

CONVERSE COUNTY SCHOOL DISTRICT NO. TWO  
FINANCIAL REPORT  
JUNE 30, 2013

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**LEO RILEY & Co.**  
*Certified Public Accountants*

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**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Converse County School District No. Two  
Douglas, Wyoming

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Converse County School District No. Two 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.

***Auditors' Responsibility***

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Converse County School District No. Two as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 9 and budgetary comparison information on pages 34 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 consists 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 Converse County School District No. Two's basic financial statements as a whole. The combining nonmajor fund financial statements and other supplementary information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and is not a required part of the basic financial statements.

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

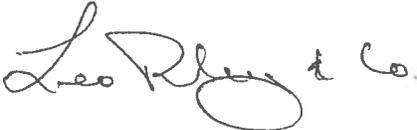
### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013 on our consideration of Converse County School District No. Two'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 the 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 Converse County School District No. Two's internal control over financial reporting and compliance.

### **NOTICE**

The accompanying financial statements, supplementary information and our independent auditors' reports are for the purpose of meeting local, state and federal requirements and are for the use of those entities, management, and the Board of Trustees, and should not be used or relied upon by any other party for any purpose.

Additional users of these financial statements, supplementary information, and our independent auditors' reports are hereby advised that the liability of Leo Riley & Co., CPAs to third party users who use or rely on this information may be limited pursuant to 1995 Wyo. Sess. Laws, Chapter 155 creating Wyo. Stat. §33-3-201. However, the financial statements, supplementary information, and our independent auditors' report on the financial statements are a matter of public record and their distribution is not limited.



December 9, 2013



# Management Discussion and Analysis

## CONVERSE COUNTY SCHOOL DISTRICT NO. 2

### Management's Discussion and Analysis

As management of the Converse County School District No. 2, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the District's financial statements, notes to the financial statements, and other supplementary information, which follows this section.

#### Financial Highlights

- The General Fund balance increased from \$2.19 million (June 30, 2012) to \$2.43 million (June 30, 2013). The district planned to increase the general fund balance in anticipation of becoming a recapture district which can cause cash flow issues.
- The district received \$547,900 in federal funds in FY 2013 compared to \$675,629 in FY 2012. The district received ARRA funding which is no longer available in FY 2013.
- The Major Maintenance Fund had revenues of \$518,197. Expenditures of \$635,361 were for projects throughout the District. The following are some of the projects completed in the fiscal year 2013: **2<sup>nd</sup> phase for wireless infrastructure; well for Boxelder school; phase 1 of concrete project, fire alarms, and temporary parking (on one lot) at GIMS; loading dock, new dishwasher, and new lighting at GHS.** The fund has an ending balance of \$217,025
- The district received capital construction funds of \$71,778 to purchase property adjacent to the intermediate/middle school for a parking lot.
- The Food Service Fund continues to be a non self-supporting activity being supplemented by \$171,500 from the general fund. The food service operating fund balance is \$69,904.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is

improving or deteriorating. However, fluctuations from year to year need to be reviewed in light of the timing of funding.

The statement of activities presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (governmental activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The District has only one business-type activity, the Enterprise Fund – Nutrition Services.

**Fund Financial Statement.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

- **Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. Such information may be useful in evaluating a government's near-term financing requirements. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities reported in the Statement of Net position and the Statement of Activities and the governmental funds are reconciled in the financial statements. The general fund, major maintenance fund, and special revenue fund are considered major funds and are reported as separate columns in the fund financial statements.
- **Proprietary funds.** Proprietary funds are used to account for services for which the District charges participants a fee. These funds, like the government-wide statements, provide both long and short-term financial information. The Enterprise Funds-Nutrition Services is the only fund in this category for the District.
- **Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is the trustee, or fiduciary, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate

statement of fiduciary net position and a statement of changes in fiduciary net position. The District has one fund in this category, the Student Activity Fund.

- **Notes to the financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements.

### Financial Analysis of the District as a Whole

The Statement of Net position provides the perspective of the District as a whole. The following provides a summary of the District's net position at June 30, 2013:

Condensed Statement of Net Position	Governmental Activities	Business-Type Activities	Total School District
Current & other assets	\$3,790,025	\$32,221	\$3,822,246
Capital assets	\$21,542,207	\$37,683	\$21,579,890
Total assets	\$25,332,232	\$69,904	\$25,402,136
Current liabilities	\$66,870	\$0	\$66,879
Non-Current liabilities	\$281,227	\$0	\$281,227
Total liabilities	\$348,097	\$0	\$348,097
Net Position:			
Invested in capital assets, net of related debt	\$21,360,394	\$37,683	\$21,398,077
Restricted	\$347,810	\$0	\$347,810
Unrestricted	\$3,275,931	\$32,221	\$3,308,152
Total Net Position	\$24,984,135	\$69,904	\$25,054,039

The net investment in capital assets is \$21,398,077, which is the net book value of capital assets (e.g., land, buildings, equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources. An additional portion of the District's net position, \$347,810 (approximately 1% percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$3,200,088 may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having long-term commitments that are less than currently available resources.

The District's total net position decreased by \$480,901 during the year ended June 30, 2013.

Changes in the District's Net Position			
	Governmental Activities	Business-Type Activities	Total School District
General revenues:			
Taxes	\$10,706,123	\$0	\$10,706,123
Governmental aid	\$650,523	\$0	\$650,523
Mill Levy Supplement	\$0	\$0	\$0
Investment Income	\$4,057	\$20	\$4,077
Miscellaneous	\$24,292	\$0	\$24,292
Transfers	(171,500)	\$171,500	\$0
Loss on Disposed Assets	\$0	\$0	\$0
Total revenues	\$11,213,495	\$171,520	\$11,385,015
Expenses:			
Instruction	(\$6,933,725)	\$0	(\$6,933,725)
Instructional support	(\$1,740,353)	\$0	(\$1,740,353)
General & administration	(\$1,181,177)	\$0	(\$1,181,177)
General O & M	(\$1,068,873)	\$0	(\$1,068,873)
Pupil transportation	(\$560,094)	\$0	(\$560,094)
Other	(\$38,615)	\$0	(\$38,615)
Community Support	(\$131,509)	\$0	(\$131,509)
Interest On Long Term Debt	(\$12,222)	\$0	(\$12,222)
School Lunch		(199,348)	(199,348)
Total expenses	(\$11,666,568)	(199,348)	(\$11,865,916)
Change in net Position	(\$453,073)	(\$27,828)	(\$480,901)

## Financial Analysis of the District's Funds

### Governmental Funds:

#### Revenues

The total general fund revenues were \$10,683,965 for FY 2013. The amount of general fund monies received from state sources was only \$132,589 and \$10,547,765 came from local and county sources. The district anticipates that it will be a recapture district in the FY 2014.

Major maintenance revenue from the State of Wyoming was \$517,934. Capital construction revenue from the State of Wyoming was \$71,778.

#### Expenditures

The total expenditures of all governmental funds, on the modified accrual basis, were \$11.9 million in FY 2013, a decrease of \$233,302 from FY 2012.

### Proprietary Fund:

The total revenue of the Food Services fund was \$448,357, which included \$136,621 of revenue from governmental sources, and \$140,236 generated from operating the food services and \$171,500 transfer from general fund. The expenses incurred to provide this program were \$490,305, which was primarily made up of monies paid for purchased services.

## Capital Asset and Debt Administration

### Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2013 amounts to \$21,542,207. This investment in capital assets includes land, site improvements, buildings and equipment (which include vehicles and buses), and construction.

District's Capital Assets (Governmental Activities)	
(net of depreciation)	
Land	\$625,894
Construction in Progress	\$136,974
Site Improvements	\$3,939,287
Buildings	\$15,976,406
Equipment and Contents	\$444,656
Transportation Equipment	\$160,278
Leased Equipment	\$258,712
Total	\$21,542,207

## Factors Affecting the District's Future

There have been and will continue to be several factors that impact the district's financial picture. For the past several years, the district average daily membership used for funding purposes has decreased which impacted the revenues received from the State. The district is considered a Recapture District due to the fact that it collects more money from the local/county taxes than the funding model derives. Since county funds are not dispersed to the district consistently as are state funds, the district experiences cash flow concerns. At this time, either no external cost of living adjustment or a small cost of living adjustment is anticipated from the Wyoming Legislature. This could have a negative impact on the district as it has already reduced staff and may be pressed to cut programs to manage the budget. The district will be closely monitoring this issue during the 2014 legislative session.

Major Maintenance projects for next year will continue to focus on improving energy management systems, security systems, and building program needs at various schools.

### **Requests for Information**

The financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be address to the Business Manager, Tammara Price, P.O. Box 1300, Glenrock, Wyoming, 82637.

Government Wide-  
Financial Statements

**CONVERSE COUNTY SCHOOL DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Recreation District
<b>Assets:</b>				
Cash and cash equivalents	\$ 3,013,340	30,998	3,044,338	489,210
Receivables:			-	
Property Taxes	507,828		507,828	
Other governments, grants	206,747		206,747	17,736
Inventories and prepaid expenses	62,110	1,223	63,333	
Capital assets:				
Land	625,894		625,894	11,006
Construction in process	136,974		136,974	
Depreciable capital assets, net of accumulated depreciation	20,779,339	37,683	20,817,022	499,742
Total assets	<u>\$ 25,332,232</u>	<u>\$ 69,904</u>	<u>\$ 25,402,136</u>	<u>\$ 1,017,694</u>
<b>Liabilities:</b>				
Accounts payable	\$ 44,530	\$ -	\$ 44,530	\$ 4,018
Retainage Payable	2,767		2,767	
Accrued salaries	19,573		19,573	24,556
Unearned revenue			-	
Noncurrent portion of long-term obligations			-	
Accrued compensated absences	99,414		99,414	
Capital lease obligations				
Due within one year	73,749		73,749	
Due in more than one year	108,064		108,064	
Total liabilities	<u>\$ 348,097</u>	<u>-</u>	<u>348,097</u>	<u>28,574</u>
<b>Net Position:</b>				
Invested in capital assets, net of related debt	\$ 21,360,394	\$ 37,683	\$ 21,398,077	\$ 510,748
Restricted for:				
Community education/BOCES	66,120		66,120	
Debt service	64,665		64,665	
Unrestricted	3,275,931	32,221	3,308,152	478,372
Total net position	<u>\$ 24,984,135</u>	<u>\$ 69,904</u>	<u>\$ 25,054,039</u>	<u>\$ 989,120</u>

(The notes to the basic financial statements are an integral part of this statement)

**CONVERSE COUNTY SCHOOL DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDING JUNE 30, 2013**

Functions	Net Revenue (Expenses) and				Component Unit
	Expenses	Program Revenues Charges for Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Position Business-type Activities	
Instructional services:					
Regular instruction	5,619,567	-	-	\$ (4,998,097)	\$ -
Special education	1,550,194	621,470	-	(1,550,194)	(1,550,194)
Vocational education	385,434	-	-	(385,434)	(385,434)
Supporting services:					
Students	959,205	15,370	-	(943,835)	(943,835)
Instructional staff	885,520	89,002	-	(796,518)	(796,518)
Central services	353,871	-	-	(353,871)	(353,871)
School administration	550,213	-	-	(550,213)	(550,213)
Business	277,093	-	-	(277,093)	(277,093)
Operation and maintenance of facilities	1,140,651	-	71,778	(1,068,873)	(1,068,873)
Pupil transportation	561,767	1,673	-	(560,094)	(560,094)
Other	38,615	-	-	(38,615)	(38,615)
Community Support	186,128	43,119	11,500	(131,509)	(131,509)
Interest on long-term debt	12,222	-	-	(12,222)	(12,222)
Total Governmental Activities	\$ 12,420,480	\$ 44,792	\$ 71,778	\$ (11,666,568)	\$ (11,666,568)
Business-Type Activities:					
Food services	\$ 490,305	\$ 140,236	\$ 14,100	\$ (199,348)	\$ (199,348)
Total Business-Type Activities	\$ 490,305	\$ 140,236	\$ 14,100	\$ (199,348)	\$ (199,348)
Total District	13,010,785	185,028	85,876	(11,865,916)	(11,865,916)
Component Unit:					
Recreation District	334,718	72,423	18,858	-	(243,437)
General revenues:					
Property taxes levied for:					
General purposes				\$ 10,706,123	\$ 10,706,123
Federal and state aid not restricted to specific purposes				-	-
State Foundation Program				132,589	132,589
Other				517,934	517,934
Earnings on investments				4,057	4,057
Miscellaneous				24,292	24,292
Total general revenues and transfers				\$ 11,384,995	\$ 11,384,995
Change in net assets before transfers and other losses				\$ (281,573)	\$ (281,573)
Transfers				171,500	171,500
Change in net position				(453,073)	(453,073)
Net position - beginning				25,437,208	25,437,208
Net assets - position				\$ 24,984,135	\$ 24,984,135

(The notes to the basic financial statements are an integral part of this statement)

**Governmental Funds  
Financial Statements**

**CONVERSE COUNTY SCHOOL DISTRICT NO. 2**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	General	Major Maintenance	Special Revenue	Nonmajor Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 2,315,466	\$ 244,691	\$ (206,749)	\$ 317,926	\$ 2,671,334
Receivables:					
Property taxes	501,432			6,396	507,828
Grants receivable			206,749		206,749
Inventories and prepaid expenses	62,110				62,110
Total assets	\$ 2,879,008	\$ 244,691	\$ -	\$ 324,322	\$ 3,448,021
<b>Liabilities and fund balances:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 19,631	\$ 24,899			\$ 44,530
Retainage payable		2,767			2,767
Accrued expenses	19,573				19,573
Deferred revenue:					
Property taxes	403,670			5,680	409,350
Total liabilities	\$ 442,874	\$ 27,666	\$ -	\$ 5,680	\$ 476,220
<b>Fund Balances:</b>					
Nonspendable:					
Inventories	\$ 62,110	\$ -	\$ -	\$ -	\$ 62,110
Restricted for:					
Major Maintenance		217,025			217,025
Debt service				64,665	64,665
Community educations/BOCES				66,120	66,120
Equipment/Technology				187,857	187,857
Unassigned:					
General fund	2,374,024				2,374,024
Total fund balances	\$ 2,436,134	\$ 217,025	\$ -	\$ 318,642	\$ 2,971,801
	\$ 2,879,008	\$ 244,691	\$ -	\$ 324,322	\$ 3,448,021

(The notes to the basic financial statements are an integral part of this statement)

**CONVERSE COUNTY SCHOOL DISTRICT NO. 2**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

Total fund balances for governmental funds		\$ 2,971,801
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 625,894	
Construction in progress	136,974	
Site improvements, net of accumulated depreciation	3,939,287	
Building and buildings and equipment	15,976,406	
Equipment and contents, net of accumulated depreciation	444,656	
Transportation equipment, net of accumulated depreciation	160,278	
Leased equipment, net of accumulated depreciation	<u>258,712</u>	
		21,542,207
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.		
		409,352
The internal service funds are used by management to charge the costs of the employee health insurance program. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. Internal service fund net assets at year-end are:		
		342,002
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net assets. Balances at year-end are:		
Obligations under capital leases	(181,813)	
Accrued compensated absences	<u>(99,414)</u>	
		<u>(281,227)</u>
Total net position of governmental activities		<u>\$ 24,984,135</u>

(The notes to the basic financial statements are an integral part of this statement)

**CONVERSE COUNTY SCHOOL DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDING JUNE 30, 2013**

	<u>General</u>	<u>Major Maintenance</u>	<u>Special Revenue</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Local sources	\$ 8,603,789			\$ 146,579	\$ 8,750,368
County sources	1,943,976				1,943,976
State sources	132,589	517,934	177,943	71,778	900,244
Federal sources			547,900		547,900
Interest	3,611	263		183	4,057
<b>Total Revenues</b>	<u>10,683,965</u>	<u>518,197</u>	<u>725,843</u>	<u>218,540</u>	<u>12,146,545</u>
<b>Expenditures:</b>					
Instructional services:					
Regular instruction	\$ 4,362,647		\$ 621,470		\$ 4,984,117
Special education	1,069,257				1,069,257
Vocational education	376,333				376,333
Supporting services:					
Students	959,205		15,370		974,575
Instructional support	675,516		89,003	7,559	772,178
General administration	358,653				358,653
School administration	559,707				559,707
Business administration	278,505				278,505
Operation and maintenance of facilities	1,065,948				1,065,948
Pupil transportation	440,289				440,289
Other transportation	38,615				38,615
Capital outlay		635,361		71,778	707,139
Community support				212,016	212,016
Debt Service					
Principal retirement	84,378				84,378
Interest and fiscal charges	12,222				12,222
<b>Total expenditures</b>	<u>10,281,375</u>	<u>635,361</u>	<u>725,843</u>	<u>291,353</u>	<u>11,933,932</u>
<b>Excess of revenues over expenditures</b>	<u>402,590</u>	<u>(117,164)</u>	<u>-</u>	<u>(72,813)</u>	<u>212,613</u>
<b>Other financing sources (uses):</b>					
Transfers (out) in	\$ (171,500)	\$ -	\$ -	\$ -	\$ (171,500)
Insurance claim	17,500				17,500
<b>Total other financing sources (uses)</b>	<u>\$ (154,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (154,000)</u>
<b>Net change in fund balance</b>	<u>\$ 248,590</u>	<u>\$ (117,164)</u>	<u>\$ -</u>	<u>\$ (72,813)</u>	<u>\$ 58,613</u>
<b>Fund balances - beginning</b>	<u>2,187,544</u>	<u>334,189</u>		<u>391,455</u>	<u>2,913,188</u>
<b>Fund balances - ending</b>	<u>\$ 2,436,134</u>	<u>\$ 217,025</u>	<u>\$ -</u>	<u>\$ 318,642</u>	<u>\$ 2,971,801</u>

(The notes to the basic financial statements are an integral part of this statement)

**CONVERSE COUNTY SCHOOL DISTRICT NO. 2**  
**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO**  
**THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDING JUNE 30, 2013**

Net change in fund balances-total governmental funds		\$ 58,613
Amounts reported for governmental activities in the statement of activities are different because:		
Capital additions	703,996	
Depreciation expense	(1,541,032)	
Loss on capital asset disposals	<u>(5,596)</u>	(842,632)
Property tax revenues collected after year end for which they are being levied are reported as deferred revenue in the governmental funds. They are, however, recorded as revenue in the statements of activities.		74,861
In the statement of activities, certain operating expenses - compensated absences ( sick leave and personal leave) - are measured by the amounts earned during the year. In the governmental funds, however, the expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year accrued compensated absences decrease by \$11,261.		(11,261)
Repayment of bond principal is treated as an expenditure in governmental funds, whereas in the Statement of Net Assets, payments of bond principal reduces the related liability and does not affect the Statement of Activities. Also, governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
Payment of bond principal		84,378
Internal service funds are used by the District to charge the costs of the current funding to individual funds. The net expenses of the internal service fund is reported with governmental activities. Transactions between the internal service and the District are eliminated in the statement of activities.		
Internal service fund net expenses		<u>182,968</u>
Change in Net Assets per the Statement of Activities		<u>\$ (453,073)</u>

(The notes to the basic financial statements are an integral part of this statement)

Proprietary Funds  
Financial Statements

**CONVERSE COUNTY SCHOOL DISTRICT NO. 2**  
**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2013**

	<u>Enterprise Fund</u> <u>School Lunch Fund</u>	<u>Governmental</u> <u>Activites</u> <u>Fund</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 30,998	342,002
Inventory	1,223	
Total current assets	<u>\$ 32,221</u>	<u>342,002</u>
<b>Capital assets:</b>		
Equipment	\$ 95,922	\$ -
Accumulated depreciation	(58,239)	
Net capital assets	<u>\$ 37,683</u>	<u>\$ -</u>
Total assets	<u>\$ 69,904</u>	<u>\$ 342,002</u>
 <b>Net position</b>		
Invested in Capital Assets	\$ 37,683	\$ -
Unrestricted	(65,511)	342,002
Total Net Assets	<u>\$ (27,828)</u>	<u>\$ 342,002</u>
Total liabilities and net assets	<u>\$ (27,828)</u>	<u>\$ 342,002</u>

(The notes to the basic financial statements are an integral part of this statement)

**CONVERSE COUNTY SCHOOL DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDING JUNE 30, 2013**

	Enterprise Fund	Governmental Activites
	School Lunch Fund	Internal Service Fund
<b>Operating revenues:</b>		
Charges for services:	\$ 140,236	\$ -
Internal contributions		2,049,529
Total operating revenues	\$ 140,236	\$ 2,049,529
<b>Operating expenses:</b>		
Salaries	\$ 161,714	\$ -
Employee benefits	163,280	1,866,611
Purchased services	1,200	
Supplies and materials	159,657	
Depreciation	4,454	
Total operating expenses	\$ 490,305	\$ 1,866,611
Operating loss	\$ (350,069)	\$ 182,918
<b>Nonoperating income:</b>		
Interest earnings	\$ 20	\$ 50
Federal sources	136,621	
Total nonoperating income	\$ 136,641	\$ 50
<b>Net loss before transfers and capital contributions</b>	\$ (213,428)	\$ 182,968
<b>Transfers</b>		
Operating	\$ 171,500	\$ -
Contributed assets	14,100	
<b>Change in net assets</b>	\$ (27,828)	\$ 182,968
<b>Net position - beginning</b>	-	159,034
<b>Net position - ending</b>	\$ (27,828)	\$ 342,002

(The notes to the basic financial statements are an integral part of this statement)

**CONVERSE COUNTY SCHOOL DISTRICT NO. 2  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDING JUNE 30, 2013**

	Enterprise Fund	Governmental Activites
	School Lunch Fund	Internal Service Fund
<b>Cash flows from operating activities:</b>		
Receipts from services provided	\$ 140,236	\$ 1,869,686
Payment to Suppliers	(160,432)	
Payments to or on behalf of employees	(313,857)	(1,868,329)
Net cash used in operating activities	\$ (334,053)	\$ 1,357
<b>Cash flow from noncapital financing activities:</b>		
Transfers in	\$ 171,500	
Federal grants received	136,621	
Net Cash Received (Used) in Non Capital Financial Activities	\$ 308,121	\$ -
<b>Cash flows from investing activities:</b>		
Interest earnings	\$ 20	\$ 49
Net cash provided by investing activities	\$ 20	\$ 49
<b>Net (decrease) increase in cash and cash equivalents</b>	\$ (25,912)	\$ 1,406
<b>Cash and Cash Equivalents - beginning</b>	56,910	340,596
<b>Cash and Cash Equivalents - ending</b>	\$ 30,998	\$ 342,002
<b>Displayed on statement of net assets as:</b>		
Cash and investments	\$ 30,998	\$ 342,002
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating (loss) income	\$ (350,069)	\$ 182,918
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	(25,912)	
Increase (decrease) in Inventory	425	
Due from other funds		(179,843)
Increase (decrease) in Accounts payable		(1,718)
Due to other funds	11,137	
Total adjustments	\$ (14,350)	\$ (181,561)
Net cash used in operating activities	\$ (364,419)	\$ 1,357
<b>Noncash investing, capital, and financing activities:</b>	\$ -	\$ -

(The notes to the basic financial statements are an integral part of this statement)

Fiduciary Funds  
Financial Statements

**CONVERSE COUNTY SCHOOL DISTRICT NO. 2**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**JUNE 30, 2013**

	Agency Funds
<b>Assets:</b>	
Cash and cash equivalents	\$ 143,733
Total assets	\$ 143,733
<b>Liabilities:</b>	
Due to student groups	143,733
Total liabilities	143,733
<b>Net Position</b>	
Reserved for:	
Student activities	\$ -
Total liabilities and net position	\$ -

(The notes to the basic financial statements are an integral part of this statement)



## Notes to Financial Statements

CONVERSE COUNTY SCHOOL DISTRICT NO. TWO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Converse County School District No. Two (District) provides education for citizens in Glenrock, Wyoming and the surrounding area under Wyoming State Statutes.

All operations of the District are controlled by a five member Board of Trustees, elected in School-wide elections, and responsible for all of the District's activities. The superintendent, who is appointed, administers policies and manages the District. The financial statements include all of the District's operations controlled by the Board of Trustees.

The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the School Board are such that their exclusion would cause the District's financial statements to be misleading or incomplete. Based on the application of these criteria, the following has been determined to be a component unit:

*Discretely Presented Component Unit - Glenrock Recreation District*

Glenrock Recreation District board members are appointed, and can be removed, by the School District's Board of Trustees, which indicates that the School District's Board of Trustees has the ability to impose its will on the Recreation District. The Glenrock Recreation District is audited in conjunction with the School District and separate financial statements are not prepared.

Basis of Presentation and Basis of Accounting

The financial statements of Converse County School District Number Two have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, except those that conflict with Governmental Accounting Standards Board (GASB) pronouncements.

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements that provide a more detailed level of financial information.

**Government-wide Statements** - The Statement of Net Position and the Statement of Activities present information about the overall financial position and activities of the District as a whole. These statements include the non-fiduciary financial activity of the financial government and its component units. Fiduciary funds and component units that are fiduciary in nature are not included. Eliminations have been made to minimize the double-counting of internal activities.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the District are generally financed through property taxes, state equalization funding, and federal and state grants. Revenues are recorded when earned and expenses are recorded at the

CONVERSE COUNTY SCHOOL DISTRICT NO. TWO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

time the liability is incurred, regardless of when the related cash flows take place. In the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include fees for services (primarily school lunch and breakfast charges and community education fees) and grants and contributions that are restricted to a particular program. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

**Fund Financial Statements** - These statements report detailed information about the District in the governmental, proprietary, and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation, with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds, is presented with each of the governmental fund financial statements.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected 60 days after year end are recognized as revenue.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt and payments for compensated absences, which are recognized as expenditures when paid. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. The District's governmental funds include the general fund, major maintenance fund, special revenue fund, BOCES/community education fund, and debt service fund.

*Major funds.* Generally accepted accounting principles require that the general fund be reported as a major fund and that all other governmental or enterprise funds whose assets, liabilities, revenues, or expenditures are at least 10% of the corresponding totals for all governmental or all enterprise funds and for that same element are at least 5% of the combined totals of the governmental and enterprise funds also be reported as major funds. In addition, any other governmental fund that the District believes is particularly important to the financial statements users may be reported as a major fund. The District reports the following major governmental funds:

CONVERSE COUNTY WEED AND PEST CONTROL DISTRICT  
A COMPONENT UNIT OF CONVERSE COUNTY, WYOMING

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*General fund.* This is the District's primary operating fund and it accounts for all financial resources of the District except those required to be accounted for in other funds. The instructional and most of the support service programs of the District are accounted for in the General Fund. The revenue of the fund consists primarily of local property taxes and state funds. The General Fund balance is available for any purpose provided it is expended or transferred according to State of Wyoming Statutes.

*Major maintenance.* This fund is used to account for State funds provided to the District for major maintenance projects.

*Special revenue.* This fund is used to account for the receipt and expenditure of federal and state grants provided to the District for special programs.

*Non major funds.* All other funds that do not meet the definition of a major fund are presented as a single column in the fund financial statements. At June 30, 2013, the District's non major funds are the Debt Service Fund, Equipment/Technology Fund and Community Education/BOCES Fund.

*Proprietary funds.* The District maintains two different types of proprietary funds: an enterprise fund and an internal service fund.

The *enterprise fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The District's school lunch fund is an enterprise fund. This fund is operated on the enterprise concept as it is designated to be self-supporting from an operational point of view. Operating revenues consist of charges for services, primarily provided school meals, and nonoperating revenue consists of governmental grants and fund transfers.

The *internal service fund* accounts for health insurance benefits provided to the District's employees on a cost reimbursement basis. Because this service predominantly benefits governmental rather than business-type functions, it is included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information and use the same basis of accounting as the government-wide financial statements, only in more detail. All assets and liabilities are recorded in proprietary funds financial statements.

*Fiduciary fund types.* Fiduciary fund reporting focuses on net assets and changes in net assets. These funds are used to account for assets held by the District as a trustee or agent for individuals, private organizations, other governmental units, and for other funds. The District's responsibility for these funds is fiduciary in nature. The District's student activity fund is classified as an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

CONVERSE COUNTY SCHOOL DISTRICT NO. TWO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

The budgets are prepared on the cash basis of accounting in accordance with Wyoming State Statutes. All funds are legally required to be budgeted and appropriated, and all budgetary appropriations lapse at June 30, the end of the fiscal year.

The original budget is adopted by the District's Board of Trustees and is filed with the Wyoming Department of Education. When amendments are made during the year on approval of the Board of Trustees, the amendments are filed with the Wyoming Department of Education.

Legal spending control is at the program level within each of the individual funds; management control is exercised at budgetary line item levels within each fund. The Board of Trustees may amend the budget after it is approved and also authorizes transfers between the various budgetary programs in any fund. The amounts reported as original budgeted amounts reflect the first appropriation for the fund that covered the entire fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the School Board during the year.

Under Wyoming Department of Education requirements, the budget should not be exceeded in any major category.

Property Taxes

Property taxes are levied, billed, and collected by Converse County on behalf of the District. Taxes are levied on or about August 1 and are payable in two installments by November 10 and May 10, or the entire amount is payable by December 31. Property tax revenues are recognized when levied. Property taxes attach as an enforceable lien on the property if payment is not made November 10 and May 10. Property taxes uncollected at June 30, 2013 are recorded as property taxes receivable.

State of Wyoming Statutes requires the District to assess property taxes of 25 mills on the property within the District. State of Wyoming Statutes also requires the District to share with other District's within Converse County a 6 mill tax on all property of the District. The District has assessed all mill levies required under Wyoming Statutes. In addition, 1/4 mill of the 1/2 mill allowable under Wyoming Statutes was assessed for BOCES.

The District has also formed the Glenrock Recreation Board which under State of Wyoming State Statutes is allowed to assess 1 mill. The Recreation Board has levied this 1 mill.

Inventories

Inventories of the general fund and school lunch fund are accounted for at the lower of cost (first-in, first-out method) or market under the consumption method. Inventories in governmental fund types are equally offset by an unspendable fund balance amount to indicate they do not constitute "available spendable resources" even though they are a component of net current assets.

CONVERSE COUNTY SCHOOL DISTRICT NO. TWO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items. Prepaid items of governmental funds in the fund financial statements are offset by an unspendable fund balance amount to indicate they do not represent spendable available financial resources.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any of this type of item.

Capital Assets

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

All capital assets are recorded at cost if purchased, or at its fair market value as of the date of the gift if received as a donation. The District maintains a \$5,000 capitalization policy for all assets with an estimated useful life of greater than one year. The District does not possess any infrastructure. Improvements are capitalized; normal repairs and maintenance costs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Interest incurred during the construction of capital assets utilized by the enterprise funds is also capitalized.

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Building and improvements	7 - 50 years	
Equipment	3 - 15 years	7 - 20 years
Transportation equipment	8 years	

CONVERSE COUNTY SCHOOL DISTRICT NO. TWO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

All administrators and non-certified 12-month personnel are entitled to vacation leave. Vacation leave for non-certified 12-month personnel is earned on a graduated scale depending on the length of service. Vacation leave can be accumulated and employees are allowed to accrue a maximum of 40 days. Certified personnel are not entitled to vacation leave. Unused vacation is paid out upon separation from the District.

Sick leave is granted at the annual rate of 12 days for those who work approximately twelve months, or 10 days for those who work the normal pupil/teacher year of about ten months. Sick leave is to be used for the illness or a staff member or immediate member of his or her family. If the employee has used all sick leave days, then absences due to illness will be deducted from the salary as a percentage of days absent to the contract year as shown in the teacher salary schedule for each type of employee. Sick leave may not be used for lost days claimed under Worker's Compensation. Sick leave can accumulate indefinitely. The District does not pay out unused sick leave upon separation from the District.

Accrued Liabilities and Long-term Obligations

In the government-wide financial statements and enterprise funds, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond selling costs are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In the fund financial statements, governmental funds report bond selling costs as expenditures and proceeds from bond issues as financing sources.

Payments on the general obligation building bonds are made by the debt service fund from property taxes and earnings on investments. The obligations under capital leases are paid by the general fund. Compensated absences will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

Net Position

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the district-wide financial statements. Net positions are classified in the following categories:

*Net investment in capital assets* - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvements of the assets.

*Restricted net position* - This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted net position* - This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

CONVERSE COUNTY SCHOOL DISTRICT NO. TWO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

*Nonspendable fund balance* - amounts that are not in a spendable form (such as inventory and prepaids) or are required to be maintained intact.

*Restricted fund balance* - amounts constrained to specific purposes by creditors, grantors, or laws or regulations of other governments.

*Committed fund balance* - amounts constrained to specific purposes by creditors, grantors, or laws or regulations of other governments.

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

*Assigned fund balance* - amounts constrained by the intent of the Board of Trustees. The intent will not be done by formal action of the Board of Trustees but will be indicated in the adopted budget or in a statement by the Board of Trustees or by the Assistant Superintendent of Business/Finance.

*Unassigned fund balance* - amounts in the General Fund in excess of what can be properly classified in one of the above four categories, and is available for any purpose.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted resources are available. If no restricted resources are available, the District applies committed funds, then assigned funds, and last, unassigned funds, for all expenditures from governmental funds for which amounts in any of these unrestricted fund balance classifications could be used.

Proprietary fund equity is classified the same as in the government-wide financial statements.

Estimates

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

CONVERSE COUNTY SCHOOL DISTRICT NO. TWO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - Proprietary Fund Type

For the purposes of the proprietary fund statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments.

New GASB Pronouncements

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

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, is effective for financial statements for periods beginning after December 15, 2012. This statement improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The District has implemented this statement in the year ended June 30, 2013. This change does not result in any adjustment to prior period balances

NOTE 2. CASH AND INVESTMENTS

Cash and investments as reported in the accompanying financial statements are comprised of the following at June 30, 2013:

	Primary Government			Component
	Statement of Net Position	Statement of Fiduciary Net Position	Total	Unit Statement of Net Position
Cash in bank	\$ 210,468	\$ 143,732	\$ 354,200	\$ 256,296
WGIF	2,833,670		2,833,670	232,914
Petty cash	200		200	
	<u>\$ 3,044,338</u>	<u>\$ 143,732</u>	<u>\$ 3,188,070</u>	<u>\$ 489,210</u>

Authorized deposits are controlled by Wyoming State Statutes and include but are not limited to deposits in banks, certificates of deposit, money market accounts, and treasury notes. Statutes also authorize the District to participate in the Wyoming Government Investment Fund (WGIF), which was established pursuant to the Wyoming Statutory Trust Act.

CONVERSE COUNTY SCHOOL DISTRICT NO. TWO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (Continued)

*Custodial credit risk - deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The carrying amount of bank deposits at June 30, 2013 is \$354,200 and the bank balance is \$1,015,249. The differences between the carrying amount and the bank balances are due to outstanding checks and deposits not yet processed by the bank. Of the bank balance, \$250,000 is covered by federal depository insurance and \$765,249 is collateralized by securities held by the financial institution in the District's name and, accordingly, considered credit risk category 1. In accordance with State of Wyoming Statutes, the District's policy requires all bank deposits to be insured or collateralized.

As noted above, the District invests fund in the Wyoming Government Investment Fund (WGIF), a professionally managed investment fund offered by U.S. Bank, with oversight by a board of trustees. Shares of the fund are offered exclusively to Wyoming governmental entities. WGIF invests in short-term commercial paper (maturity dates less than 90 days) and U.S. Government Agency Obligations. These investments are allowed under State of Wyoming Statutes. Due to the short-term nature of the investments, WGIF reports their investments at amortized cost, which they believe approximates fair value. The investments with WGIF are investments not subject to credit risk categorization and the degree to risk and rate of return depends on the underlying portfolio. However, the WGIF strives to maintain a net asset value of a dollar per share. The District attempts to match its investment maturities to expected cash flow needs.

A copy of the Fund's current Information Statement may be obtained at 401 West 19th Street, Suite 300, Cheyenne, WY 82001, or by calling the Fund's Distribution Agent at 1-800-442-2861; and is available on the Fund's website ([www.wgif.org](http://www.wgif.org)).

Component Unit - The Recreation District's bank deposits are covered by federal depository insurance at June 30, 2013 up to \$250,000. The Recreation District had balances of \$7,102 that were uncovered and uncollateralized.

NOTE 3. INTERFUND TRANSFERS

Transfers are used to account for transfers between funds when revenues are collected in one fund, but the related expense is incurred in a different fund, or when unrestricted revenues collected in the general fund finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers during the year are as follows:

<u>Transfers to</u> <u>Receiving Fund</u> Enterprise Fund	<u>Transfers From</u> <u>Paying Fund</u> General Fund	<u>Amount</u> \$ 171,500
-----------------------------------------------------------------	-------------------------------------------------------------	-----------------------------

CONVERSE COUNTY SCHOOL DISTRICT NO. TWO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Capital asset activity during 2013 was as follows:

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Governmental activities					
Nondepreciable capital assets					
Land	\$ 554,116	\$	\$ 71,778	\$	\$ 625,894
Construction in progress	176,325	( 170,309)	130,958		136,974
Total nondepreciable capital assets	\$ 730,441	\$( 170,309)	\$ 202,736	\$	\$ 762,868
Depreciable capital assets					
Site improvements	\$ 7,012,377	\$	\$ 153,287	\$( 5,453)	\$ 7,160,211
Building and improvements	26,282,825	22,500	463,437	( 6,497)	26,762,265
Equipment and contents	1,955,677	33,370	28,956	( 442,208)	1,575,795
Transportation equipment	1,495,278	( 55,870)	25,888		1,465,296
Equipment under lease	433,435				433,435
Total depreciable capital assets	\$ 37,179,592	\$	\$ 671,568	\$( 454,158)	\$ 37,397,002
Accumulated depreciation for					
Site improvements	\$( 2,950,338)	\$	\$( 276,040)	\$ 5,453	\$( 3,220,925)
Building and improvements	( 9,788,051)	( 4,750)	( 994,466)	1,732	(10,785,535)
Equipment and contents	( 1,394,102)	( 36,459)	( 142,279)	441,378	( 1,131,462)
Transportation equipment	( 1,277,731)	41,209	( 68,496)		( 1,305,018)
Equipment under lease	( 114,972)		( 59,751)		( 174,723)
Total accumulated depreciation	\$(15,525,194)	\$	\$(1,541,032)	\$ 448,563	\$(16,617,663)
Net depreciable capital assets	\$ 21,654,398	\$	\$( 869,464)	\$( 5,595)	\$ 20,779,339
Governmental capital assets, net	\$ 22,384,839	\$( 170,309)	\$( 666,728)	\$( 5,595)	\$ 21,542,207

Depreciation expense was charged to government function as follows:

Instruction services:	
Regular instruction	\$ 1,389,597
Supporting services:	
Central administration	10,594
Operation and maintenance of facilities	18,775
Transportation	122,066
Total depreciation expense, governmental activities	\$ 1,541,032

Enterprise fund capital asset activity for the fiscal year ended June 30, 2013 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities				
Equipment	\$ 81,823	\$ 14,099	\$	\$ 95,922
Less: accumulated depreciation	( 53,784)	( 4,455)		( 58,239)
Business-type activities capital assets, net	\$ 28,039	\$ 9,644	\$	\$ 37,683

CONVERSE COUNTY SCHOOL DISTRICT NO. TWO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS (Continued)

Component Unit Capital Assets

The capital asset activity for the Glenrock Recreation District, the discretely-presented component unit, for fiscal year ended June 30, 2013, is as follows:

	<u>Beginning Balance</u>	<u>Transfers</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities					
Nondepreciable capital assets					
Land	\$ 11,006	\$	\$	\$	\$ 11,006
Total nondepreciable capital assets	\$ 11,006	\$	\$	\$	\$ 11,006
Depreciable capital assets					
Site improvements	\$ 159,871	\$	\$	\$	\$ 159,871
Building and improvements	363,654				363,654
Equipment	10,460		16,666		27,126
Total depreciable capital assets	\$ 533,985	\$	\$ 16,666	\$	\$ 550,651
Accumulated depreciation	\$ ( 31,459)	\$	\$ ( 19,450)	\$	\$ ( 50,909)
Net depreciable capital assets	\$ 502,526	\$	\$ ( 2,784)	\$	\$ 499,742
Governmental activities, net	\$ 513,532	\$	\$ ( 2,784)	\$	\$ 510,748

NOTE 5. LONG-TERM OBLIGATIONS

A schedule of long-term liability activity for governmental activities for the year ended June 30, 2013 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital lease obligations	\$ 266,191	\$	\$ ( 84,378)	\$ 181,813	\$ 73,749
Compensated absences obligations	88,148	60,017	( 48,751)	99,414	
Total governmental activity	\$ 354,339	\$ 60,017	\$ (133,129)	\$ 281,227	\$ 73,749
Long term liabilities					

Capital Lease Obligations - The District has entered into lease-purchase agreements for copiers with a total cost of \$110,000. The leases are due in monthly installments, and the lease terms expire in 2016. During the year ended June 30, 2009, the District entered into a lease-purchase contract for a bus with a cost of \$122,185. The bus lease is due in 60 monthly installments, and the lease term expires November 2013. During the year ended June 30, 2010, the District entered into a lease-purchase contract for two buses with a cost of \$188,190. The lease is due in 60 monthly installments, and the lease term expires September 2014. During the year ended June 30, 2012, the District entered into a lease-purchase contract for a bus with a cost of \$106,745 due in 60 monthly installments, with the lease term expiring June 2016. If the District fails to budget, appropriate, or otherwise make available funds to pay the lease payments, the leases are deemed terminated at the end of the then current renewal terms. In the event the leases are terminated in this manner, the District would be required to return the equipment to the lessors within a reasonable period of time after the termination. During the year ended June 30, 2013, payments made on capital lease obligations totaled \$96,600. Of this amount \$12,222 represents interest that is included in the general fund as debt service interest and fiscal charges.

CONVERSE COUNTY SCHOOL DISTRICT NO. TWO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 5. LONG-TERM OBLIGATIONS (Continued)

A schedule of maturities for the capital lease obligations follows:

During the year ended June 30,	<u>Amount</u>
2014	\$ 82,348
2015	55,558
2016	50,349
2017	<u>10,631</u>
Minimum lease payments for capital leases	\$ 198,886
Less: Amount representing interest at the lessor's implicit rate	<u>( 17,073)</u>
Present value of minimum lease payments	<u>\$ 181,813</u>

Payments on the general obligation bonds are made by the debt service fund from property taxes and earnings on investments. The obligations under capital leases are paid by the general fund. Compensated absences will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

NOTE 6. FUND EQUITY

Classifications of fund balance in the governmental funds depict the relative strength of the spending constraints placed on the purposes for which resources can be used. At June 30, 2013, the District's fund balances included the following constraints:

Nonspendable prepaid expenses and inventories - Represents the portion of the fund balance that is in a nonspendable form.

Restricted for major maintenance - Represents the excess of funds provided by the School Facilities Commission (SFC) for major maintenance expenditures. These funds are restricted by the SFC to approved major maintenance projects.

Restricted for debt service - Represents the portion of fund equity restricted to debt service, including both principal and interest payments.

Restricted for community education/BOCES - Represents the portion of the fund balance that is only available for adult education.

Restricted for equipment/technology upgrades - Represents the portion of the fund balance that is restricted by the grantor to equipment/technology repair or replacement.

NOTE 7. WYOMING RETIREMENT SYSTEM

The District participates in the Wyoming Retirement System (System), a statewide cost-sharing multiple-employer public employee retirement system administered by the State of Wyoming Retirement System Board. The System is a defined benefit, contributory retirement plan covering substantially all employees of the State, many cities and towns, and the public school systems of Wyoming. Subsequently all District full-time employees are eligible to participate. The System provides retirement, disability and death benefits according to predetermined formulas. Benefits are established by Title 9, Chapter 3 of the Wyoming Statutes. The System

CONVERSE COUNTY SCHOOL DISTRICT NO. TWO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 7. WYOMING RETIREMENT SYSTEM (Continued)

issues a publicly available financial report which includes audited financial statements and required supplementary information for the System. The report may be obtained by writing to the Wyoming Retirement System, First Floor East, Herschler Building, 122 West 25th Street, Cheyenne, Wyoming 82002.

Plan members are required to contribute 7.00% of their annual covered salary and the District is required to contribute 7.12%. Legislation enacted in 1979 allows the employer to pay any or all of the employees' contribution in addition to the matching contribution. Prior to July 1, 2011, the District elected to pay 100% of the employees' contribution. Beginning July 1, 2011, the District pays 5.57% and the employees pay 1.43% of the required employees' contribution of 7.00%. Contribution rates are established by Title 9, Chapter 3 of the Wyoming Statutes. The payroll for employees covered by the System for the year ending June 30, 2013 was \$5,867,649. Total contributions to the System for the year ending June 30, 2013 were \$828,512, consisting of employee contributions of \$82,927 and District contributions of \$745,584. The District's contributions to the System for the years ended June 30, 2012 and 2011 were \$760,524 and \$799,946, respectively, equal to the required contributions for each year.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; injuries to students; and natural disasters. The District currently manages said risk through the purchase of commercial insurance for students. Student insurance premiums are based on student enrollment. The District also participates in the Wyoming School Board Association's (WSBA) School Risk Retention Program that includes 24 Wyoming School Districts. The Program is a protected, self-insurance program for property and liability. The property coverage limit of \$200,000,000 is shared across the membership, and includes various sub-limits. The liability coverage limit is \$2,000,000, and also includes various sub-limits. For the year ended June 30, 2013, premiums paid for student insurance and paid to the WSBA School Risk Retention Program were \$15,135 and \$58,324, respectively. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. All risk management activities are accounted for in the general fund.

The District also participates in two other risk management programs: Workers' Compensation Act and Unemployment Compensation Act. Wyoming Statute §27-14-101 created the Wyoming Workers' Compensation Act which is administered as an enterprise fund by the State of Wyoming. All employers within the State of Wyoming are participants of this plan with only a few exceptions. This act provides for the payment of benefits to employees for job-related injuries and diseases through the Workers' Compensation Fund. This act provides general protection from suits filed by employees against the District. The District makes monthly payments to the Department of Workforce Services, State of Wyoming. The payments are based on salaries and a split rate between hazardous and nonhazardous positions.

CONVERSE COUNTY SCHOOL DISTRICT NO. TWO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 9. CONTINGENCIES

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

NOTE 10. COMMITMENTS

During the year ended June 30, 2013, the District entered into contracts for two construction projects. These totaled \$306,060 with a balance to finish of \$255,153. These will be funded through the major maintenance fund.

Required Supplementary  
Information

**CONVERSE COUNTY SCHOOL DISTRICT NO. 2  
BUDGETARY COMPARISON SCHEDULE  
BUDGET (NON-GAAP) TO ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDING JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Local sources	\$ 8,561,339	\$ 8,561,339	\$ 8,692,143	\$ 130,804
County sources	1,972,055	1,972,055	1,965,011	(7,044)
State sources	59,711	59,711	123,615	63,904
Other				-
Total Revenues	<u>\$ 10,593,105</u>	<u>\$ 10,593,105</u>	<u>\$ 10,780,769</u>	<u>\$ 187,664</u>
<b>Expenditures:</b>				
Instruction	6,499,914	6,499,914	6,095,881	\$ 404,033
Instructional support	1,331,598	1,481,598	1,276,105	205,493
General support	2,944,442	2,944,442	2,774,317	170,125
Total expenditures	<u>\$ 10,775,954</u>	<u>\$ 10,925,954</u>	<u>\$ 10,146,303</u>	<u>\$ 779,651</u>
Excess of revenues over expenditures	<u>\$ (182,849)</u>	<u>\$ (332,849)</u>	<u>\$ 634,466</u>	<u>\$ 967,315</u>
<b>Other financing sources (uses):</b>				
Operating transfers				
School Lunch Fund	\$ (270,000)	\$ (270,000)	\$ (171,500)	\$ 98,530
Other - insurance claim	70,000	70,000	17,500	(52,500)
Total Transfers	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>	<u>\$ (154,000)</u>	<u>\$ 46,000</u>
Change in fund balance	<u>\$ (382,849)</u>	<u>\$ (532,849)</u>	<u>\$ 480,466</u>	<u>\$ 1,013,315</u>

(The notes to the required supplementary information are an integral part of this statement)

**CONVERSE COUNTY SCHOOL DISTRICT NO. 2**  
**BUDGETARY COMPARISON SCHEDULE**  
**BUDGET (NON-GAAP) TO ACTUAL**  
**MAJOR MAINTENANCE FUND**  
**FOR THE YEAR ENDING JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Local sources	\$ -	\$ -	\$ 263	\$ 263
State sources	517,934	517,934	517,934	-
<b>Total Revenues</b>	<u>\$ 517,934</u>	<u>\$ 517,934</u>	<u>\$ 518,197</u>	<u>\$ 263</u>
<b>Expenditures:</b>				
Capital Outlay	\$ 800,000	\$ 800,000	\$ 635,770	\$ 164,230
<b>Total expenditures</b>	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 635,770</u>	<u>\$ 164,230</u>
<b>Change in fund balance</b>	<u>\$ (282,066)</u>	<u>\$ (282,066)</u>	<u>\$ (117,573)</u>	<u>\$ 164,493</u>

(The notes to the required supplementary information are an integral part of this statement)

**CONVERSE COUNTY SCHOOL DISTRICT NO. 2  
BUDGETARY COMPARISON SCHEDULE  
BUDGET (NON-GAAP) TO ACTUAL  
SPECIAL REVENUE FUND  
FOR THE YEAR ENDING JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
State sources	\$ 207,028	\$ 207,028	\$ 168,907	\$ (38,121)
Federal sources	803,083	803,083	514,094	(288,989)
Total Revenues	<u>\$ 1,010,111</u>	<u>\$ 1,010,111</u>	<u>\$ 683,001</u>	<u>\$ (327,110)</u>
<b>Expenditures:</b>				
Special education	\$ 810,721	\$ 810,721	\$ 660,531	\$ 150,190
Instructional support	66,170	66,170	89,003	(22,833)
Total expenditures	<u>\$ 876,891</u>	<u>\$ 876,891</u>	<u>\$ 749,534</u>	<u>\$ 127,357</u>
<b>Change in fund balance</b>	<u>\$ 133,220</u>	<u>\$ 133,220</u>	<u>\$ (66,533)</u>	<u>\$ (199,753)</u>

(The notes to the required supplementary information are an integral part of this statement)

CONVERSE COUNTY SCHOOL DISTRICT NO. TWO  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2013

NOTE 1. BUDGET TO GAAP RECONCILIATION

The Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds on page 20 of this report is prepared on the generally accepted accounting principles (GAAP) basis. The required supplementary information Budgetary Comparison Schedule Budget to Actual (Non-GAAP) for the general fund and major special revenue funds - contained on pages 40 through 42 of this report are prepared on the legally enacted basis (cash basis). This results in differences when revenue and expenses are recognized for accounting purposes. Under the GAAP basis, revenues are recognized when measurable and available while the cash basis recognizes revenues when received. For expenditures, the GAAP basis recognizes them when incurred while the cash basis recognizes expenditures when paid.

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

General Fund

Resources/inflows budgetary basis	\$ 10,780,769
Differences - budget to GAAP	
Property taxes receivable at June 30, 2012 received in the year ending June 30, 2013 included in 2013 budget data	( 194,566)
Property taxes receivable at June 30, 2012 for GAAP purpose revenues not included in 2012 budget data	97,762
Revenues GAAP basis	<u>\$ 10,683,965</u>
Expenditures/outflows budgetary basis	\$ 10,146,303
Differences - budget to GAAP	
Accrued expenses at June 30, 2012, included as outflows for budgetary purposes but not included as expenditures for GAAP information	( 56,197)
Accrued expenses at June 30, 2013, not included as outflows for budgetary purposes but included as expenditures for GAAP information	39,204
Prepaid expenses at June 30, 2012 included in GAAP outflows but recorded in prior year for budgetary purposes	1,692
Change in inventory but included as a budgetary outflow but included in expenditures for GAAP information	( 5,723)
Insurance benefits at June 30, 2012 included in GAAP outflows, but recorded in prior year for budgetary purposes	156,096
Expenditures GAAP basis	<u>\$ 10,281,375</u>

CONVERSE COUNTY SCHOOL DISTRICT NO. TWO  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2013

NOTE 1. BUDGET TO GAAP RECONCILIATION (Continued)

Major Maintenance Fund

Expenditures/outflows budgetary basis	
Differences - budget to GAAP	\$ 635,770
Accrued expenses at June 30, 2013 not included as outflows for budgetary purposes but included as expenditures for GAAP information	27,666
Accrued expenses at June 30, 2012 included as outflows for budgetary purposes but not included as expenditures for GAAP information	( 28,075)
Expenditures GAAP basis	<u>\$ 635,361</u>

Special Revenue Fund

Resources/inflows budgetary basis	
Differences - budget to GAAP	\$ 683,001
Grants receivable at June 30, 2012 received in the year ending June 30, 2013 included in 2013 budget data	( 163,907)
Grants receivable at June 30, 2013 GAAP purposes revenues not included in 2013 budget data	206,749
Revenues GAAP basis	<u>\$ 725,843</u>
Expenditures/outflows budgetary basis	\$ 749,534
Differences - budget to GAAP	
Accrued expenses at June 30, 2012, included as outflow for budgetary purposes but not included as expenditures for GAAP information	( 32,583)
Insurance benefits at June 30, 2013 included as outflow for budgetary purposes, but not included in GAAP outflows	8,892
Expenditures GAAP basis	<u>\$ 725,843</u>

Other Supplementary  
Information

**CONVERSE COUNTY SCHOOL DISTRICT NO. 2**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	<u>Debt Service</u>	<u>Equipment/ Technology</u>	<u>Capital Construction</u>	<u>Community Education/ BOCES</u>	<u>Total</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 64,665	\$ 187,857		\$ 65,404	\$ 317,926
Receivables:					
Property taxes				6,396	6,396
Total assets	<u>\$ 64,665</u>	<u>\$ 187,857</u>	<u>\$ -</u>	<u>\$ 71,800</u>	<u>\$ 324,322</u>
<b>Liabilities and fund balances:</b>					
<b>Liabilities:</b>					
Deferred revenue:					
Property taxes				\$ 5,680	\$ 5,680
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,680</u>	<u>\$ 5,680</u>
<b>Fund Balances:</b>					
Restricted					
Debt service	\$ 64,665	\$ -	\$ -	\$ -	\$ 64,665
Community educations/BOCES				66,120	66,120
Equipment/Technology		187,857		-	187,857
Total fund balances	<u>\$ 64,665</u>	<u>\$ 187,857</u>	<u>\$ -</u>	<u>\$ 66,120</u>	<u>\$ 318,642</u>
Total liabilities and fund balances	<u>\$ 64,665</u>	<u>\$ 187,857</u>	<u>\$ -</u>	<u>\$ 71,800</u>	<u>\$ 324,322</u>

**CONVERSE COUNTY SCHOOL DISTRICT NO. 2  
COMBINING STATEMENT OF CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING JUNE 30, 2013**

	Debt Service	Equipment/ Technology	Capital Construction	Community Education/ BOCES	Total
<b>Revenues:</b>					
Local sources	\$ 5,465		\$ -	\$ 141,114	\$ 146,579
State Sources			71,778		71,778
interest		129		54	183
<b>Total Revenues</b>	<u>\$ 5,465</u>	<u>\$ 129</u>	<u>\$ 71,778</u>	<u>\$ 141,168</u>	<u>\$ 218,540</u>
<b>Expenditures:</b>					
Instructional support	\$ 5,932	\$ 1,627	\$ -	\$ -	\$ 7,559
Capital outlay			71,778		71,778
Community support				212,016	212,016
<b>Total expenditures</b>	<u>\$ 5,932</u>	<u>\$ 1,627</u>	<u>\$ 71,778</u>	<u>\$ 212,016</u>	<u>\$ 291,353</u>
Excess of revenues over expenditures	<u>\$ (467)</u>	<u>\$ (1,498)</u>	<u>\$ -</u>	<u>\$ (70,848)</u>	<u>\$ (72,813)</u>
<b>Net change in fund balance</b>	<b>\$ (467)</b>	<b>\$ (1,498)</b>	<b>\$ -</b>	<b>\$ (70,848)</b>	<b>\$ (72,813)</b>
<b>Fund balances - beginning</b>	<u>65,132</u>	<u>189,355</u>		<u>136,968</u>	<u>391,455</u>
<b>Fund balances - ending</b>	<u>\$ 64,665</u>	<u>\$ 187,857</u>	<u>\$ -</u>	<u>\$ 66,120</u>	<u>\$ 318,642</u>



EXPENDITURES			
Total Revenue	Instruction	Instructional Support	Total Expenditures
\$ -			\$ -
513	513		513
12,364	12,364		12,364
199,387	199,387		199,387
22,284	20,989	1,295	22,284
183,629	169,472	14,157	183,629
123	123		123
2,000	2,000		2,000
41,360	11,561	29,799	41,360
66,581	20,457	46,124	66,581
5,528		5,528	5,528
14,131	6,661	7,470	14,131
75,979	75,979		75,979
93,964	93,964		93,964
8,000	8,000		8,000
<u>\$ 725,843</u>	<u>\$ 621,470</u>	<u>\$ 104,373</u>	<u>\$ 725,843</u>

(The notes to the basic financial statements are an integral part of this statement)

**CONVERSE COUNTY SCHOOL DISTRICT NO. 2**  
**DETAIL SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**GENERAL FUND**  
**JUNE 30, 2013**

District		
25 Mill District Tax	\$	8,236,619
Motor Vehicle Tax		315,216
Local Car Company Taxes		8,719
Penalties and Interest on Taxes		34,770
Refund of Prior Year Expenses		6,792
User Charges		<u>1,673</u>
Total District	\$	<u><u>8,603,789</u></u>
County		
6 Mill County Tax	\$	1,692,647
Motor Vehicle Tax		104,156
Car Company Taxes		7,798
Penalties and Interest on Taxes		4,942
Fines & Forfeitures		128,466
Other		<u>5,967</u>
Total County	\$	<u><u>1,943,976</u></u>
State		
Foundation Program	\$	69,904
Tax Shortfall Grant		53,711
Taylor Grazing		<u>8,974</u>
Total State	\$	<u><u>132,589</u></u>
Interest	\$	<u><u>3,611</u></u>
Other		
Insurance Claim	\$	<u><u>17,500</u></u>

**CONVERSE COUNTY SCHOOL DISTRICT NO. 2**  
**DETAIL SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**GENERAL FUND**  
**JUNE 30, 2013**

Instruction		
Salaries		\$ 3,715,411
Employee benefits		1,944,042
Purchased services		112,930
Supplies and materials		176,667
Capital outlay		185,701
Other		<u>6,217</u>
Total instruction		<u>\$ 6,140,968</u>
Instructional Support		
Salaries		\$ 643,335
Employee benefits		403,212
Purchased services		121,361
Supplies and materials		102,228
Capital outlay		31,763
Other		<u>190</u>
Total Instructional Support		<u>\$ 1,302,089</u>
General Support		
Salaries		\$ 1,282,788
Employee benefits		686,809
Purchased services		249,478
Supplies and materials		511,923
Capital outlay		1,066
Other		<u>9,650</u>
Total General Support		<u>\$ 2,741,714</u>
Debt Service		
Principal retirement		\$ 84,378
Interest and fiscal charges		<u>12,222</u>
Total Debt Services		<u>\$ 96,600</u>
Transfers		
Operating transfer to Enterprise Fund		<u>\$ 171,500</u>
Total Transfers		<u>\$ 171,500</u>

**CONVERSE COUNTY SCHOOL DISTRICT NO. 2**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2013**

Federal Grantor/Pass Through	Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures	
<b>U.S. Department of Education</b>					
Passed through Wyoming Department of Education:					
Title I Grants to Local Educational Agencies (LEA's)		84.010A	0502T111	\$	513
			0502T112		12,364
			0502T113		<u>199,387</u>
					212,264
Special Education Cluster (IDEA) Special Education - Grants to States (IDEA, Part B)		84.027A	0502VIB12	\$	22,284
			0502VIB13		183,629
					<u>\$ 205,913</u>
Special Education - Preschool Grants (IDEA Preschool)		84.173A	0502VIBP12	\$	123
			0502VIBP13		2,000
					<u>\$ 2,123</u>
					208,036
Improving Teacher Quality State Grants		84.367A	0502T2A12	\$	41,360
			0502T2A13		<u>66,581</u>
					107,941
Career and Technical Education - Basic Grants to States (Perkins IV)		84.048A	0502PB12	\$	5,528
			0502PB13		<u>14,131</u>
					19,659
Total U.S. Department of Education					<u>\$ 547,900</u>
<b>U.S. Department of Agriculture</b>					
Passed through Wyoming Department of Education:					
National School Lunch Program		10.555	N/A		<u>\$ 116,487</u>
Total U.S. Department of Agriculture					<u>\$ 116,487</u>
Total Expenditures of Federal Awards					<u>\$ 664,387</u>

(The notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement)

CONVERSE COUNTY SCHOOL DISTRICT NUMBER TWO  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is a summary of the activity of the District's federal awards programs. The schedule has been prepared using the same basis of accounting used in preparation of the fund financial statements.

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

Board of Trustees  
Converse County School District No. Two  
Glenrock, Wyoming

We have audited the financial statements of the governmental activities, the business-type activities, the aggregately presented component unit, each major fund, and the aggregate remaining fund information of Converse County School District No. Two as of and for the year ended June 30, 2013, which collectively comprise Converse County School District No. Two's basic financial statements and have issued our report thereon dated December 9, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Converse County School District No. Two's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Converse County School District No. Two's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Converse County School District No. Two's internal control.

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

Our consideration of the 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. 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 that we consider to be significant deficiencies. (13-1)

## **Compliance and Other Matters**

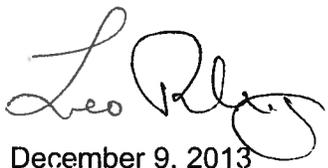
As part of obtaining reasonable assurance about whether Converse County School District No. Two's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs.

## **Converse County School District No. Two'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.

 d Co.  
December 9, 2013

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

Board of Trustees  
Converse County School District No. Two  
Glenrock, Wyoming

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Converse County School District No. Two'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 Nonprofit 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 Converse County School District No. Two'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 Converse County School District No. Two's compliance.

***Opinion on Each Major Federal Program***

In our opinion Converse County School District No. Two complied, in all material respects, with the types of compliance requirements 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. Our opinion on each major federal program is not modified.

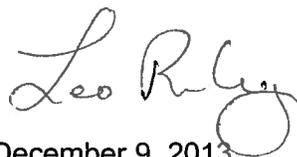
### **Report on Internal Control Over Compliance**

Management of Converse County School District No. Two is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Converse County School District No. Two'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 Converse County School District No. Two'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 requirements 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.

 & Co.

December 9, 2013

CONVERSE COUNTY SCHOOL DISTRICT NO. TWO  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2013

**Section I - Summary of Auditors' Results**

(d)(1)(i)	Type of auditors' report issued?	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of major programs' compliance opinion	Unqualified
(d)(1)(vi)	Are there any reportable finds under §.510?	No
(d)(1)(vii)	Major Programs:	<i>Improving Teacher Quality</i> CFDA No. 84.367 <i>Special Education - Grants to States</i> CFDA No. 84.027 <i>Special Education - Preschool Grants</i> CFDA No. 84.173 <i>Career and Technical Education</i> CFDA No. 84.048
(d)(1)(vii)	Dollar threshold: Type A/B programs	Type A: > \$300,000
(d)(1)(ix)	Low risk auditee?	No

**FINDINGS - FINANCIAL STATEMENTS AUDIT**

**SIGNIFICANT DEFICIENCIES**

**13-1 Separation of Duties**

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

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

Separation of duties requires that someone other than the employee responsible for safeguarding the asset must maintain the accounting records for that asset. When an organization separates duties of the employees, it minimizes the probability of an error or irregularity occurring and not being timely detected.

CONVERSE COUNTY SCHOOL DISTRICT NO. TWO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013

**FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)**

**SIGNIFICANT DEFICIENCIES (Continued)**

Condition: Due to the small size of the accounting department of the School District, the possibility of adequate separation of duties over certain transaction cycles is limited.

Recommendation: While we recognize that it is impractical for the School District to achieve complete separation of duties over all transaction cycles within the School District, it is important that the Board be aware of the chance of errors and irregularities not being timely detected is elevated.

Auditee Response: The District has separated duties to the extent possible and has implemented compensating controls to monitor the accounting activities.

13-2 Collateralization of Deposits - Recreation District

Criteria: Wyoming State Statute 9-4-821 requires political subdivisions that hold a bank balance in excess of FDIC insurance limits secure these excess funds from bank failure by obtaining pledged collateral for an amount exceeding the excess balance. Wyoming Statutes detail what is considered acceptable collateral.

Condition: At June 30, 2013, the Recreation District held funds at a financial institution that exceeded the FDIC insurance limits but were not collateralized.

Cause: Due to the expiring provisions of the Dodd-Frank Act as of December 31, 2012, certain accounts no longer received unlimited FDIC insurance.

Recommendation: The Recreation District needs to contact the financial institution in question to obtain the collateralization required.

Auditee Response: The Recreation District completed the collateralization process immediately after discovered.

**FINDINGS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT**

DEPARTMENT OF EDUCATION (CFDA 84.367) Passed through Wyoming Department of Education

DEPARTMENT OF EDUCATION (CFDA 84.027/83.473) Passed through Wyoming Department of Education

DEPARTMENT OF EDUCATION (CFDA 84.048) Passed through Wyoming Department of Education

NONE

CONVERSE COUNTY SCHOOL DISTRICT NO. TWO

RESOLUTION OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

**Internal Control Over Financial Reporting**

12-1 Separation of Duties

Ongoing comment. See item 13-1 in the schedule of findings and questioned costs.

12-2 Preparation of Financial Statements

The District has designated the business manager with the duties of overseeing the nonattest services performed by the auditor. This person has the skills, knowledge, and experience to adequately perform these duties.