65,236	-	9,764
Central administration	-	-	-	-	-
School administration	-	-	-	-	-
Business administration	-	-	-	-	-
General maintenance	250,000	250,000	173,125	-	76,875
Transportation services	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total support services	325,000	325,000	238,361	-	86,639
Total expenditures	1,000,000	1,000,000	853,207	-	146,793
Excess (deficiency) of revenues over (under) expenditures before transfers	-	-	421,017	-	421,017
Special item:					
Proceeds from sale of capital assets	-	-	-	-	-
Transfers (to) from other fund	-	-	(1,314)	-	(1,314)
Net change in fund balance	\$ -	\$ -	419,703	\$ -	\$ 419,703
Net adjustments to the modified accrual basis of accounting			(18,748)		
Net change in fund balance			\$ 400,955		

Lincoln County School District No. 1
Budgetary Comparison Schedule (Budgetary Basis) for the Capital Construction Fund
Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variances Positive/(Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Property taxes	\$ -	\$ -	-	\$ -	\$ -
Interest and investment earnings	-	-	3,564	-	3,564
Other local sources	-	-	-	-	-
Other county sources	-	-	-	-	-
State sources	10,000,000	10,000,000	5,768,176	-	(4,231,824)
Federal sources	-	-	-	-	-
Total revenues	10,000,000	10,000,000	5,771,740	-	(4,228,260)
Expenditures:					
Instruction:					
Regular instruction	-	-	-	-	-
Special instruction	-	-	-	-	-
Vocational instruction	-	-	-	-	-
Total instruction	-	-	-	-	-
Support services:					
Pupil services	-	-	-	-	-
Staff services	-	-	-	-	-
Central administration	-	-	-	-	-
School administration	-	-	-	-	-
Business administration	-	-	-	-	-
General maintenance	-	-	-	-	-
Transportation services	-	-	-	-	-
Community Support	-	-	-	-	-
Capital outlay	10,000,000	10,000,000	7,699,169	-	2,300,831
Total support services	10,000,000	10,000,000	7,699,169	-	2,300,831
Total expenditures	10,000,000	10,000,000	7,699,169	-	2,300,831
Excess (deficiency) of revenues over (under) expenditures before transfers	-	-	(1,927,429)	-	(1,927,429)
Special item:					
Proceeds from sale of capital assets	-	-	-	-	-
Transfers (to) from other fund	-	980,000	980,000	(980,000)	-
Net change in fund balance	\$ -	\$ 980,000	(947,429)	\$ (980,000)	\$ (1,927,429)
Net adjustments to the modified accrual basis of accounting			422,682		
Net change in fund balance			\$ (524,747)		

Lincoln County School District No. 1
Budgetary Comparison Schedule (Budgetary Basis) for the Debt Service Fund
Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variances Positive/(Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Property taxes	\$ 1,343,935	\$ 2,500,000	1,386,702	\$ 1,156,065	\$ (1,113,298)
Interest and investment earnings	-	-	-	-	-
Other local sources	-	-	-	-	-
Other county sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Total revenues	1,343,935	2,500,000	1,386,702	1,156,065	(1,113,298)
Expenditures:					
Instruction:					
Regular instruction	-	-	-	-	-
Special instruction	-	-	-	-	-
Vocational instruction	-	-	-	-	-
Total instruction	-	-	-	-	-
Support services:					
Pupil services	-	-	-	-	-
Staff services	-	-	-	-	-
Central administration	-	-	-	-	-
School administration	-	-	-	-	-
Business administration	-	-	-	-	-
General maintenance	-	-	-	-	-
Transportation services	-	-	-	-	-
Community support	-	-	-	-	-
Principal and interest	1,343,935	2,500,000	2,583,490	(1,156,065)	(83,490)
Total support services	1,343,935	2,500,000	2,583,490	(1,156,065)	(83,490)
Total expenditures	1,343,935	2,500,000	2,583,490	(1,156,065)	(83,490)
Excess (deficiency) of revenues over (under) expenditures before transfers	-	-	(1,196,788)	2,312,130	(1,196,788)
Special item:					
Proceeds from sale of capital assets	-	-	-	-	-
Transfers (to) from other fund	-	-	-	-	-
Net change in fund balance	\$ -	\$ -	(1,196,788)	\$ 2,312,130	\$ (1,196,788)
Net adjustments to the modified accrual basis of accounting			-		
Net change in fund balance			\$ (1,196,788)		

Lincoln County School District No. 1
Budgetary Comparison Schedule (Budgetary Basis) for the Food Services Fund
Year Ended June 30, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variances Positive/(Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Property taxes	\$ -	\$ -	-	\$ -	\$ -
Interest and investment earnings	-	-	3	-	3
Other local sources	355,000	355,000	166,979	-	(188,021)
Other county sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	95,000	95,000	74,696	-	(20,304)
Total revenues	450,000	450,000	241,678	-	(208,322)
Expenditures:					
Instruction:					
Regular instruction	-	-	-	-	-
Special instruction	-	-	-	-	-
Vocational instruction	-	-	-	-	-
Total instruction	-	-	-	-	-
Support services:					
Pupil services	450,000	450,000	308,897	-	141,103
Staff services	-	-	-	-	-
Central administration	-	-	-	-	-
School administration	-	-	-	-	-
Business administration	-	-	-	-	-
General maintenance	-	-	-	-	-
Transportation services	-	-	-	-	-
Community support	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Principal and interest	-	-	-	-	-
Total support services	450,000	450,000	308,897	-	141,103
Total expenditures	450,000	450,000	308,897	-	141,103
Excess (deficiency) of revenues over (under) expenditures before transfers	-	-	(67,219)	-	(67,219)
Special item:					
Realized loss on investments	-	-	-	-	-
Transfers (to) from other fund	69,800	69,800	69,800	-	-
Net change in net position	\$ 69,800	\$ 69,800	2,581	\$ -	\$ (67,219)
Net adjustments to the modified accrual basis of accounting			(2,016)		
Net change in net position			\$ 565		

Lincoln County School District No. 1
Notes to Budgetary Comparison Schedules
June 30, 2013

1. Basis of Presentation

The budgetary comparison schedules have been prepared on the cash basis of accounting, which is the same basis of accounting used by the District in its budgeting process.

2. Comparison of Expenditures to Budgeted Amounts

The legal level of budgetary control for school districts in Wyoming is at the departmental level. According to W.S. 16-4-102(a)(vii) “department” means “a functional unit within a fund which carries on a specific activity, such as ... a major program category such as “instruction” in a school district fund.” The *Wyoming School Budgeting, Accounting and Reporting Manual* gives the following breakdown of functional units within the District’s accounts:

- Instruction – includes regular, special and vocational instruction categories on the District’s financial statements.
- Instructional Support – includes pupil service, staff services categories on the District’s financial statements.
- General Support – includes central administration, school administration, business administration, general maintenance and transportation services on the District’s financial statements.
- Community Support
- Other Outlays

These groupings are broader than the groupings used by the District for financial reporting purposes. Based on the groupings used by the District for financial reporting, it appears that a functional category may be over budget; when in fact, several reporting categories are included in one functional category for legal budgetary control.

Proprietary fund budgets are required for adequate management control and for public information. However, these funds accounts shall not be deemed to have spent amounts in excess of those budgeted when the funds available from all sources are sufficient to cover the additional operating expenditures which have been approved by the governing bodies.

The District overspent its adopted budget in the debt service fund.

Compliance Reports

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Lincoln County School District No. 1
Diamondville, 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, each major fund, and the aggregate remaining fund information of Lincoln County School District No. 1 ("the District), 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 October 24, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2013-01 and 2013-02 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and has been included in the accompanying schedule of findings and questioned costs as 2013-03.

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

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DeCoria & Company, PC

DeCoria & Company, PC
Afton, Wyoming

October 24, 2013

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by OMB circular A-133**

Board of Trustees
Lincoln County School District No. 1
Diamondville, Wyoming

Report on Compliance for Each Major Federal Program

We have audited Lincoln County School District No. 1's ("the District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

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

DeCoria & Company, PC

DeCoria & Company, PC
Afton, Wyoming

October 24, 2013

Lincoln County School District No. 1
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Education:			
Passed Through Wyoming Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1212012T1A00	68,684
Title I Grants to Local Educational Agencies	84.010	1312013T1A00	68,959
Total Title I-A Cluster			<u>137,643</u>
Improving Teacher Quality State Grants	84.367	1212012T2A00	34,471
Improving Teacher Quality State Grants	84.367	1312013T2A00	30,288
Total for CFDA 84.367			<u>64,759</u>
Special Education Cluster:			
Special Education Grants to States	84.027	1212012T6100	70,865
Special Education Grants to States	84.027	1312013T6100	134,842
Special Education Preschool Grants	84.173	122012T6P900	3,557
Total Special Education Cluster			<u>209,264</u>
Career and Technical Education - Basic Grants to States	84.048	1312013VEA00	4,014
School Improvement Grant - ARRA	84.388	N/A	<u>85,296</u>
Total U.S. Department of Education			<u>500,976</u>
U.S. Department of Agriculture:			
Passed Through Wyoming Department of Education:			
National School Lunch Program - Cash Assistance	10.555	N/A	74,696
National School Lunch Program - Non-Cash Assistance	10.555	N/A	15,205
Total U.S. Department of Agriculture			<u>89,901</u>
Total Federal Financial Assistance			<u>\$ 590,877</u>

Lincoln County School District No. 1
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lincoln County School District No. 1 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. Nonmonetary Transactions

Nonmonetary assistance is reported for food commodities received under the National School Lunch Program at the fair market value of the commodities received, as established by the Wyoming Department of Education. The District held an undetermined amount of those commodities as part of its food inventory at June 30, 2013.

**Lincoln County School District No. 1
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013**

Section I – Summary of Auditor’s Results:

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? yes X no

Reportable condition(s) identified not considered to be a
 material weakness(es)? X yes none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? yes X no

Reportable condition(s) identified not considered to be a
 material weakness(es)? yes X none reported

Type of auditors’ report issued on compliance for major
 programs: Unqualified

Any audit findings disclosed that are required to be reported in
 accordance with Circular A-133, Section .510(a)? yes X no

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.287 & 84.173	Special Education Cluster

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

Auditee qualified as low risk auditee? X yes no

Other Matters

Auditee’s Summary Schedule of Prior Audit Findings required to
 be reported in accordance with Circular A-133 (section .315[b])? yes X no

**Lincoln County School District No. 1
Schedule of Findings and Responses
Year Ended June 30, 2013**

Section II – Financial Statement Findings:

This section identifies the audit findings (significant deficiencies, material weaknesses, and instances of noncompliance material to the financial statements) related to the basic financial statements.

Finding 2013-1

Condition/Context:

The size of the District's staff is not large enough to permit an adequate segregation of duties for an effective system of internal control.

Criteria:

An effective system of internal controls requires that closely related duties be segregated.

Effect:

The concentration of duties and responsibilities by a small staff makes it difficult to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records.

Cause:

The District's staff is too small to allow an adequate segregation of duties.

Recommendation:

Although the District is not large enough to permit a complete segregation of duties for an effective system of internal accounting control, we recommend that officials be aware that the condition does exist and take steps to identify opportunities to further segregate duties where possible.

Views of Responsible Officials and Planned Corrective Actions:

Management and the Board of Trustees are aware of this condition and have made a conscious decision to accept the resulting degree of risk because of cost or other considerations.

**Lincoln County School District No. 1
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

Section II – Financial Statement Findings, continued:

Finding 2013-2

Condition/Context:

Due in part to the District's size and limited staff resources, the District does not have someone within the internal control structure with sufficient knowledge of generally accepted accounting principles (GAAP) to convert their accounting records from the cash basis of accounting to GAAP basis financial statements. Although the District has retained the services of a Certified Public Accountant (CPA) to assist them in transitioning from the cash basis of accounting to the accrual basis of accounting, it is very difficult to make every required adjustment in the time allotted to make this conversion. Therefore, even though the District is doing a comparatively great job of preparing their financial information for the audit, the District's financial statements required a number of audit adjustments in order to be materially correct.

Criteria:

An effective system of internal control over financial reporting includes the District's ability to generate financial statements in compliance with generally accepted accounting principles.

Effect:

The District's financial statements were materially misstated, and required several audit adjustments.

Cause:

The District does not have staff members with training in creating financial statements that are compliant with generally accepted accounting principles. The District did engage the services of an outside CPA to assist in preparation for the audit; however, this did not entirely resolve the problem.

Recommendation:

We recommend that the District continue to operate as it currently does. It is our opinion that it is more important to spend the District's resources training their staff to perform their accounting function in order to meet the WDE's reporting requirements, and to continue to use the outside CPA to help them prepare for their annual financial statement audit.

Views of Responsible Officials and Planned Corrective Actions:

The District will continue to train its staff to perform all the duties necessary to provide cash basis financial information to WDE and other State agencies, and will continue to obtain the services of the outside CPA to help them prepare for their GAAP based financial statement audit.

**Lincoln County School District No. 1
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

Section II – Financial Statement Findings (continued):

Finding 2013-3

Condition/Context:

The District overspent its adopted budget in the Debt Service Fund.

Criteria:

W.S. 16-4-108(a) states: “No officer or employee of a municipality shall make any expenditure or encumbrance in excess of the total appropriation for any department.” According to W.S. 16-4-102(a)(vii) “department” means “a functional unit within a fund which carries on a specific activity, such as ... a major program category such as “instruction” in a school district fund.”

Effect:

The District is out of compliance with W.S.16-4-108(a).

Cause:

The District adopted a budget for each of the funds, but appears to have not had an effective process in place to monitor budget to actual comparisons, and amend the budget as necessary.

Recommendation:

We recommend that the District implement a process for monitoring budget to actual comparisons on a periodic basis to ensure proper budgetary control.

Views of Responsible Officials and Planned Corrective Actions:

The District will implement a periodic budget to actual comparison process, and will amend its budgets as needed.

**Lincoln County School District No. 1
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

Section III – Federal Award Findings and Questioned Costs:

This section identifies the audit findings (significant deficiencies, material weaknesses, and material instances of noncompliance) required to be reported by Section 510(a) of OMB Circular A-133.

There were no findings to report.

**Lincoln County School District No. 1
Status of Prior Year Findings
Year Ended June 30, 2013**

Finding 2012-1

Condition The size of the District’s staff is not large enough to permit a complete segregation of duties for an effective system of internal controls.

Status This condition existed again in the current year – see Finding 2013-1.

Finding 2012-2

Condition The District’s records lack the necessary support for the District-Wide financial statements.

Status This condition existed again in the current year – see Finding 2013-2.