

SHERIDAN COUNTY SCHOOL DISTRICT NO. 3

CLEARMONT, WYOMING

FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

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SHERIDAN COUNTY SCHOOL DISTRICT NO. 3

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-3
Management Discussion and Analysis	4-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8-9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12-13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund	15
Statement of Net Position, Proprietary Fund	16
Statement of Revenues, Expenses and Changes in Fund Net Position, Proprietary Fund	17
Statement of Cash Flows, Proprietary Fund	18
Statement of Fiduciary Net Position, Fiduciary Fund	19
Notes to the Basic Financial Statements	20-33

SHERIDAN COUNTY SCHOOL DISTRICT NO. 3

Nonmajor Special Revenue Funds	34
Combining Balance Sheet	35-36
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	37-40
Capital Projects Funds	41
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Major Capital Projects Fund - Depreciation Reserve	42
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	43-44
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Schedule of Findings and Responses	45-47

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Sheridan County School District No. 3
Clearmont, Wyoming

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of **Sheridan County School District No. 3 (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 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 presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of **Sheridan County School District No. 3**, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison of the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **District's** basic financial statements. The combining and individual major and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2014, on our consideration of **Sheridan County School District No. 3's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Sheridan County School District No. 3's** internal control over financial reporting and compliance.

BENNET, WEBER + HERMSRAD, LLP

Gillette, Wyoming
January 8, 2014

SHERIDAN COUNTY SCHOOL DISTRICT #3

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2013

- A) Included within the Basic Financial Statements are the Government-Wide Financial Statements and the Fund Financial Statements. The Fund Financial Statements are broken out by Fund, while the Governmental-Wide Financial Statements combine all Funds.
- B) The following information is from the District-Wide Financial Statement:
- 1) Total Assets were \$9,658,792 (decrease of \$571,059), with \$7,086,126 in Capital Assets, and \$2,572,666 in Other Assets.
 - 2) Total Liabilities were \$355,885 (decrease of \$220,863), with \$70,559 representing Noncurrent Liabilities and \$285,326 representing Other Liabilities.
 - 3) Total Deferred Inflows of Resources were \$984,657 (decrease of \$247,411), representing the deferred portion of property taxes receivable.
 - 4) Total Net Position, was \$8,318,250 (decrease of \$102,785), with \$6,975,806 representing Net Investment in Capital Assets, \$764,745 in Restricted Net Position, and \$577,699 in Unrestricted Net Position.
 - 5) Program Revenues totaled \$214,137 (decrease of \$14,510), comprised of \$34,291 from Charges for Services, \$60,356 from Operating Grants and Contributions and \$119,490 from Capital Grants and Contributions.
 - 6) General Revenues totaled \$3,792,785 (increase of \$305,840), with tax revenue, which included State of Wyoming, School Foundation Program Revenues, providing \$3,761,840 and other revenues providing \$30,945.
 - 7) Total revenues from all sources were \$4,006,922 (increase of \$291,330).
 - 8) The District's governmental activities have been identified by function: Instruction cost \$1,833,056; Support Services cost \$2,076,710; Operating of Non-Instructional Services cost \$75,478; Debt Service cost \$5,011; Food Service cost \$119,452.
 - 9) Total expenses were \$4,109,707 (increase of \$183,121).
 - 10) Not applicable.
 - 11) The District did not have contributions.
 - 12) The District did not have special and extraordinary items.
 - 13) The General Fund transferred \$30,000 to the Depreciation Reserve Fund for future replacement of equipment and repair. The General Fund transferred \$86,000 to the Lunch Fund for operations.

- 14) Change in Net Position for the year ending June 30, 2013 was (\$102,785) (increase of \$108,209).
- 15) Ending Net Position as of June 30, 2013 was \$8,318,250 (decrease of \$102,785).
- C) At present, the District's overall financial position is stable. The state funding model is set up so a small district's funding is controlled by Average Daily Membership with a small district adjustment. For 2013-2014 the District's ADM is projected to be stable in comparison to the two previous years. Total revenues for 2012-2013 showed an increase, including an increase in the State of Wyoming, School Foundation Program Revenue, of \$613,986.
- D) The District has two major funds: General Fund and Depreciation Reserve Capital Projects Fund.
- The General Fund is the primary fund for the District. All local taxes, county taxes and State of Wyoming, School Foundation Program Revenues are recorded in this fund. The operations of the District are also recorded in the General Fund. The fund balance of the General Fund as of June 30, 2013 is \$440,437 (decrease of \$93,821).
- The Depreciation Reserve Capital Projects Fund is being funded by the General Fund. The fund is used to hold reserves for purchasing or replacing specified equipment or as a depreciation reserve for equipment and repairs. The fund balance of the Depreciation Reserve Fund as of June 30, 2013 is \$568,726 (decrease of \$2,705).
- E) The budget vs. actual variances in the General Fund Budget show revenues were under budget, predominately, because of an over calculation of budgeted tax revenues for 2012-2013. Expenditures were over-budgeted, predominately, in the areas of regular instruction, special education instruction, pupil services, instructional staff, operation and maintenance of plant and pupil transportation. Regular instruction and special education instruction were over-budgeted due to anticipated positions not being filled during the year. Pupil services were over-budgeted due to initial budgeting of student athletic travel and an anticipated coaching position not being filled during the fiscal year. Instructional staff was over-budgeted due to original budgeting for computer equipment and computer software that was not ultimately purchased by the District. Anticipated expenditures for materials and supplies and repairs and maintenance in the areas of operation and maintenance of plant and pupil transportation were not ultimately required.
- F) The District's significant capital assets consist of school buildings and school transportation vehicles. The District's long-term debt consists of capital lease obligations for the purchase of transportation vehicles and office equipment.
- G) The District has no infrastructure assets.
- H) There have not been any major changes in the Wyoming Funding Model over the last six years. In 2012-2013 Sheridan County School District No. 3, being a small district, did not receive funding in the following areas of the model: specialist teachers, alternative teachers, instructional facilitators, tutors, ELL teachers, summer school teachers, extended day teachers, librarians, media tech, pupil support and aides. There will be no cost of living increase for the upcoming 2013-2014 fiscal year under the Funding Model. No major changes are expected in funding until the 2015 legislative hearing.

- I) No other analysis is needed to provide an objective and readable analysis of Sheridan County School District #3's financial activities.
- J) Clearcreek Recreation District is a blended component unit of the Sheridan County School District #3 and is reported as a Special Revenue Fund.

SHERIDAN COUNTY SCHOOL DISTRICT NO. 3

STATEMENT OF NET POSITION

June 30, 2013

	Primary Government		
	Governmental Activities	Business- Type Activity	Total
ASSETS			
Cash	\$ 1,075,843	\$ 4,458	\$ 1,080,301
Temporary Investments	364,982	-	364,982
Taxes Receivable (net of allowance for uncollectibles)	1,124,687	-	1,124,687
Due From Other Governments	2,696	-	2,696
Capital Assets:			
Non-depreciable Capital Assets	281,524	-	281,524
Depreciable Capital Assets, Net	6,804,088	514	6,804,602
Total Assets	\$ 9,653,820	\$ 4,972	\$ 9,658,792
LIABILITIES			
Accounts Payable	\$ 123,136	\$ 451	\$ 123,587
Accrued Compensation	121,978	-	121,978
Noncurrent Liabilities:			
Due Within One Year	39,761	-	39,761
Due Within More Than One Year	70,559	-	70,559
Total Liabilities	\$ 355,434	\$ 451	\$ 355,885
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Taxes Receivable	\$ 984,657	\$ -	\$ 984,657
NET POSITION			
Net Investment in Capital Assets	\$ 6,975,292	\$ 514	\$ 6,975,806
Restricted for:			
Recreation	51,606	-	51,606
Capital Projects	568,726	-	568,726
Major Maintenance	144,413	-	144,413
Unrestricted	573,692	4,007	577,699
Total Net Position	\$ 8,313,729	\$ 4,521	\$ 8,318,250

See Notes to the Basic Financial Statements.

SHERIDAN COUNTY SCHOOL DISTRICT NO. 3

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction:				
Regular	\$ 1,640,724	\$ -	\$ 19,281	\$ -
Special Education	192,332	-	26,058	-
Support Services:				
Pupil	448,657	-	-	-
Instructional Staff	250,867	-	-	-
General Administration	232,901	-	-	-
School Administration	160,316	-	-	-
Business	289,643	-	-	-
Operation and Maintenance of Plant	408,278	-	-	119,490
Pupil Transportation	283,549	-	-	-
Other Support Services	2,499	-	-	-
Operation of Non-Instructional Services:				
Community Services	75,478	16,508	-	-
Debt Service:				
Interest on Long Term Debt	5,011	-	-	-
Total Governmental Activities	\$ 3,990,255	\$ 16,508	\$ 45,339	\$ 119,490
Business-type Activities:				
Food Service	\$ 119,452	\$ 17,783	\$ 15,017	\$ -
Total Primary Government	\$ 4,109,707	\$ 34,291	\$ 60,356	\$ 119,490
General Revenues:				
Taxes:				
Property Taxes, levied for general purposes				
Property Taxes, levied for public recreation				
Grants and contributions not restricted to specific programs				
Interest				
Other Local Revenue				
Miscellaneous				
(Loss) on disposal of capital assets				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position, Beginning July 1				
Net Position, Ending June 30				

See Notes to the Basic Financial Statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-type</u>	<u>Totals</u>
<u>Activities</u>	<u>Activity</u>	
\$ (1,621,443)	\$ -	\$ (1,621,443)
(166,274)	-	(166,274)
(448,657)	-	(448,657)
(250,867)	-	(250,867)
(232,901)	-	(232,901)
(160,316)	-	(160,316)
(289,643)	-	(289,643)
(288,788)	-	(288,788)
(283,549)	-	(283,549)
(2,499)	-	(2,499)
(58,970)	-	(58,970)
(5,011)	-	(5,011)
<u>\$ (3,808,918)</u>	<u>\$ -</u>	<u>\$ (3,808,918)</u>
\$ -	\$ (86,652)	\$ (86,652)
<u>\$ (3,808,918)</u>	<u>\$ (86,652)</u>	<u>\$ (3,895,570)</u>
\$ 3,707,019	\$ -	\$ 3,707,019
54,821	-	54,821
114	-	114
2,723	17	2,740
23,788	-	23,788
12,818	-	12,818
(8,515)	-	(8,515)
(86,000)	86,000	-
<u>\$ 3,706,768</u>	<u>\$ 86,017</u>	<u>\$ 3,792,785</u>
\$ (102,150)	\$ (635)	\$ (102,785)
8,415,879	5,156	8,421,035
<u>\$ 8,313,729</u>	<u>\$ 4,521</u>	<u>\$ 8,318,250</u>

SHERIDAN COUNTY SCHOOL DISTRICT NO. 3

BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2013

	General Fund	Depreciation Reserve Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 647,311	\$ 203,744	\$ 224,788	\$ 1,075,843
Temporary Investments	-	364,982	-	364,982
Taxes Receivable (net of allowance for uncollectibles)	1,083,253	-	41,434	1,124,687
Due From Other Funds	13,151	-	-	13,151
Due From Other Governments	-	-	2,696	2,696
Total Assets	\$ 1,743,715	\$ 568,726	\$ 268,918	\$ 2,581,359
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 104,686	\$ -	\$ 18,450	\$ 123,136
Accrued Compensation	121,978	-	-	121,978
Due To Other Funds	-	-	13,151	13,151
Total Liabilities	\$ 226,664	\$ -	\$ 31,601	\$ 258,265
DEFERRED INFLOWS OF RESOURCES				
Property Taxes Receivable	\$ 1,076,614	\$ -	\$ 41,298	\$ 1,117,912
FUND BALANCES				
Restricted	\$ -	\$ 568,726	\$ 196,019	\$ 764,745
Unassigned	440,437	-	-	440,437
Total Fund Balances	\$ 440,437	\$ 568,726	\$ 196,019	\$ 1,205,182
Total Liabilities and Fund Balances	\$ 1,743,715	\$ 568,726	\$ 268,918	\$ 2,581,359

See Notes to the Basic Financial Statements.

SHERIDAN COUNTY SCHOOL DISTRICT NO. 3

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2013

Total Governmental Fund Balances		\$ 1,205,182
Amounts reported for governmental activities in the statement of net position are different because		
Property and production taxes are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.		133,255
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Non-depreciable capital assets	281,524	
Depreciable assets	11,049,608	
Less: accumulated depreciation	<u>(4,245,520)</u>	
		7,085,612
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Capital Leases Payable		(110,320)
Net Position of Governmental Activities		\$ 8,313,729

See Notes to the Basic Financial Statements.

SHERIDAN COUNTY SCHOOL DISTRICT NO. 3

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended June 30, 2013

(Page 1 of 2)

	General Fund	Depreciation Reserve Capital Projects Fund	Non-Major Govern- mental Funds	Total Governmental Funds
REVENUES				
Local Sources:				
Taxes	\$ 1,084,502	\$ -	\$ 51,442	\$ 1,135,944
Interest	1,561	858	304	2,723
Rentals	23,788	-	-	23,788
Charges for Services	-	-	16,508	16,508
Miscellaneous	12,818	-	-	12,818
Total Local Sources	\$ 1,122,669	\$ 858	\$ 68,254	\$ 1,191,781
County Sources:				
Taxes	\$ 75,056	\$ -	\$ -	\$ 75,056
Other	6,861	-	-	6,861
Total County Sources	\$ 81,917	\$ -	\$ -	\$ 81,917
State Sources:				
Intergovernmental	\$ -	\$ -	\$ 127,490	\$ 127,490
School Foundation Program	2,482,577	-	-	2,482,577
Total State Sources	\$ 2,482,577	\$ -	\$ 127,490	\$ 2,610,067
Federal Sources:				
Intergovernmental	\$ 114	\$ -	\$ 37,339	\$ 37,453
Total Revenues	\$ 3,687,277	\$ 858	\$ 233,083	\$ 3,921,218
EXPENDITURES				
Current:				
Instruction:				
Regular	\$ 1,342,746	\$ -	\$ 19,281	\$ 1,362,027
Special Education	188,696	-	26,058	214,754
Support Services:				
Pupil	420,777	-	-	420,777
Instructional Staff	256,473	-	-	256,473
General Administration	228,838	-	-	228,838
School Administration	160,316	-	-	160,316
Business	287,886	-	-	287,886
Operation and Maintenance of Plant	332,849	-	107,322	440,171
Pupil Transportation	220,169	-	-	220,169
Other Support Services	2,607	-	-	2,607
Operation of Non-Instructional Service:				
Community Services	-	-	75,478	75,478
Capital Outlay	179,723	33,563	-	213,286
Debt service:				
Interest	5,011	-	-	5,011
Principal	39,007	-	-	39,007
Total Expenditures	\$ 3,665,098	\$ 33,563	\$ 228,139	\$ 3,926,800

(Continued)

SHERIDAN COUNTY SCHOOL DISTRICT NO. 3

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2013

(Page 2 of 2)

	General Fund	Depreciation Reserve Capital Projects Fund	Non-Major Govern- mental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 22,179	\$ (32,705)	\$ 4,944	\$ (5,582)
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ 30,000	\$ -	\$ 30,000
Transfers (Out)	(116,000)	-	-	(116,000)
Total Other Financing Sources (Uses)	\$ (116,000)	\$ 30,000	\$ -	\$ (86,000)
Net Change in Fund Balances	\$ (93,821)	\$ (2,705)	\$ 4,944	\$ (91,582)
FUND BALANCES, BEGINNING JULY 1	534,258	571,431	191,075	1,296,764
FUND BALANCES, ENDING JUNE 30	\$ 440,437	\$ 568,726	\$ 196,019	\$ 1,205,182

See Notes to the Basic Financial Statements.

SHERIDAN COUNTY SCHOOL DISTRICT NO. 3

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ (91,582)
Amounts reported for governmental activities in the statement of activities are different because	
Timing differences for the recognition of property and production tax revenues between revenues reported in the funds and revenues reported in the statement of activities.	61,402
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(119,362)
Governmental funds recognize (loss) on sale of capital assets as the sales proceeds received. However, in the statement of activities, this amount is reduced by the remaining net book value of the disposed assets. This is the amount of net book value of assets disposed of.	(8,515)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	55,907
Change in Net Position of Governmental Activities	\$ (102,150)

See Notes to the Basic Financial Statements.

SHERIDAN COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Taxes	\$ 1,162,377	\$ 1,162,377	\$ 1,084,502	\$ (77,875)
Interest	2,000	2,000	1,561	(439)
Rentals	19,200	19,200	23,788	4,588
Miscellaneous	4,000	4,000	12,818	8,818
Total Local Revenues	\$ 1,187,577	\$ 1,187,577	\$ 1,122,669	\$ (64,908)
County Sources:				
Taxes	\$ 76,763	\$ 76,763	\$ 75,056	\$ (1,707)
Other	3,247	3,247	6,861	3,614
Total County Sources	\$ 80,010	\$ 80,010	\$ 81,917	\$ 1,907
State Sources:				
School Foundation Program	\$ 2,474,777	\$ 2,474,777	\$ 2,482,577	\$ 7,800
Federal Sources:				
Intergovernmental	\$ 100	\$ 100	\$ 114	\$ 14
Total Revenues	\$ 3,742,464	\$ 3,742,464	\$ 3,687,277	\$ (55,187)
EXPENDITURES				
Current:				
Instruction:				
Regular	\$ 1,500,560	\$ 1,375,198	\$ 1,342,746	\$ 32,452
Special Education	246,960	206,189	188,696	17,493
Support Services:				
Pupil	481,455	447,970	420,777	27,193
Instructional Staff	258,400	313,780	256,473	57,307
General Administration	225,340	235,518	228,838	6,680
School Administration	168,655	164,427	160,316	4,111
Business	308,525	293,246	287,886	5,360
Operation and Maintenance of Plant	331,440	380,028	332,849	47,179
Pupil Transportation	253,285	254,520	220,169	34,351
Other Support Services	4,250	4,250	2,607	1,643
Capital Outlay	77,190	197,614	179,723	17,891
Debt service:				
Interest	5,010	5,010	5,011	(1)
Principal	39,010	39,010	39,007	3
Total Expenditures	\$ 3,900,080	\$ 3,916,760	\$ 3,665,098	\$ 251,662
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (157,616)	\$ (174,296)	\$ 22,179	\$ 196,475
OTHER FINANCING (USES)				
Transfers (Out)	\$ (90,000)	\$ (116,000)	\$ (116,000)	\$ -
Net Change in Fund Balance	\$ (247,616)	\$ (290,296)	\$ (93,821)	\$ 196,475
FUND BALANCE, BEGINNING JULY 1	534,258	534,258	534,258	-
FUND BALANCE, ENDING JUNE 30	\$ 286,642	\$ 243,962	\$ 440,437	\$ 196,475

See Notes to the Basic Financial Statements.

SHERIDAN COUNTY SCHOOL DISTRICT NO. 3

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

June 30, 2013

	<u>Business-Type Activity</u> Food Service
ASSETS	
Current Assets	
Cash	\$ 4,458
Capital Assets, Net	\$ 514
Total Assets	\$ 4,972
LIABILITIES	
CURRENT	
Accounts Payable	\$ 451
NET POSITION	
Net Investment in Capital Assets	\$ 514
Unrestricted	4,007
Total Net Position	\$ 4,521

See Notes to the Basic Financial Statements.

SHERIDAN COUNTY SCHOOL DISTRICT NO. 3

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 Year Ended June 30, 2013**

	Business-Type Activity
	Food Service
OPERATING REVENUES	
Charges for Services	\$ 17,783
OPERATING EXPENSES	
Salaries	\$ 51,863
Fringe Benefits	21,383
Materials and Supplies	6,511
Direct Food Costs	39,307
Depreciation	388
Total Operating Expenses	\$ 119,452
Operating (Loss)	\$ (101,669)
NONOPERATING REVENUES	
Donated Commodities	\$ 1,875
Operating Grants	13,142
Interest	17
Total Nonoperating Revenues	\$ 15,034
(Loss) Before Transfers	\$ (86,635)
TRANSFERS	
Transfers In	86,000
Change in Net Position	\$ (635)
NET POSITION, BEGINNING JULY 1	5,156
NET POSITION, ENDING JUNE 30	\$ 4,521

See Notes to the Basic Financial Statements.

SHERIDAN COUNTY SCHOOL DISTRICT NO. 3

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 Year Ended June 30, 2013**

	Business-Type Activity
	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 17,783
Cash Payments to Employees for Services	(51,863)
Cash Payments for Employee Benefits	(21,383)
Cash Payments for Goods and Services	(43,898)
Net Cash (Used in) Operating Activities	\$ (99,361)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating Grants Received	\$ 13,142
Transfers In	86,000
Net Cash Provided by Noncapital Financing Activities	\$ 99,142
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	\$ 17
Net (Decrease) in Cash	\$ (202)
Cash, Beginning July 1	4,660
Cash, Ending June 30	\$ 4,458
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities	
Operating (Loss)	\$ (101,669)
Adjustments:	
Depreciation	388
Donated Commodities Used During Year	1,875
Changes in Assets and Liabilities:	
Accounts Payable	45
Net Cash (Used in) Operating Activities	\$ (99,361)

See Notes to the Basic Financial Statements.

SHERIDAN COUNTY SCHOOL DISTRICT NO. 3

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND**

June 30, 2013

	Agency Fund
ASSETS	
Cash	\$ 81,514
Total Assets	\$ 81,514
LIABILITIES	
Due to Student Groups	\$ 81,514
Total Liabilities	\$ 81,514

See Notes to the Basic Financial Statements.

SHERIDAN COUNTY SCHOOL DISTRICT NO. 3 NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

Sheridan County School District No. 3 (the District) is a political subdivision of the State of Wyoming providing a broad range of educational services to the youth of Clearmont and Arvada, Wyoming. It is governed by an elected board of five trustees. As required by accounting principles generally accepted in the United States of America, these financial statements present the District and its component unit, for which the District is considered to be financially accountable.

Blended Component Unit - The Clearcreek Recreation District provides funding to the Clearcreek community for recreation projects, which may include facilities, construction, programs and equipment. The Sheridan County School District No. 3 Board of Trustees appoints all members of the Recreation District's Governing Board. The Recreation District is fiscally dependent on the District because the District's Board of Trustees must approve the annual mill levy which provides the Recreation District's funding. The blended component unit, although a legally separate unit is, in substance, part of the District's operations. The Recreation District is reported as a special revenue fund. The component unit has a June 30 year end. Complete financial information for this component unit may be obtained by contacting the President of the Clearcreek Recreation District.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from the business-type activity, which relies to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from a certain legally separate component unit for which the providing government is financial accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds, proprietary fund, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund is reported as a separate column in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property and production taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Property and production taxes, interest, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund - depreciation reserve* was established by the District in accordance with Wyoming Statutes. This fund accounts for reserves held for purchasing or replacing specified equipment or a depreciation reserve for equipment and building repair. This fund is being funded by transfers from the general fund.

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

Nonmajor Special Revenue Funds:

The Nonmajor Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted for expenditure for specified purposes.

Clearcreek Recreation District - This fund provides funding to the Clearcreek community for recreation projects, which may include facilities, construction, programs and equipment.

Major Maintenance - This fund was established by the District in accordance with Wyoming Statutes. This fund accounts for the revenues and expenditures for capital maintenance allocations determined by the Wyoming Department of Education. This fund is funded by the State of Wyoming.

Rural Education Achievement Program - This fund accounts for federal revenues used to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools.

Title II - This fund accounts for federal revenues used to support sustained and intensive high-quality professional development for educators in the core academic subjects.

Title VIB - This fund accounts for federal revenues used to assist schools in the identification of handicapped children, development of procedural safeguards, implementation of least restrictive alternative patterns, and provision of full educational opportunities to handicapped children at the preschool, elementary, and secondary levels.

National Board of Certified Teachers - This fund accounts for state revenues used to reimburse districts for payments made to full time teachers who hold the national board teaching certification.

Anger Management - This fund accounts for state revenues used to help students deal with anger in their relationships at home and at school.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Additionally, the District reports the following fund types:

Proprietary Funds - Proprietary funds focus on the determination of the changes in net position, financial position and cash flows. The District's proprietary fund is an enterprise fund. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The District's enterprise fund is the Food Service Fund, which accounts for the financial transactions related to the food service operations of the District.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. The principal operating revenues of the food service enterprise fund are charges for food sales. Operating expenses for the food service enterprise fund include direct food costs, salaries and related benefits, depreciation on capital assets and other administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Fund - The District's fiduciary fund is an agency fund. Agency funds are custodial in nature (assets plus deferred outflows of resources equal liabilities plus deferred inflows of resources) and do not involve measurement of results of operations.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Position or Fund Balance

1. Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposit accounts.

The District is authorized by Wyoming State Statutes and its governing board to invest in financial institution certificates of deposit and securities issued by the U.S. Treasury or agencies of the United States Government. Investments (all of which have maturities of less than one year), are reported at fair value. The Wyoming State Investment Pool operates in accordance within appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Interfund Balances

On the fund financial statements, receivables and payables resulting from short term lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "Due From Other Funds/Due To Other Funds". These amounts are eliminated in the statement of net position except for the net residual amounts due between governmental and business-type activities. Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Advances between governmental funds (if applicable), as reported in the fund financial statements, are offset by a reserved fund balance to indicate that they are not available for appropriation and are not available financial resources.

3. Capital Assets

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

All capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value at date of receipt. The District maintains a capitalization threshold of \$2,500 or more to be capitalized and depreciated. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives	Business- Type Activities Estimated Lives
Buildings and building improvements	15 - 50 years	25 years
Vehicles	8 - 15 years	N/A
Equipment	5 - 15 years	10 years

4. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' right to receive compensation is attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means, such as payment for unused accumulated vacation leave upon termination of services. The District records a liability for accumulated unused vacation time when earned for all eligible employees. The amount due for unused vacation leave is included in accrued compensation in the government-wide statements. Because the District anticipates that this amount will be liquidated using currently available resources, the entire amount is included in accrued compensation in the governmental fund financial statements.

The District's policy is to permit employees to accumulate earned but unused sick pay benefits. The sick leave does not vest and is recorded as an expenditure when it is paid.

5. Accrued Liabilities and Long-Term Obligations

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Long-term capital leases are recognized as a liability in the government-wide financial statements.

6. Fund Balance

The District reports fund balance in its governmental funds based on hierarchy of classifications that are primarily based on the extent to which the District is bound to honor constraints on the specific purpose for which amounts can be spent. The fund balance classifications used by the District's governmental funds are as follows:

Nonspendable fund balances - Those balances representing amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to remain intact. The not in spendable form criteria includes items that are not expected to be converted to cash. The amounts reported as nonspendable fund balances are determined before classifying the amounts as restricted, committed, or assigned.

Restricted fund balances - Those balances representing amounts that are externally restricted by creditors, grantors, contributors, or laws or regulations of other governments. Restrictions can also be imposed through law, constitutional provisions, or enabling legislation. Restricted fund balances are reported by the District's governmental funds.

Committed fund balances - Those balances representing amounts that can only be used for specified purposes as imposed by formal actions of the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specified use through the same formal action.

Assigned fund balances - Those balances representing amounts that are constrained by the District to be used for a specified purpose. These amounts are neither restricted nor committed. The authority for making or changing an assignment of fund balance is not required to be made by the District's highest level of decision making as are committed fund balances. Assigned fund balances represent all remaining amounts that are reported in all governmental funds except for the General Fund. Assigned fund balances are not classified as nonspendable and are neither restricted or committed.

Unassigned fund balances - Those fund balances representing the remaining classification for the general fund. This balance represents the fund balance of the General Fund that has not been assigned to other funds and has been neither restricted, committed, or assigned to specific purposes in the General Fund. If expenditures incurred for specified purposes exceed the amounts restricted, committed, or assigned for those purposes, a negative unassigned fund balance may be reported.

Restricted or unrestricted amounts are considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

7. 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 through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

8. Property and Production Tax Revenues

Property and production tax revenues represent property and production taxes for 2012 and prior years which are collectible during the year ended June 30, 2013. Property is annually valued and assessed January 1. Property and production taxes are levied by the first Monday of August and payable in two installments on September 1 and March 1. These installments become delinquent and thus payable, on November 10 and May 10. The taxpayer may elect, without penalty, to pay the entire balance on December 31. If not paid, property and production taxes attach as an enforceable lien on property as of May 11. Property and production tax revenues are recognized when levied to the extent that they result in current receivables, which means when collected within the current period or expected to be collected within 60 days of the fiscal year end to be used to pay liabilities of the current period on the financial statements. Property and production taxes which are not current receivables are offset by deferred inflows of resources. Property and production taxes are collected by the County Treasurer and remitted to the District in the month following that of collection.

9. Estimates

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

Note 2. Stewardship, Compliance and Accountability

Budgets for the General, Special Revenue and Capital Projects Funds are prepared on the same basis and using the same accounting practices as are used to prepare the financial reports.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at fiscal year end. On or before the last day in May of each year, all agencies and departments of the District submit requests for appropriations to the District's superintendent so that a budget may be prepared. During June, the proposed budget is presented to the District's Board of Trustees for review. The Board of Trustees holds public hearings, and a final budget must be prepared and adopted no later than June 30. The appropriated budget is prepared by fund, function and department. The legal level of budgetary control is the department level. The District may amend its budget after it is approved using the same procedures necessary to approve the original budget. Over the course of the year, the District revised the annual budget twice. These budget amendments fall into two categories: budget transfers between function classifications to properly record expenditures and increases in appropriations to recognize actual funding received from state and federal sources and to prevent budget over runs. The amounts reported as the original budgeted amounts in the budgetary statements reflect appropriation in the first complete appropriated budget. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

Deposits - As of June 30, 2013 deposits of the District were covered in their entirety by federal depository insurance and collateralized with securities held by the pledging financial institution's trust department or agent.

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District has a deposit policy for custodial credit risk. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service and in accordance with investment policies complying with Wyoming State Statutes. The District's certificate of deposit is currently not rated by a nationally recognized statistical rating organization (NRSRO).

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

Investment Type	Fair Value	Credit Quality Ratings ⁽¹⁾	Weighted Average Maturity (Days)
Primary Government			
Certificate of Deposit	\$ 105,072	N/A	660
Wyoming Government Investment Fund	259,910	AAAm	45
Total Investments	\$ 364,982		

⁽¹⁾ Ratings are provided where applicable to indicate associated credit risk. N/A indicates not applicable.

Investment Policies

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. Investing is performed in accordance with investing policies adopted by the governing board complying with Wyoming State Statutes. District funds may be invested in obligations of the U.S. Treasury, notes and bonds, agencies of the U.S. Government that are backed by the full faith and credit of the United States Government and Government National Mortgage Association mortgage-backed pass-through certificates. The investments held by the Wyoming Government Investment Fund are rated by Standard and Poors.

Custodial Credit Risk for investments is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. External investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form, and therefore, the District is not exposed to custodial credit risk.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. Unless matched to a specific cash flow, investments are not made in securities maturing more than five years from the date of purchase.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. Investments issued or explicitly guaranteed by the US Government and investments in mutual funds, external investment pools and other pooled investments are excluded from the concentration of credit risk requirements. The District's investment policy related to concentration of credit risk is to diversify the District's investments by security type and institution in order to reduce overall portfolio risks while attaining market average rates of return.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 3. Detailed Notes on All Funds (Continued)

B. Taxes Receivable

Property tax receivable as of June 30, 2013 for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	Nonmajor Funds	Total
Taxes Receivable for 2012 and prior years	\$ 199,371	\$ 6,659	\$ 206,030
Estimated Taxes Receivable for 2013	948,882	35,775	984,657
Less: Allowance for uncollectibles	(65,000)	(1,000)	(66,000)
Taxes Receivable, Net	\$ 1,083,253	\$ 41,434	\$ 1,124,687

Net taxes receivable of \$1,124,687 on the statement of net position includes 2013 property taxes of \$984,657. These amounts represent estimated taxes based on the 2013 assessed valuation. The 2013 taxes are not levied until the first Monday of August, but there is an enforceable legal claim to the taxes as of the lien date, defined as the January 1 preceding the start of the fiscal year for which the taxes are levied. These 2013 taxes are included in deferred inflows of resources on the statement of net position and in the fund statements.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. As of June 30, 2013, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	Unavailable
Property taxes receivable, 2012 and prior years (General Fund)	\$ 127,732
Property taxes receivable, 2013 (General Fund)	948,882
Property taxes receivable, 2012 and prior years (Non-Major Funds)	5,523
Property taxes receivable, 2013 (Non-Major Funds)	35,775
Total Deferred Inflows of Resources for Governmental Funds	\$ 1,117,912

C. Capital Assets

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

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Governmental Activities				
Non-depreciable capital assets:				
Land	\$ 96,053	\$ -	\$ -	\$ 96,053
Construction in progress	274,901	111,334	(200,764)	185,471
Total non-depreciable capital assets	\$ 370,954	\$ 111,334	\$ (200,764)	\$ 281,524
Depreciable capital assets:				
Buildings and building improvements	\$ 9,132,079	\$ 257,653	\$ -	\$ 9,389,732
Vehicles	841,757	12,985	(8,900)	845,842
Equipment	787,661	74,009	(47,636)	814,034
Total depreciable capital assets	\$ 10,761,497	\$ 344,647	\$ (56,536)	\$ 11,049,608

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 3. Detailed Notes on All Funds (Continued)

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Less accumulated depreciation for:				
Buildings and building improvements	\$ (2,723,466)	\$ (239,618)	\$ -	\$ (2,963,084)
Vehicles	(567,040)	(53,621)	7,416	(613,245)
Equipment	(628,456)	(81,340)	40,605	(669,191)
Total accumulated depreciation	\$ (3,918,962)	\$ (374,579)	\$ 48,021	\$ (4,245,520)
Total depreciable capital assets, net	\$ 6,842,535	\$ (29,932)	\$ (8,515)	\$ 6,804,088
Governmental activities capital assets, net	\$ 7,213,489	\$ 81,402	\$ (209,279)	\$ 7,085,612
Business-type Activities				
Depreciable capital assets:				
Building improvements	\$ 130,489	\$ -	\$ -	\$ 130,489
Equipment	14,609	-	-	14,609
Total depreciable capital assets	\$ 145,098	\$ -	\$ -	\$ 145,098
Less accumulated depreciation for:				
Building improvements	\$ (130,489)	\$ -	\$ -	\$ (130,489)
Equipment	(13,707)	(388)	-	(14,095)
Total accumulated depreciation	\$ (144,196)	\$ (388)	\$ -	\$ (144,584)
Total depreciable capital assets, net	\$ 902	\$ (388)	\$ -	\$ 514

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
Regular instruction	\$ 241,571
Pupil transportation	53,621
Operations and maintenance of plant	79,387
Total depreciation expense - governmental activities	\$ 374,579
Business-type Activities	
Food service	\$ 388

D. Interfund Receivables, Payables and Transfers

The composition of due to/from other funds as of June 30, 2013 are as follows:

	Receivable	Payable
Major Funds:		
General Fund	\$ 13,151	\$ -
Non-Major Funds:		
Special Revenue Fund, Anger Management	\$ -	\$ 13,151
	\$ 13,151	\$ 13,151

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 3. Detailed Notes on All Funds (Continued)

Interfund Transfers:

	General Fund	Food Service	Depreciation Reserve	Total
Transfers In	\$ -	\$ 86,000	\$ 30,000	\$ 116,000
Transfers (Out)	(116,000)	-	-	(116,000)
Net interfund transfers	\$ (116,000)	\$ 86,000	\$ 30,000	\$ -

The primary purpose of the material interfund transfers are: 1) the General Fund made transfers to the Depreciation Reserve Fund for future equipment replacement and repair, and 2) the General Fund provided income to the Food Service Fund to help supplement the District's lunch program.

E. Compensated Absences

The District's policy is to permit employees to accumulate earned but unused sick pay benefits. The sick leave does not vest and is recorded as an expenditure when it is paid. The accumulated unpaid sick leave approximated \$91,000 as of June 30, 2013.

The District's employees' vested accrued vacation is approximately \$16,000 as of June 30, 2013, which has been recorded as a liability. It is anticipated that this amount will be liquidated using currently available resources; therefore, the recorded amount has been charged to expenditures for the year ended June 30, 2013.

F. Capital Leases

The District has entered into lease agreements for financing the acquisition of equipment (mainly transportation and office equipment). These lease agreements provide for the transfer of title to the District at the end of the leases, and therefore qualify as capital leases for accounting purposes. The leases have been recorded at the present value of the future minimum lease payments as of the inception dates. The cost of equipment and vehicles capitalized under these lease agreements was approximately \$248,000 and are included in governmental activities. Accumulated depreciation on equipment and vehicles acquired through these capital lease agreements approximated \$82,000 as of June 30, 2013. The leases are cancelable should monies not be appropriated in future years.

Payments on these obligations are being made by the General Fund. Annual debt service requirements as of June 30, 2013 are as follows:

Year Ending June 30,	Obligations Under Capital Lease
2014	\$ 44,018
2015	44,019
2016	29,157
Total lease payments	\$ 117,194
Less interest portion	6,874
Present value of net minimum lease payments	\$ 110,320

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 3. Detailed Notes on All Funds (Continued)

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

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Governmental Activities:					
Capital leases	\$ 166,227	\$ -	\$ (55,907)	\$ 110,320	\$ 39,761

G. Legal Debt Margin

As of June 30, 2013, the general obligation bond debt issued by the District did not exceed its legal debt margin as shown by the following computation:

Assessed valuation	\$ 44,917,199
Debt limit - 10% of total assessed valuation	\$ 4,491,720
General obligation bonded debt outstanding	\$ -
Unused legal debt capacity	\$ 4,491,720

H. Classifications of Equity

The District's blended component unit, Clearcreek Recreation District, has restricted \$51,606 of its Special Revenue Fund balance. This amount represents monies received from local sources and tax mill levy which is restricted for recreation projects in the local community.

The District has restricted \$568,726 of its Capital Projects Depreciation Reserve Fund balance. This amount represents monies which are restricted for the purchase or replacement of specified equipment or a depreciation reserve for equipment and school building repair.

The District has restricted \$144,413 of its Major Maintenance Fund balance. This fund was established by the District in accordance with Wyoming Statutes to account for the revenues and expenditures related to capital maintenance allocations determined by the Wyoming Department of Education.

Note 4. Other Information

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchased commercial insurance for claims and risk of loss through the Wyoming School Risk Retention Program. The pool currently includes 25 districts in the State of Wyoming. The coverages for significant items and the related deductibles are as follows:

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 4. Other Information (Continued)

Type of Claim	Amount of Coverage	Deductible
General		
General liability	\$ 2,000,000	\$ -
Extra expense	\$ 5,000,000	\$ 5,000
Rental value	\$ 5,000,000	\$ 5,000
Personal property in transit-per occurrence	\$ 1,000,000	\$ 5,000
Demolition and increased cost of construction		
Demolition of undamaged parts of building	No sublimit	
Cost to demolish and clear site	\$ 25,000,000	\$ 5,000
Increased cost of repair or replacement	\$ 25,000,000	\$ 5,000
Debris removal	\$ 5,000,000	\$ 5,000
Errors and omissions	\$ 5,000,000	\$ 5,000
Ingress/Egress	\$ 1,000,000	\$ 5,000
Civil or military authority	\$ 1,000,000	\$ 5,000
Miscellaneous unnamed locations	\$ 10,000,000	\$ 5,000
Contingent time element	\$ 5,000,000	\$ 5,000
Electronic data and media	\$ 50,000,000	\$ 5,000
Leasehold interest	\$ 1,000,000	\$ 5,000
Service interruption	\$ 5,000,000	\$ 5,000
Newly acquired property	\$ 25,000,000	\$ 5,000
Valuable papers and records	\$ 5,000,000	\$ 5,000
Earth movements	\$ 25,000,000	\$ 5,000
Debris removal	\$ 5,000,000	\$ 5,000
Flood	\$ 25,000,000	\$ 5,000
Accounts receivable	\$ 5,000,000	\$ 5,000
Contractors equipment	\$ 3,000,000	\$ 5,000
Fine arts	\$ 1,000,000	\$ 5,000
Automobile physical damage	\$ 5,000,000	\$ 5,000
Boiler and machinery	\$ 50,000,000	\$ 5,000
School board and employment practices	\$ 2,000,000	\$ 2,500
Sexual abuse/molestation	\$ 2,000,000	\$ 2,500

Deductible of \$100,000 for property damage claims within the time element.

Claims have not exceeded coverage in any of the last three fiscal years.

The District has health insurance coverage with the Wyoming School Board Association Insurance Trust. The plan provides an option to choose from eleven separate plans (eight health reimbursement arrangements, HRA, three health savings accounts, HSA). The District funded \$1,000 for each employees' HRA or HSA account. The employees can then use the HRA or HSA to pay deductible amounts or medical claims not covered by these health insurance plans. The plan also provides for \$30,000 employee, \$5,000 spouse and \$3,000 child basic life insurance and provides coverage for AD&D and long-term disability insurance.

The District contributes to the Wyoming Worker's Compensation Insurance program. Employees covered by this program are those working in jobs defined by the State as extra-hazardous occupations. Employees covered by Wyoming Workers' Compensation Insurance include: bus drivers, mechanics, safety patrol, chemistry laboratory instructors, home economics instructors, printing department personnel, warehouse personnel, electronics technicians and special programs teacher assistants. This list may be changed as required by Wyoming State Statutes. All other employees of the District are not covered by any form of on-the-job injury insurance.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 4. Other Information (Continued)

B. Retirement Commitments

The District's full-time employees participate in the Wyoming Retirement System ("System"), a cost-sharing multiple-employer public employee retirement system. The Plan provides retirement benefits at age 60 with early retirement options available. The Plan also provides disability and death benefits. Benefits are established by Wyoming State Statute. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Wyoming Retirement System, Herschler Building, Cheyenne, Wyoming 82002 or by calling (307) 777-7691.

The system statutorily requires 14.12% of the covered employees' salary to be contributed to the plan. The District has elected to fund both the employer's and employee's share of the required contribution into the plan for its employees. The District's contributions to the System for the years ended June 30, 2013, 2012 and 2011 were \$240,000, \$248,000 and \$236,000 respectively, which was equal to the required contribution for the years then ended.

C. State Foundation Program

Wyoming State Statutes provide for a determination of amounts to be included in the Foundation Program for each School District. During the year ended June 30, 2013, the District received payments totaling approximately \$2,483,000 from the State Foundation Program as required by Wyoming State Statutes. The payments are made to provide equal educational opportunities throughout the State. Those payments represented approximately 67% of general fund revenue.

D. Contingencies

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

E. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 does not have any impact on the District's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 4. Other Information (Continued)

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements. Management adopted this statement during the year ended June 30, 2013. This resulted in amounts previously presented as unearned revenues in the liability component of the statements of net position and balance sheets at the fund level being presented in the deferred inflows of resources on those statements.

Recently Issued Accounting Pronouncements

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

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NONMAJOR SPECIAL REVENUE FUNDS

SHERIDAN COUNTY SCHOOL DISTRICT NO. 3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS**

June 30, 2013

	Clearcreek Recreation District	Major Maintenance	Rural Education Achievement Program	Title II	Title VIB
ASSETS					
Cash	\$ 52,324	\$ 159,313	\$ -	\$ -	\$ -
Taxes Receivable (net of allowance for uncollectibles)	41,434	-	-	-	-
Due From Other Governments	-	-	2,696	-	-
Total Assets	\$ 93,758	\$ 159,313	\$ 2,696	\$ -	\$ -
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 854	\$ 14,900	\$ 2,696	\$ -	\$ -
Due To Other Funds	-	-	-	-	-
Total Liabilities	\$ 854	\$ 14,900	\$ 2,696	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES					
Property Taxes Receivable	\$ 41,298	\$ -	\$ -	\$ -	\$ -
FUND BALANCES					
Restricted	\$ 51,606	\$ 144,413	\$ -	\$ -	\$ -
Total Liabilities and Fund Balances	\$ 93,758	\$ 159,313	\$ 2,696	\$ -	\$ -

National Board of Certified Teachers	Anger Management	Total
\$ -	\$ 13,151	\$ 224,788
-	-	41,434
-	-	2,696
\$ -	\$ 13,151	\$ 268,918
\$ -	\$ -	\$ 18,450
-	13,151	13,151
\$ -	\$ 13,151	\$ 31,601
\$ -	\$ -	\$ 41,298
\$ -	\$ -	\$ 196,019
\$ -	\$ 13,151	\$ 268,918

SHERIDAN COUNTY SCHOOL DISTRICT NO. 3

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

NONMAJOR SPECIAL REVENUE FUNDS

Year Ended June 30, 2013

(Page 1 of 2)

	Clearcreek Recreation District			Major Maintenance		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
REVENUES						
Local Sources:						
Taxes	\$ 44,000	\$ 51,442	\$ 7,442	\$ -	\$ -	\$ -
Interest	-	10	10	-	294	294
Charges for Services	15,000	16,508	1,508	-	-	-
Total Local Sources	\$ 59,000	\$ 67,960	\$ 8,960	\$ -	\$ 294	\$ 294
State Sources:						
Intergovernmental	\$ -	\$ -	\$ -	\$ 119,490	\$ 119,490	\$ -
Federal Sources:						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	\$ 59,000	\$ 67,960	\$ 8,960	\$ 119,490	\$ 119,784	\$ 294
EXPENDITURES						
Current:						
Instruction:						
Regular	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Education	-	-	-	-	-	-
Support Services:						
Operation and Maintenance of Plant	-	-	-	250,000	107,322	142,678
Operation of Non-Instructional Services:						
Community Services	100,450	75,478	24,972	-	-	-
Total Expenditures	\$ 100,450	\$ 75,478	\$ 24,972	\$ 250,000	\$ 107,322	\$ 142,678
Net Change in Fund Balances	\$ (41,450)	\$ (7,518)	\$ 33,932	\$ (130,510)	\$ 12,462	\$ 142,972
FUND BALANCES, BEGINNING JULY 1						
	59,124	59,124	-	131,951	131,951	-
FUND BALANCES, ENDING JUNE 30						
	\$ 17,674	\$ 51,606	\$ 33,932	\$ 1,441	\$ 144,413	\$ 142,972

<u>Rural Education Achievement Program</u>			<u>Title II</u>		
<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 12,755	\$ 1,153	\$ (11,602)	\$ 10,128	\$ 10,128	\$ -
\$ 12,755	\$ 1,153	\$ (11,602)	\$ 10,128	\$ 10,128	\$ -
\$ 12,755	\$ 1,153	\$ 11,602	\$ 10,128	\$ 10,128	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
\$ 12,755	\$ 1,153	\$ 11,602	\$ 10,128	\$ 10,128	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(Continued)

SHERIDAN COUNTY SCHOOL DISTRICT NO. 3

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

NONMAJOR SPECIAL REVENUE FUNDS

Year Ended June 30, 2013

(Page 2 of 2)

	Title VIB			National Board of Certified Teachers		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
REVENUES						
Local Sources:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Total Local Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Sources:						
Intergovernmental	\$ -	\$ -	\$ -	\$ 8,000	\$ 8,000	\$ -
Federal Sources:						
Intergovernmental	\$ 26,107	\$ 26,058	\$ (49)	\$ -	\$ -	\$ -
Total Revenues	\$ 26,107	\$ 26,058	\$ (49)	\$ 8,000	\$ 8,000	\$ -
EXPENDITURES						
Current:						
Instruction:						
Regular	\$ -	\$ -	\$ -	\$ 8,000	\$ 8,000	\$ -
Special Education	26,107	26,058	49	-	-	-
Support Services:						
Operation and Maintenance of Plant	-	-	-	-	-	-
Operation of Non-Instructional Services:						
Community Services	-	-	-	-	-	-
Total Expenditures	\$ 26,107	\$ 26,058	\$ 49	\$ 8,000	\$ 8,000	\$ -
Net Change in Fund Balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES, BEGINNING JULY 1						
	-	-	-	-	-	-
FUND BALANCES, ENDING JUNE 30						
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Anger Management			Total		
Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
\$ -	\$ -	\$ -	\$ 44,000	\$ 51,442	\$ 7,442
-	-	-	-	304	304
-	-	-	15,000	16,508	1,508
\$ -	\$ -	\$ -	\$ 59,000	\$ 68,254	\$ 9,254
\$ -	\$ -	\$ -	\$ 127,490	\$ 127,490	\$ -
\$ -	\$ -	\$ -	\$ 48,990	\$ 37,339	\$ (11,651)
\$ -	\$ -	\$ -	\$ 235,480	\$ 233,083	\$ (2,397)
\$ -	\$ -	\$ -	\$ 30,883	\$ 19,281	\$ 11,602
-	-	-	26,107	26,058	49
-	-	-	250,000	107,322	142,678
-	-	-	100,450	75,478	24,972
\$ -	\$ -	\$ -	\$ 407,440	\$ 228,139	\$ 179,301
\$ -	\$ -	\$ -	\$ (171,960)	\$ 4,944	\$ 176,904
-	-	-	191,075	191,075	-
\$ -	\$ -	\$ -	\$ 19,115	\$ 196,019	\$ 176,904

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CAPITAL PROJECTS FUNDS

SHERIDAN COUNTY SCHOOL DISTRICT NO. 3

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL -
MAJOR CAPITAL PROJECTS FUND - DEPRECIATION RESERVE
Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Local Sources:				
Interest	\$ 1,000	\$ 1,000	\$ 858	\$ (142)
EXPENDITURES				
Capital Outlay	\$ 250,000	\$ 80,000	\$ 33,563	\$ 46,437
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (249,000)	\$ (79,000)	\$ (32,705)	\$ 46,295
OTHER FINANCING SOURCES				
Transfers In	30,000	30,000	30,000	-
Net Change in Fund Balance	\$ (219,000)	\$ (49,000)	\$ (2,705)	\$ 46,295
FUND BALANCE, BEGINNING JULY 1	571,431	571,431	571,431	-
FUND BALANCE, ENDING JUNE 30	\$ 352,431	\$ 522,431	\$ 568,726	\$ 46,295

BENNETT, WEBER & HERMSTAD, LLP

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

To the Board of Trustees
Sheridan County School District No. 3
Clearmont, 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 activity, each major fund, and the aggregate remaining fund information of **Sheridan County School District No. 3, (District)** as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise **Sheridan County School District No. 3's** basic financial statements and have issued our report thereon dated January 8, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Sheridan County School District No. 3'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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 responses, we identified certain deficiencies in internal control over financial reporting, that we consider to be material weaknesses.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as Findings 2013-001 and 2013-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Sheridan County School District No. 3's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

Sheridan County School District No. 3's Responses to Findings

Sheridan County School District No. 3's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. **Sheridan County School District No. 3's** responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

BENNETT, WEBER & HERMSTADT, LLP

Gillette, Wyoming
January 8, 2014

SHERIDAN COUNTY SCHOOL DISTRICT NO. 3

SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2013

(Page 1 of 3)

Section I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Section II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance With Government Auditing Standards Generally Accepted in the United States of America

2013-001 - Material Weaknesses in Internal Control Segregation of Duties in Accounting Department

Criteria

Many small organizations rely on one or two individuals to perform the accounting functions. One or two employees in the accounting department does not provide an adequate segregation of duties.

Condition

In our judgment, the District's accounting staff is not large enough to provide an adequate segregation of duties as reported above. This lack of segregation of duties does not allow management to detect and correct a material misstatement if present. Due to the size of the District's staff, it is anticipated that this will be an ongoing finding.

Context

One or two employees in the District's accounting department does not provide an adequate segregation of duties.

Effect

This lack of segregation of duties does not allow management to detect and correct a material misstatement if present.

Cause

In our judgement, the District's accounting staff is not large enough to provide an adequate segregation of duties as reported above. Due to the size of the District's staff, it is anticipated that this will be an ongoing finding.

Recommendation

In our judgment, management and those charged with governance need to understand the importance of this communication. However, due to the lack of resources available to management to correct this material weakness of segregation of duties, we recommend management mitigate this material weakness with possible compensating controls such as close supervision and monitoring by management and by the governing board.

(Continued)

SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2013

(Page 2 of 3)

Section II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance With Government Auditing Standards Generally Accepted in the United States of America (Continued)

Views of Responsible Officials and Planned Corrective Actions

Although the accounting staff is too small to provide an adequate segregation of duties, there are effective compensating controls in place. Physical control of documents and control of check signature authority are two examples of measures used to compensate for the segregation issue. Vouchers all require management approval, as well as invoices processed for payment. On a monthly basis, expenditures are reviewed by the Board of Trustees, and bank statements are reconciled and reviewed. These controls provide adequate and effective safeguards to compensate for the lack of segregation of responsibilities in the accounting department.

2013-002 - Certain Material Weaknesses in Internal Control Over the District's Accounting and Financial Reporting

Criteria

The Auditing Standards Board (ASB) has issued guidance to auditors related to an entity's internal controls over financial reporting. This guidance states that adjustments performed by the auditor cannot be part of your system of internal control.

Condition

In our judgment, the District did not account for the recording of property taxes receivable as required by generally accepted accounting principles (GAAP). Due to the District not recording property tax receivable of approximately \$1,125,000 and the related deferred inflows of resources of approximately \$1,118,000 we noted material misstatements in the District's accounting and financial reporting of property tax receivables.

Context

In accordance with generally accepted accounting principles (GAAP), governments are required to recognize property tax revenues when levied, to the extent that they result in current receivables. Property taxes which are not current receivables are to be recorded as deferred inflows of resources. The District did not appropriately record property tax receivables and the related deferred inflows of resources.

Effect

Property taxes receivable were not properly recorded resulting in a material misstatement in the District's financial statements.

Cause

The District was unaware of the accounting and financial reporting requirements related to accounting for property taxes receivable and the related deferred inflows of resources.

(Continued)

SHERIDAN COUNTY SCHOOL DISTRICT NO. 3

SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended **June 30, 2013**

(Page 3 of 3)

Section II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance With Government Auditing Standards Generally Accepted in the United States of America (Continued)

Recommendation

In our judgment, the District's accounting personnel in the course of their assigned duties possess the appropriate skills and knowledge to properly record the transactions related to the affected accounts. We recommend that management mitigate this material weakness by having a heightened awareness of all transactions being reported. We also recommend that management and those charged with governance mitigate this material weakness by establishing internal controls designed to prevent, detect and correct misstatements.

Views of Responsible Officials and Planned Corrective Actions

We concur with the recommendation of the auditor and will take appropriate action to recognize property tax revenues when levied; to the extent that they result in current receivables. Those property taxes which are not current receivables will be recorded as deferred inflows of resources.

B. Compliance Findings

There were no compliance findings.
