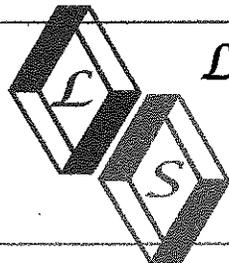


FREMONT COUNTY SCHOOL
DISTRICT #38

FINANCIAL REPORT

JUNE 30, 2013



*LOVELETT,
SKOGEN &
ASSOCIATES, P.C.*

Certified Public Accountants

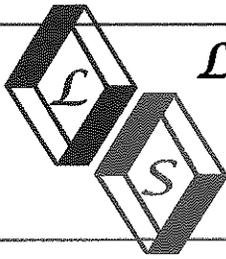
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Fremont County School District #38
Arapahoe, Wyoming

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fremont County School District #38, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Roxy L. Skogen, CPA, CFE

Michael J. Cometto, CPA, CFE

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 Fremont County School District #38, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 – 10 and 38 – 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fremont County School District #38's basic financial statements as a whole. The combining nonmajor fund financial statements and individual fund schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2014, on our consideration of Fremont County School District #38's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fremont County School District #38's internal control over financial reporting and compliance.

Accountants' Privity Notification

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

Lovelett, Skogen & Associates, P.C.

Casper, Wyoming
March 21, 2014

**Fremont County School District No. 38
Management's Discussion and Analysis
June 30, 2013**

This section of Fremont County School District No. 38's annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2013. It should be read in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

In total, net position increased \$425,362, which represents a 1% increase from 2012. The total change in fund balances for the governmental funds was an increase of \$1,303,765. This change in overall fund balance consisted of an increase in the fund balance of the General Fund of \$1,345,213, and an decrease in the fund balance of the Special Revenue Fund of \$41,448. Net position of the Food Services Fund decreased by \$16,737.

State and Federal revenues accounted for \$13,134,726 or 95.8% of all governmental funds revenues, while property taxes of \$568,394 or 4.2% accounted for most of the rest.

The District had \$12,059,744 of governmental fund expenditures.

Total assets of the District increased by \$477,029, as total liabilities of the District increased by \$51,666.

Overview of the Financial Statements

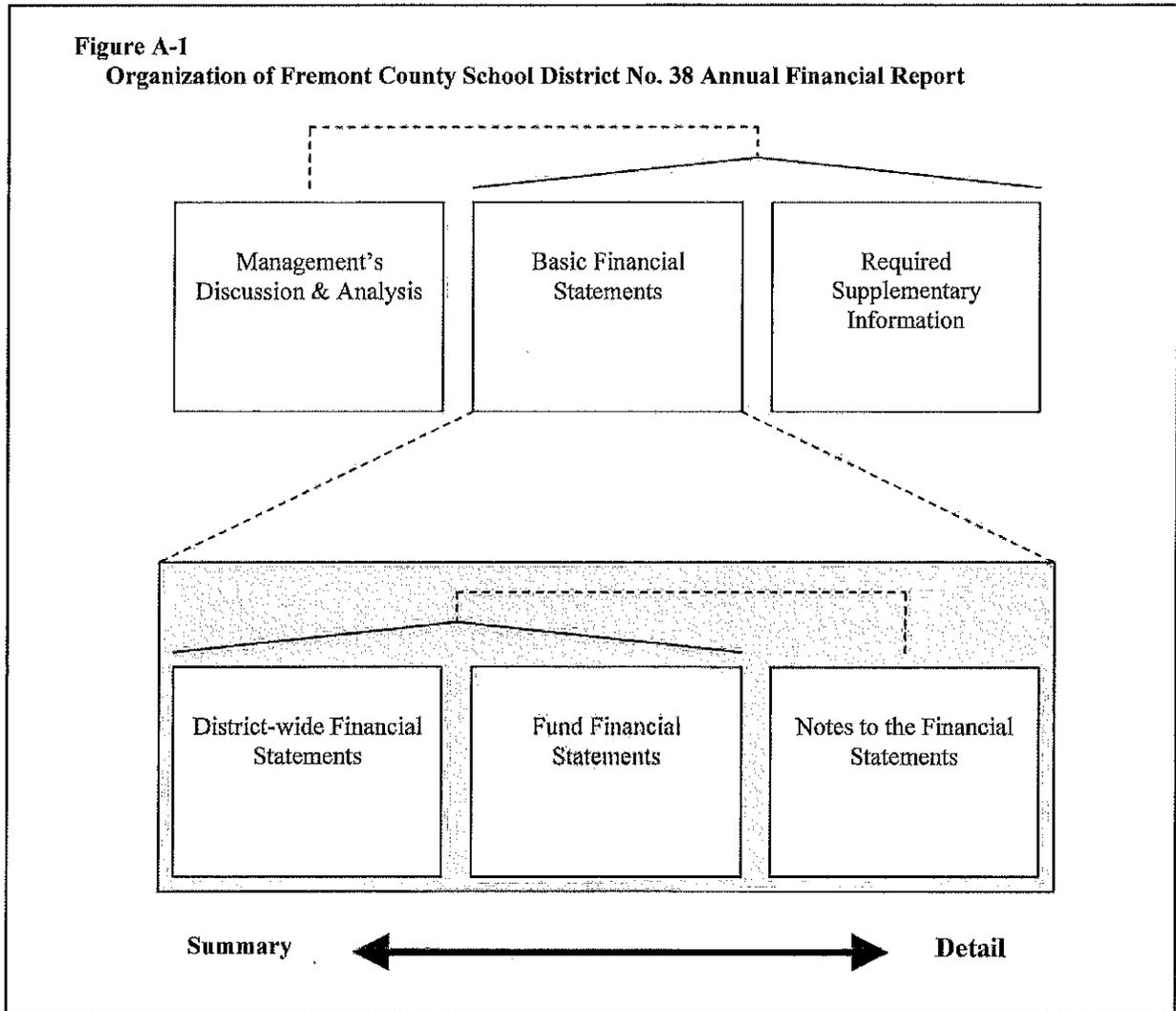
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

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

Fremont County School District No. 38
Management's Discussion and Analysis
June 30, 2013

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.



**Fremont County School District No. 38
Management's Discussion and Analysis
June 30, 2013**

Figure A-2 summarizes the major features of the District's basic financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the District-wide and Fund Financial Statements				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Business Type Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similarly to a private business, such as food services	Instances in which the District administers resources on behalf of someone else, such as student activities and employee monies
Required financial statements	<ul style="list-style-type: none"> Statement of net position Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> Statement of net position – Statement of revenues, expenses, and changes in fund net position 	<ul style="list-style-type: none"> Statement of fiduciary net position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received	N/A

**Fremont County School District No. 38
Management's Discussion and Analysis
June 30, 2013**

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two district-wide statements report the District's *net position* and how they have changed. Net position (the difference between the District's assets and liabilities) are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net positions are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's enrollment and the condition of school buildings and other facilities.

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

- *Governmental activities:* Most of the District's basic services are included in this category, such as regular and special education, transportation, and administration. Property taxes and the State Foundation Program finance most of these activities.
- *Business-type activities:* The Food Services Fund is used to account for the District's school breakfast and lunch programs. Operating revenues are comprised of user charges. Non-operating revenues are comprised of grant revenues, interest income, and transfers from other funds.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, rather than the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Certain funds are required by state law, while the District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District has three types of funds:

Governmental funds: The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional reconciling statements explain the relationship (or differences) between them.

Food Services fund: The Food Services Fund is used to account for the District's school breakfast and lunch programs. Operating revenues are comprised of user charges. Non-operating revenues are comprised of grant revenues, interest income, and transfers from other funds.

Fiduciary funds: The District is the trustee, or *fiduciary*, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

**Fremont County School District No. 38
Management's Discussion and Analysis
June 30, 2013**

Financial Analysis for the District as a Whole

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$38,212,327 at the close of the most recent fiscal year.

- The largest portion of the District's net assets (\$25,779,269 or 67.5%) represents its investment in capital assets (e.g., land, buildings, vehicles, and equipment net of accumulated depreciation). The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.
- The remaining portion of the District's net assets (\$12,433,060 or 32.5 %) reflects the excess of its current assets over its total liabilities. The District's Board of Trustees has restricted \$298,975 of this portion of the District's net assets for specific uses as outlined by granting agencies.

At June 30, 2013, the District was able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

Table 1 shows a summary of the District's Statement of Net Position as of June 30, 2013 and 2012.

**Table 1
Summary Statement of Net Position
As of June 30, 2013 and 2012**

	2013	2012
Assets		
Current and Other Assets	\$13,356,171	\$12,028,708
Capital Assets, Net of Depreciation	25,787,597	6,638,031
	<hr/>	<hr/>
Total Assets	39,143,768	38,666,739
	<hr/>	<hr/>
Liabilities		
Current Liabilities	795,236	736,529
Long-Term Liabilities	84,145	91,186
	<hr/>	<hr/>
Total Liabilities	879,381	827,715
	<hr/>	<hr/>
Net Position & Investment in Capital Assets		
Invested in Capital Assets, Net of Related Debt	25,779,267	26,628,197
Restricted	337,494	340,423
Unrestricted	12,147,625	10,870,404
	<hr/>	<hr/>
Total Net Position	\$38,264,386	\$37,839,024
	<hr/> <hr/>	<hr/> <hr/>

The District's total net position increased by \$425,362 in the current year

Unrestricted net position increased by \$1,277,221 and restricted net position decreased by \$2,929 during the year ended June 30, 2013.

**Fremont County School District No. 38
Management's Discussion and Analysis
June 30, 2013**

Table 2 is a summary of the changes in net position for the District for the years ended June 30, 2013 and 2012.

**Table 2
Summary Statement of Activities
For the Years Ended June 30, 2013 and 2012**

Revenues	2013	2012
Program Revenues		
Charges for Services	\$ 22,260	\$ 21,142
Operating Grants & Contributions	1,515,868	1,521,537
General Revenues		
Property Taxes	568,853	544,789
Intergovernmental	11,801,143	11,075,805
Other Local Sources	59,178	69,317
Interest & Investment Earnings	6,882	6,677
Total Revenues	13,974,184	13,239,267
Program Expenses		
Instruction	7,249,026	7,260,834
Support Services	1,880,586	1,974,775
Administration	1,296,063	1,191,790
Facilities Maintenance & Operations	1,410,016	1,316,584
Transportation	792,964	977,130
Depreciation	-	-
Food Services	631,398	652,931
Community Services	181,414	5,583
Loss on Disposal of Capital Assets	-	-
Other	107,355	127,488
Total Expenses	13,548,822	13,507,112
Prior Period Adjustments	-	(422,536)
Increase (Decrease) in Net Position	\$ 425,362	\$ (690,381)

Governmental Activities

Intergovernmental revenues (including grants and contributions not restricted to specific programs) comprised 94.9% of general revenues in 2013, as compared to 95.2% in 2012. As can clearly be seen, the District is financially dependent upon federal and state revenues to continue its operations. Property taxes comprised 4.6% of general revenues in 2013 as compared to 4.1% in 2012.

Instructional expenses comprised 53.5% of total expenses in 2013, as compared to 53.8% in 2012.

**Fremont County School District No. 38
Management's Discussion and Analysis
June 30, 2013**

Other highlights include:

- The cost of all *governmental* activities this year was \$12,917,424.
- Most of the District's costs were financed primarily by County, State and Federal taxpayers. This portion of governmental activities was financed with \$568,394 in property taxes, \$12,134,085 of unrestricted state and federal aid and \$298,975 in restricted state and federal aid.

Financial Analysis of the District's Major Funds

The General Fund ended with an increase in overall fund balance of \$1,345,213. The increase in the unreserved fund balance results from receiving more money than was spent.

Since all expenditures of the Grants Programs equal the revenues there is no fund balance.

The Food Services Fund, which accounts for the District's school breakfast and lunch programs, saw its net position decrease by \$16,737 in 2013. This is primarily due to a loss before transfers of \$363,230. There was a transfer from the General Fund in the current year of \$346,493.

Capital Assets

Capital Assets

At the end of the 2013 fiscal year, the District had invested \$25,627,458 in a broad range of capital assets, including school buildings, athletic facilities, land, vehicles, and equipment. More detailed information about capital assets can be found in Note 4 to the financial statements. Total depreciation expense for the year was \$939,325.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of a number of existing circumstances that could significantly affect its financial health in the future:

- The District's enrollment has remained fairly constant for the past several years and is expected to remain somewhat constant into the foreseeable future. Student enrollment is one of the major factors in determining funding from the State of Wyoming and the Federal Government; so a consistent student population should mean consistent funding.

Contacting the District's Financial Management

This financial report is designed to provide the District's taxpayers, patrons, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Connie Gay, Business Manager, Fremont County School District No. 38, 445 Little Wind River Bottom Road, Arapahoe, WY, 82510.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

FREMONT COUNTY SCHOOL DISTRICT #38
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and short-term investments	\$ 12,605,309	\$ (2,216)	\$ 12,603,093
Cash with fiscal agent	162,527	-	162,527
Receivables:			
Property taxes	8,643	-	8,643
Other governments, grants	570,284	-	570,284
Other entities	6,332	-	6,332
Inventories	-	5,292	5,292
Internal balances	200,678	(200,678)	-
Capital assets:			
Land	128,582	-	128,582
Other capital assets, net of accumulated depreciation	25,498,876	160,139	25,659,015
Total assets	39,181,231	(37,463)	39,143,768
Liabilities:			
Accounts payable	255,435	4,136	259,571
Accrued salaries and benefits	441,618	7,016	448,634
Unearned revenue	59,461	-	59,461
Current portion of long-term obligations	27,570	-	27,570
Noncurrent portion of long-term obligations	84,145	-	84,145
Total liabilities	868,229	11,152	879,381
Net Position:			
Net Investment in Capital Assets	25,619,128	160,139	25,779,267
Restricted for:			
Capital maintenance	281,346	-	281,346
Recreation District	17,629	-	17,629
Construction Impact Aid	38,519	-	38,519
Unrestricted	12,356,379	(208,754)	12,147,625
Total net position	\$ 38,313,001	\$ (48,615)	\$ 38,264,386

See accompanying notes to financial statements.

**FREMONT COUNTY SCHOOL DISTRICT #38
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instructional services				
Regular instruction	\$ 4,937,508	\$ -	\$ 14,564	\$ -
Special education	2,288,771	-	1,102,462	-
Other adult education	523	-	-	-
Vocational education	22,224	-	-	-
Supporting services:				
Students	674,712	-	-	-
Instructional staff	440,346	-	152,934	-
Central services	765,528	-	-	-
School administration	578,855	-	-	-
Business services	510,097	-	-	-
Operation and maintenance of facilities	1,410,016	-	-	-
Pupil transportation	792,964	-	-	-
General administration	207,111	-	-	-
Community services	181,414	-	-	-
Other	107,355	-	-	-
Total Governmental Activities	<u>12,917,424</u>	-	<u>1,269,960</u>	-
Business-Type Activities:				
Food service	<u>631,398</u>	<u>22,260</u>	<u>245,908</u>	-
Total District	<u>\$ 13,548,822</u>	<u>\$ 22,260</u>	<u>\$ 1,515,868</u>	<u>\$ -</u>

General revenues:

Property taxes levied for:

 General purposes

 Major Maintenance

Federal and state aid not restricted to specific purposes:

 Federal sources

 State Foundation Program

Earnings on investments

Transfers

 Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

See accompanying notes to financial statements.

Net (Expenses) Revenue and Changes in Net Position		
Total Governmental Activities	Business-Type Activities	Total
\$ (4,922,944)	\$ -	\$ (4,922,944)
(1,186,309)	-	(1,186,309)
(523)	-	(523)
(22,224)	-	(22,224)
(674,712)	-	(674,712)
(287,412)	-	(287,412)
(765,528)	-	(765,528)
(578,855)	-	(578,855)
(510,097)	-	(510,097)
(1,410,016)	-	(1,410,016)
(792,964)	-	(792,964)
(207,111)	-	(207,111)
(181,414)	-	(181,414)
(107,355)	-	(107,355)
(11,647,464)	-	(11,647,464)
-	(363,230)	(363,230)
(11,647,464)	(363,230)	(12,010,694)
568,853	-	568,853
59,178	-	59,178
3,290,950	-	3,290,950
8,510,193	-	8,510,193
6,882	-	6,882
(346,493)	346,493	-
12,089,563	346,493	12,436,056
442,099	(16,737)	425,362
37,870,902	(31,878)	37,839,024
<u>\$ 38,313,001</u>	<u>\$ (48,615)</u>	<u>\$ 38,264,386</u>

**FUND
FINANCIAL STATEMENTS**

FREMONT COUNTY SCHOOL DISTRICT #38
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Grant Programs		
Assets:				
Cash and short-term investments	\$ 12,579,481	\$ (273,147)	\$ 298,975	\$ 12,605,309
Cash with fiscal agent	162,527	-	-	162,527
Receivables:				
Property taxes	8,643	-	-	8,643
Other governments, grants	90,202	480,082	-	570,284
Other entities	6,332	-	-	6,332
Internal balances	198,306	2,372	-	200,678
Total assets	<u>\$ 13,045,491</u>	<u>\$ 209,307</u>	<u>\$ 298,975</u>	<u>\$ 13,553,773</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 162,303	\$ 93,132	\$ -	\$ 255,435
Accrued salaries and benefits	384,904	56,714	-	441,618
Unearned revenue:				
Grant programs	-	59,461	-	59,461
Property taxes	1,249	-	-	1,249
Total liabilities	<u>548,456</u>	<u>209,307</u>	<u>-</u>	<u>757,763</u>
Fund Balances:				
Restricted for:				
Capital maintenance	-	-	281,346	281,346
Recreation District	-	-	17,629	17,629
Construction Impact Aid	38,519	-	-	38,519
Unrestricted:				
Unassigned, reported in:				
General fund	12,458,515	-	-	12,458,515
Total fund balances	<u>12,497,034</u>	<u>-</u>	<u>298,975</u>	<u>12,796,009</u>
Total liabilities and fund balances	<u>\$ 13,045,490</u>	<u>\$ 209,307</u>	<u>\$ 298,975</u>	<u>\$ 13,553,772</u>

See accompanying notes to financial statements.

FREMONT COUNTY SCHOOL DISTRICT #38
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balances for governmental funds \$ 12,796,009

Total net position reported for governmental activities in the statement of net position 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	\$ 128,582	
Land improvements, net of \$47,257 accumulated depreciation	202,926	
Buildings and improvements, net of \$3,108,978 accumulated depreciation	24,062,113	
Furniture and equipment, net of \$896,137 accumulated depreciation	801,069	
Transportation equipment, net of \$907,930 accumulated depreciation	425,305	
Leased equipment, net of \$2,487 accumulated depreciation	7,463	25,627,458

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenue revenue in the funds. 1,249

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

Accrued vacation	\$ (103,385)	
Obligations under capital leases	(8,330)	(111,715)

Total net position of governmental activities \$ 38,313,001

FREMONT COUNTY SCHOOL DISTRICT #38
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Grant Programs		
Revenues:				
Local sources	\$ 129,265	\$ 3,142	\$ 3,700	\$ 136,107
County sources	432,287	-	-	432,287
State sources	8,510,193	151,780	59,178	8,721,151
Federal sources	3,290,950	1,122,625	-	4,413,575
Interest	6,724	-	158	6,882
Total revenues	<u>12,369,419</u>	<u>1,277,547</u>	<u>63,036</u>	<u>13,710,002</u>
Expenditures:				
Current:				
Instructional services:				
Regular instruction	4,422,128	14,564	-	4,436,692
Special education	1,180,594	1,105,604	-	2,286,198
Vocational education	20,576	-	-	20,576
Supporting services:				
Students	642,522	-	7,050	649,572
Instructional staff	318,791	152,934	-	471,725
Central services	757,522	-	-	757,522
School administration	546,836	-	-	546,836
Business services	516,350	148	-	516,498
Operation and maintenance of facilities	1,232,004	6,669	97,434	1,336,107
Pupil transportation	659,198	-	-	659,198
General administration	196,086	-	-	196,086
Other transportation	1,320	-	-	1,320
Community services	181,414	-	-	181,414
Total expenditures	<u>10,675,341</u>	<u>1,279,919</u>	<u>104,484</u>	<u>12,059,744</u>
Excess of revenues (under) over expenditures	<u>1,694,078</u>	<u>(2,372)</u>	<u>(41,448)</u>	<u>1,650,258</u>
Other financing uses:				
Transfers	<u>(348,865)</u>	2,372	-	<u>(346,493)</u>
Total other financing uses. sources	<u>(348,865)</u>	2,372	-	<u>(346,493)</u>
Net change in fund balance	1,345,213	-	(41,448)	1,303,765
Fund balances - beginning	<u>11,151,821</u>	<u>-</u>	<u>340,423</u>	<u>11,492,244</u>
Fund balances - ending	<u>\$ 12,497,034</u>	<u>\$ -</u>	<u>\$ 298,975</u>	<u>\$ 12,796,009</u>

See accompanying notes to financial statements.

FREMONT COUNTY SCHOOL DISTRICT #38
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances-total governmental funds \$ 1,303,765

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$2,500 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 102,174	
Depreciation expense	<u>(939,325)</u>	(837,151)

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

Principal payments of capital lease		1,504
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Property tax revenues collected after the year for which they are being levied are reported as unearned revenue in the governmental funds. They are, however, recorded as revenues in the statement of activities. Unearned property tax revenues decreased this year.		(3,986)
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In the statement of activities, certain operating expenses - compensated absences (vacations) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). During this year accrued vacation increased.		<u>(22,033)</u>
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Change in net position of governmental activities		<u><u>\$ 442,099</u></u>
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FREMONT COUNTY SCHOOL DISTRICT #38
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	<u>Total Enterprise Fund</u>
Assets	
Current assets:	
Cash and investments	\$ (2,216)
Inventories	5,292
Total current assets	<u>3,076</u>
Capital assets:	
Equipment	199,246
Accumulated depreciation	<u>(39,107)</u>
Net capital assets	160,139
Total assets	<u><u>\$ 163,215</u></u>
Liabilities and Net Position	
Liabilities:	
Current liabilities:	
Accounts payable	\$ 4,136
Accrued salaries and benefits	7,016
Due to other funds	200,678
Total current liabilities	<u>211,830</u>
Net position:	
Net investment in capital assets	160,139
Unrestricted	<u>(208,754)</u>
Total net position	<u>(48,615)</u>
Total liabilities and net position	<u><u>\$ 163,215</u></u>

See accompanying notes to financial statements.

FREMONT COUNTY SCHOOL DISTRICT #38
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Total Enterprise Fund</u>
Operating revenues:	
Charges for services:	
Food service	<u>\$ 22,260</u>
Operating expenses:	
Salaries	195,946
Employee benefits	106,038
Purchased services	7,175
Supplies and materials, including food	308,956
Depreciation	13,283
Total operating expenses	<u>631,398</u>
Operating loss	<u>(609,138)</u>
Nonoperating income:	
Federal sources, including commodity support	<u>245,908</u>
Total nonoperating income	<u>245,908</u>
Loss before transfers	<u>(363,230)</u>
Transfers in	<u>346,493</u>
Change in net position	<u>(16,737)</u>
Net position - beginning	<u>(31,878)</u>
Net position - ending	<u><u>\$ (48,615)</u></u>

See accompanying notes to financial statements.

**FREMONT COUNTY SCHOOL DISTRICT #38
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Receipts from lunch sales	\$ 22,260
Payments to suppliers	(302,991)
Payments to employees or on behalf of employees	(302,090)
Net cash used in operating activities	<u>(582,821)</u>
Cash flows from noncapital financing activities:	
Transfers in	346,493
Receipt of Federal aid	234,087
Net cash provided by noncapital financing activities	<u>580,580</u>
Cash flows from capital and related financing activities:	-
Cash flows from investing activities:	-
Net change in cash	(2,241)
Cash - beginning	25
Cash - ending	<u>\$ (2,216)</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (609,138)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	13,283
Value of commodities received	12,676
Decrease in inventory	1,273
Increase (decrease) in accounts payable	(809)
Increase (decrease) in accrued salaries and benefits	(106)
Total adjustments	<u>26,317</u>
Net cash used in operating activities	<u><u>\$ (582,821)</u></u>
Noncash investing, capital, and financing activities:	none

See accompanying notes to financial statements.

**FIDUCIARY FUND
FINANCIAL STATEMENTS**

**FREMONT COUNTY SCHOOL DISTRICT #38
STATEMENT OF FIDUCIARY NET POSITION
STUDENT ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2013**

Assets:

Due from General Fund	\$ 6,332
Total Assets	<u>\$ 6,332</u>

Liabilities

Due to students	\$ 6,332
Total Liabilities	<u>\$ 6,332</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS**

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

REPORTING ENTITY

For financial reporting purposes, Fremont County School District #38 (District) includes all funds, account groups, agencies, and authorities that are controlled by or dependent on the District. Oversight responsibility is determined by the extent of financial interdependency, selection of governing board, and ability to significantly influence operations. Financial interdependency results when a separate agency produces a financial benefit for or imposes a financial burden on a unit of government. Upon that occurrence, that agency becomes part of the reporting entity. Financial interdependency includes responsibility for debt. Oversight also includes accountability for fiscal matters. Fiscal authority normally includes the authority for final approval over budgetary appropriations, responsibility for funding deficits and operating deficiencies, disposal of surplus funds, control over the collection and disbursement of funds, and maintenance of title to assets.

BLENDED COMPONENT UNITS

Component units are legally separate organizations for which the District is financially accountable. A District is financially accountable for an organization if (1) the District appoints a voting majority of the organization's governing board and the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The Fremont County School District #38 Recreation District (the Recreation District) and the Arapahoe Charter High School (the Charter School) are considered to be component units of the District.

Fremont County School District #38 Recreation Board is also a legally separate, tax-exempt component unit of the District. The Recreation Board's funding is a one mill recreation levy imposed by the School Board. At the present time, most proposals for recreation projects will include facilities, construction, maintenance and operation, and equipment used by the District.

The Charter School was established on February 10, 2003, when the District's charter school application was approved by the Wyoming Department of Education as provided by Title 21, Chapter 3, Article 3 of the Wyoming Statutes. The purpose of the Charter School is to provide educational services to high school students with an emphasis on career/vocational standards. The Charter School and the District have the same Board; the District provides funding to the Charter School if the Charter School's funding from other sources is not sufficient to cover the Charter School's expenditures and the District collects the Charter School's revenues, pays the Charter School's obligations and accounts for all of the Charter School's financial transactions. The Board of the District insures the Charter School operates as required by the Charter School's charter, and

**FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

state and federal laws. The District and Charter School operate under a contract that establishes rights and obligations of each entity as it pertains to funding, compliance, and personnel.

NATURE OF OPERATIONS

The operations of the District consist of providing educational services to residents primarily residing on the Wind River Indian Reservation. The District operates under a locally elected five-member Board form of government and provides educational and supportive services as mandated by the State of Wyoming and/or federal agencies.

BASIS OF PRESENTATION

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

Government-Wide Financial Statements

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

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

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

FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

DESCRIPTION OF FUNDS

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

Governmental Funds:

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

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

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

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

FREMONT COUNTY SCHOOL DISTRICT # 38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

The following are the District's major governmental funds:

General Fund

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

Grant Programs

The Grant Programs Fund is used to account for the proceeds of specific revenue sources (excluding state major maintenance) that are legally restricted to expenditures for specified purposes. The revenue of the Grant Programs Fund consists primarily of federal and state grants.

Proprietary Funds:

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

The Food Service Fund is an enterprise fund used to account for the operations of the school breakfast and lunch programs on a self-supporting basis. The fund is sustained by charges for breakfast, lunch, government subsidized meal costs and food commodities, and transfers from the General Fund. The Food Service fund had a deficit equity balance this year. The District is anticipating that the balance will be corrected through a transfer of funds from the District's general fund during the fiscal year ending June 30, 2014.

Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net position. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the programs.

**FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Fremont County School District #38 have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting policies followed by the District are as follows:

- a) Measurement Focus and Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The government-wide, proprietary, and fiduciary fund financial statements are prepared using the economic resources and accrual basis of accounting. Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

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

**FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

a) Measurement Focus and Basis of Accounting (Continued)

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

Federal and State Grants and Entitlements

Federal and state grants and entitlements are recognized as revenue in the period the District is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by block grants, and then by general revenues.

Unearned Revenue

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

Expenses/Expenditures

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

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

Operating Revenues and Expenses

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

FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

b) Budgetary Process

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

c) Property Taxes

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

d) Cash, Cash Equivalents, and Investments

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

e) Internal Balances

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

f) Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds.

**FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

f) Capital Assets (Continued)

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 fund are reported both in the business-type activities column of the government-wide statement of net position 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 has implemented a \$2,500 capitalization policy. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. 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 useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land improvements	10 – 15 years	
Buildings and building improvements	5 – 50 years	
General Equipment	5 – 15 years	5 – 15 years
Transportation equipment	4 – 10 years	

g) Inventories

Inventories are accounted for at the lower of cost (first-in, first-out method) or market under the consumption method.

h) Compensated Absences

The District offers full-time and permanent part-time certified employees various types of leaves for illness, personal purposes, legal and civil obligations, and professional improvement. Vacation and sick benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation and sick time when earned for all eligible employees.

FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

h) Compensated Absences (Continued)

The entire compensated absence liability is reported on the government-wide financial statements.

i) Accrued Liabilities and Long-Term Obligations

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

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

j) Net Position

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

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

k) Fund Balance

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

Nonspendable Fund Balance

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

FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

k) Fund Balance (Continued)

Restricted Fund Balance

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

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

l) Estimates

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

m) New GASB Pronouncements

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

2. Budgetary Basis of Accounting

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

The major differences between the budget basis and GAAP basis are that:

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

FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Cash and Investments

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

Deposits and investments at June 30, 2013 consist of and appear in the financial statements as summarized below:

Cash and short-term investments, statement of net position	<u>\$ 12,603,093</u>
Cash in bank	\$ 2,013,072
WGIF	10,589,421
Petty cash	600
	<u>\$ 12,603,093</u>

The carrying amount of bank deposits at June 30, 2013 is \$2,013,072 and the bank balance is \$2,658,540. The differences between the carrying amount and the bank balances are due to outstanding checks and deposits not yet processed by the bank. The bank balance is covered by federal depository insurance

The District invests funds in the Wyoming Government Investment Fund (WGIF), offered through U.S. Bank. 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 Wyoming Statutes. Due to the short-term nature of the investments, WGIF reports their investments at amortized cost, which they believe approximates fair value. Generally, credit risk is the risk that an issue of an investment will not fulfill its obligation to the holder of the investment. This measured by the assignment of a rating by a nationally recognized statistical rating organization. The WGIF fund continues to hold a AAAM rating by Standard & Poor's (S&P) indicating that "safety is excellent" and the pool has "superior capacity to maintain principal value and limit exposure to loss." The rate of return depends on the underlying portfolio. The District attempts to match its investment maturities to expected cash flow needs. As of June 30, 2013, the 7 day yield of WGIF was less than 1%.

FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Reclassifications	Ending Balance
Governmental activities:					
Capital assets, not being depreciated					
Land	\$ 128,582	\$ -	\$ -	\$ -	\$ 128,582
Total capital assets, not being depreciated	128,582	-	-	-	128,582
Capital assets, being depreciated:					
Land improvements	250,183	-	-	-	250,183
Buildings and improvements	27,171,091	-	-	-	27,171,091
Equipment and contents	1,595,032	102,174	-	-	1,697,206
Transportation equipment	1,333,235	-	-	-	1,333,235
Equipment under capital lease	9,950	-	-	-	9,950
Total capital assets, being depreciated	30,359,491	102,174	-	-	30,461,665
Accumulated depreciation for:					
Land improvements	(30,578)	(16,679)	-	-	(47,257)
Buildings and improvements	(2,533,776)	(575,202)	-	-	(3,108,978)
Equipment and contents	(697,122)	(199,015)	-	-	(896,137)
Transportation equipment	(761,491)	(146,439)	-	-	(907,930)
Equipment under capital lease	(497)	(1,990)	-	-	(2,487)
Total accumulated depreciation	(4,023,464)	(939,325)	-	-	(4,962,789)
Total capital assets, being depreciated, net	26,336,027	(837,151)	-	-	25,498,876
Governmental activities capital assets, net	<u>\$ 26,464,609</u>	<u>\$ (837,151)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,627,458</u>
Business-type activities:					
Equipment	\$ 199,246	\$ -	\$ -	\$ -	\$ 199,246
Less accumulated depreciation	(25,824)	(13,283)	-	-	(39,107)
Business-type activities capital assets, net	<u>\$ 173,422</u>	<u>\$ (13,283)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,139</u>

**FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

4. Capital Assets (Continued)

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

Governmental activities:	
Instructional services	
Regular instruction	\$ 496,843
Special education	192
Vocational education	1,435
Supporting services:	
Students	24,887
Central services	5,247
School administration	33,523
Operation and maintenance of facilities	126,708
Pupil transportation	135,174
Other transportation	13,755
General administration	9,281
Other support services	92,280
Total depreciation expense, governmental activities	<u>\$ 939,325</u>

5. Long-Term Obligations

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 81,352	\$ 22,663	\$ (630)	\$ 103,385	\$ 25,846
Obligations under capital leases	9,834	-	(1,504)	8,330	1,724
Total governmental activity long-term liabilities	<u>\$ 91,186</u>	<u>\$ 22,663</u>	<u>\$ (2,134)</u>	<u>\$ 111,715</u>	<u>\$ 27,570</u>

Capital leases – The District leases a copier under a capital lease which provides for the purchase of the leased equipment for nominal amounts at the end of the lease term. The interest rate on the lease is 13.70%. Interest expense of \$1,256 as a result of the capital lease obligations is included in the government-wide statement of activities.

Accrued leave - Eligible personnel are entitled to initial vacation leave after completing nine months of service, increasing thereafter depending on the length of service. Vacation days accumulated are not paid if not used, except for twelve month administrators and classified support personnel who can be paid up to 124 hours of unused vacation upon termination. Sick leave can be accumulated up to 60 days. Amounts accrued in excess of this are paid at one-half the employee's current daily salary at the end of the school year.

FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Obligations (Continued)

Maturities on the capital lease for the year ending June 30, 2013 are as follows:

June 30,	
2014	\$ 2,760
2015	2,760
2016	2,760
2017	<u>2,530</u>
	10,810
Less: amount representing interest	<u>(2,480)</u>
Minimum Future Lease Payments	<u><u>\$ 8,330</u></u>

6. Wyoming Retirement System

All Fremont County School District #38 permanent employees participate in the Wyoming Retirement System (System), a cost-sharing, multiple employer public employee retirement system. The System provides retirement benefits at age 60 with early retirement options available. The System also provides disability and death benefits. Benefits are established by State Statute. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Wyoming Retirement System, Herschler Building, Cheyenne, Wyoming 82002 or by calling (307) 777-7691.

The System statutorily requires 14.12% of the participant's salary to be contributed to the plan. Covered employees are required to contribute 7.00% with the District contributing the remaining 7.12%. The District has elected to pay the employees' share of the required contribution into the plan for its employees. The District's contributions to the System for the years ended June 30, 2013, 2012, and 2011 were \$761,299, \$730,375, and \$803,623, respectively, equal to the required contribution for each year.

7. Net Position and Fund Balance

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

Construction Impact Aid – funds received under Impact Aid which are restricted for acquisition and improvement of sites and construction and remodel of facilities.

Capital construction – funds received which are restricted for acquisition and improvement of sites and construction and remodel of facilities.

Recreation District – Funds segregated for future recreation projects.

**FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

7. Net Position and Fund Balance (Continued)

The District has no committed funds at June 30, 2013.

The District has a retained deficit balance in its Enterprise Funds as of June 30, 2013. The District plans on correcting this through operating transfers in the 2013 – 2014 fiscal year.

8. Risk Management

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

9. Commitments, Contingencies and Subsequent Events

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 are 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.

Subsequent to the year ended June 30, 2013, the District received notification from the Wyoming Department of Education that based on the Statewide MPV Audit of Fremont County School District #38 for the period of July 1, 2001 through June 30, 2011 a repayment was due to the Department in the amount of \$28,360.

10. Interfund Balances and Activity

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Grant Programs	General Fund	\$ 2,372
General Fund	Food Service Fund	200,678
General Fund	Agency Fund	6,332

**FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

10. Interfund Balances and Activity (Continued)

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made. All amounts will be repaid within the next fiscal year.

Transfers during the year are as follows:

Transfer To Receiving Fund	Transfer From Paying Fund	Amount
Enterprise Fund	General Fund	\$ 346,493
Grants Program	General Fund	2,372

The transfer to the enterprise fund from the general fund was a transfer of unrestricted funds to cover operations of the food service program. The transfer to the grant programs fund was to transfer a residual amount. All transfers are in the normal course of District operations.

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT COUNTY SCHOOL DISTRICT #38
BUDGETARY COMPARISON SCHEDULE
BUDGET (NON-GAAP) TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Local sources	\$ 91,700	\$ 91,700	\$ 99,742	\$ 8,042
County sources	251,500	251,500	309,217	57,717
State sources	8,170,000	8,170,000	8,510,194	340,194
Federal sources	2,000,000	2,000,000	3,290,950	1,290,950
Interest income	6,000	6,000	6,714	714
Total revenues	<u>10,519,200</u>	<u>10,519,200</u>	<u>12,216,817</u>	<u>1,697,617</u>
Expenditures:				
Current:				
Regular instruction	4,410,588	4,410,588	4,396,806	13,782
Special education	1,119,576	1,119,576	1,106,111	13,465
Vocational education	21,300	21,300	20,575	725
Supporting services:				
Students	650,410	650,410	618,450	31,960
Instructional staff	635,133	635,133	310,393	324,740
Central services	563,183	563,183	896,506	(333,323)
School administration	616,055	616,055	546,047	70,008
Business	603,150	603,150	548,068	55,082
Operation and maintenance of facilities	1,223,362	1,223,362	1,217,487	5,875
Pupil transportation	647,123	647,123	645,206	1,917
General administration	189,550	189,550	190,008	(458)
Other transportation	2,000	2,000	1,320	680
Other objects	475,124	475,124	21,658	453,466
Total expenditures	<u>11,156,554</u>	<u>11,156,554</u>	<u>10,518,635</u>	<u>637,919</u>
Other financing sources (uses):				
Transfer out	(400,000)	(400,000)	(346,493)	53,507
	<u>(400,000)</u>	<u>(400,000)</u>	<u>(346,493)</u>	<u>53,507</u>
Excess of revenues over (under) expenditures and other financing uses	<u>\$ (1,037,354)</u>	<u>\$ (1,037,354)</u>	<u>\$ 1,351,689</u>	<u>\$ 2,389,043</u>

RECONCILIATION TO THE GAAP BASIS:

Excess (deficiency) of revenues over (under) expenditures and other financing sources accruals	\$ 1,351,689
Revenue accruals	152,602
Expenditures accruals	(156,706)
Other financing sources accruals	(2,372)
Net change in fund balance - GAAP Basis	<u>\$ 1,345,213</u>

FREMONT COUNTY SCHOOL DISTRICT #38
BUDGETARY COMPARISON SCHEDULE
BUDGET (NON-GAAP) TO ACTUAL
GRANT PROGRAMS FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local sources	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
State sources	130,000	130,000	146,728	16,728
Federal sources	1,918,093	1,918,093	1,014,014	(904,079)
Total revenues	<u>2,053,093</u>	<u>2,053,093</u>	<u>1,165,742</u>	<u>(887,351)</u>
Expenditures:				
Current:				
Regular instruction	192,008	192,008	17,375	174,633
Special education	1,697,878	1,697,878	1,041,353	656,525
Vocation education	25,000	25,000	-	25,000
Instructional Staff	299,531	299,531	156,876	142,655
Total expenditures	<u>2,214,417</u>	<u>2,214,417</u>	<u>1,215,604</u>	<u>998,813</u>
Other financing uses:				
Transfer from General Fund	-	-	2,372	2,372
	<u>-</u>	<u>-</u>	<u>2,372</u>	<u>2,372</u>
Excess of revenues (under) over expenditures	<u>\$ (161,324)</u>	<u>\$ (161,324)</u>	<u>\$ (47,490)</u>	<u>\$ 113,834</u>

RECONCILIATION TO THE GAAP BASIS:

Excess (deficiency) of revenues over (under) expenditures	\$ (47,490)
Revenue accruals	111,805
Expenditure accruals	(64,315)
Net change in fund balance - GAAP basis	<u>\$ -</u>

FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

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

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

OTHER SUPPLEMENTAL INFORMATION

**FREMONT COUNTY SCHOOL DISTRICT #38
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>Recreation Board</u>	<u>Capital Construction Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:			
Cash and investments	\$ 17,629	\$ 281,346	\$ 298,975
Total assets	<u>\$ 17,629</u>	<u>\$ 281,346</u>	<u>\$ 298,975</u>
Liabilities and Fund Balances:			
Liabilities:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:			
Restricted for:			
Recreation District	17,629	-	17,629
Capital projects	-	281,346	281,346
Total fund balances	<u>17,629</u>	<u>281,346</u>	<u>298,975</u>
Total liabilities and fund balances	<u>\$ 17,629</u>	<u>\$ 281,346</u>	<u>\$ 298,975</u>

**FREMONT COUNTY SCHOOL DISTRICT #38
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Recreation District	Capital Construction Fund	Total Nonmajor Governmental Funds
Revenues:			
Local sources	\$ 3,700	\$ -	\$ 3,700
State sources	-	59,178	59,178
Interest	-	158	158
Total revenues	<u>3,700</u>	<u>59,336</u>	<u>63,036</u>
Expenditures:			
Current:			
Supporting services:			
Students	7,050	-	7,050
Operation and maintenance of facilities	-	97,434	97,434
Total expenditures	<u>7,050</u>	<u>97,434</u>	<u>104,484</u>
Net change in fund balances	(3,350)	(38,098)	(41,448)
Fund balances - beginning	<u>20,979</u>	<u>319,444</u>	<u>340,423</u>
Fund balances - ending	<u>\$ 17,629</u>	<u>\$ 281,346</u>	<u>\$ 298,975</u>

FREMONT COUNTY SCHOOL DISTRICT #38
SCHEDULE OF BALANCE SHEETS
GRANT PROGRAMS
JUNE 30, 2013

Grantor/Program Title	Pass-Through Grantor's Number	ASSETS			Total Assets
		Cash	Due from Other Governments	Internal Balances	
U.S. Department of Education					
Title I	120738T1A00	\$ -	\$ -	\$ -	\$ -
	110738T1A00	(132,646)	158,113	-	25,467
School Improvement Grants - ARRA	120738120300	522	-	-	522
	130738120300	(80,712)	171,792	-	91,080
English Language Acquisition State Grant	N/A	2,607	-	-	2,607
Indian Education Grants to Local Education	N/A	(66,128)	77,045	2,372	13,289
Title VI-B Preschool	130738IPA00	(2,035)	2,035	-	-
Title VI-B/ Special Education	120738VIB00	309	-	-	309
	110738VIB00	(29,965)	30,128	-	163
Title IIA	120738T2A00	(18,984)	26,476	-	7,492
21st Century Community Learning Centers		1,858	-	-	1,858
McKinney Vento Grant	N/A	4,986	-	-	4,986
Education Jobs Funds - ARRA	110738AEDJ00	39,382	-	-	39,382
U.S. Department of Labor					
Workforce Development Grants	N/A	-	-	-	-
U.S. Department of Interior					
Johnson O'Malley	N/A	(50)	50	-	-
Johnson O'Malley	N/A	9,451	-	-	9,451
Wyoming Department of Education					
Wyoming Bridges Skills	715713MAY13	(12,240)	14,443	-	2,203
Instructional Facilitor	N/A	10,498	-	-	10,498
		<u>\$ (273,147)</u>	<u>\$ 480,082</u>	<u>\$ 2,372</u>	<u>\$ 209,307</u>

<u>LIABILITIES</u>			
<u>Accounts Payable</u>	<u>Accrued Expenses</u>	<u>Deferred Revenue</u>	<u>Total Liabilities and Fund Equity</u>
\$ -	\$ -	\$ -	\$ -
-	25,467	-	25,467
-	522	-	522
90,908	172	-	91,080
-	-	2,607	2,607
-	13,289	-	13,289
-	-	-	-
-	309	-	309
-	163	-	163
-	7,492	-	7,492
-	1,858	-	1,858
-	-	4,986	4,986
-	-	39,382	39,382
-	-	-	-
-	-	-	-
21	-	9,430	9,451
2,203	-	-	2,203
-	7,442	3,056	10,498
<u>\$ 93,132</u>	<u>\$ 56,714</u>	<u>\$ 59,461</u>	<u>\$ 209,307</u>

FREMONT COUNTY SCHOOL DISTRICT #38
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING USES
GRANT PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2013

Grantor/Program Title	Pass-Through Grantor's Number	REVENUES			
		Local	Federal	State	Total Revenue
<u>U.S. Department of Education</u>					
Title I	120738T1A00	\$ -	\$ 32,582	\$ -	\$ 32,582
	130738T1A00	-	396,407	-	396,407
School Improvement Grants - ARRA	120738120300	-	4,532	-	4,532
	130738120300	-	342,587	-	342,587
English Language Acquisition State Grant	N/A	-	-	-	-
Indian Education Grants to Local Education	N/A	-	136,512	-	136,512
Title VI-B Preschool	130738IPA00	-	2,035	-	2,035
Title VI-B/ Special Education	130738VIB00	-	106,195	-	106,195
Title IIA	120738T2A00	-	79,576	-	79,576
Technology Literacy Challenge Grants		-	-	-	-
21st Century Community Learning Centers		3,142	-	-	3,142
McKinney Vento Grant	N/A	-	1,140	-	1,140
Education Jobs Funds - ARRA	110738AEDJ00	-	13,374	-	13,374
<u>U.S. Department of Labor</u>					
Workforce Development	N/A	-	6,818	-	6,818
<u>U.S. Department of Interior</u>					
Johnson O'Malley	N/A	-	50	-	50
Johnson O'Malley	N/A	-	817	-	817
<u>Wyoming Department of Education</u>					
Wyoming Bridges Skills	715713MAY12	-	-	78,422	78,422
Instructional Facilitor	N/A	-	-	73,358	73,358
		<u>\$ 3,142</u>	<u>\$ 1,122,625</u>	<u>\$ 151,780</u>	<u>\$ 1,277,547</u>

EXPENDITURES			
Instruction	Instructional Support	Total Expenditures	Fund Transfers
\$ 32,582	\$ -	\$ 32,582	\$ -
396,407	-	396,407	-
4,532	-	4,532	-
342,587	-	342,587	-
-	-	-	-
138,884	-	138,884	(2,372)
2,035	-	2,035	-
106,195	-	106,195	-
-	79,576	79,576	-
-	-	-	-
3,142	-	3,142	-
1,140	-	1,140	-
13,374	-	13,374	-
6,818	-	6,818	-
50	-	50	-
817	-	817	-
78,422	-	78,422	-
-	73,358	73,358	-
<u>\$ 1,126,985</u>	<u>\$ 152,934</u>	<u>\$ 1,279,919</u>	<u>\$ (2,372)</u>

FREMONT COUNTY SCHOOL DISTRICT #38
DETAIL SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

District

25 Mill district tax	\$ 99,726
Motor vehicle tax	24,154
Penalties, interest, and other	1,913
Rent of school property	3,466
Miscellaneous	6
	<hr/>
Total District	<u>\$ 129,265</u>

County

6 Mill county tax	\$ 362,373
Motor vehicle tax	36,570
Car company tax	603
Fines and forfeitures	31,124
Forest reserve	1,617
	<hr/>
Total County	<u>\$ 432,287</u>

State

Foundation program entitlement	<u>\$ 8,510,193</u>
Total State	<u>\$ 8,510,193</u>

Federal

School Assistance in Federally Affected Areas (PL 103-382)	<u>\$ 3,290,950</u>
Total Federal	<u>\$ 3,290,950</u>

Interest

	<u>\$ 6,724</u>
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FREMONT COUNTY SCHOOL DISTRICT #38
DETAIL SCHEDULE OF EXPENDITURES AND TRANSFERS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

Instruction	
Salaries	\$ 2,951,362
Employee benefits	1,632,273
Purchased services	978,932
Supplies and materials	203,852
Capital outlay	19,776
Other	250
Total Instruction	<u>\$ 5,786,445</u>
Instructional Support	
Salaries	\$ 395,867
Employee benefits	202,097
Purchased services	306,346
Supplies and materials	97,729
Capital outlay	66,262
Other	2,724
Total Instructional Support	<u>\$ 1,071,025</u>
General Support	
Salaries	\$ 1,687,617
Employee benefits	920,103
Purchased services	657,740
Supplies and materials	486,312
Capital outlay	14,958
Other	51,141
Total General Support	<u>\$ 3,817,871</u>
Operating Transfers Out	
Transfers to Special Revenue Fund	2,372
Transfers to Food Service Fund	346,493
Total Operating Transfers Out	<u>\$ 348,865</u>

FREMONT COUNTY SCHOOL DISTRICT #38
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Expenditures
U.S. Department of Education:			
Direct funding:			
School Assistance in Federally Affected Areas (PL 103-382)	84.041	N/A	\$ 3,290,950
Indian Education Grants to Local Education Agencies	84.060A	N/A	136,512
Passed through Wyoming Department of Education:			
Title I	84.010A	130738T1A00	396,407
		120738T1A00	32,582
School Improvement Grants, ARRA	84.388A	130738120300	342,587
		120738120300	4,532
Special Education	84.027A	130738VIB00	106,195
Title IIA	84.367A	120738T2A00	79,576
Title VI-B Preschool	84.173A	130738IPA00	2,035
Education Jobs Fund - ARRA	84.410A	110738AEDJ00	13,374
McKinney Vento	84.196	N/A	1,140
Total U.S. Department of Education			4,405,890
U. S. Department of Agriculture:			
Passed through Wyoming Department of Education:			
Child Nutrition Cluster			
National School Breakfast Program	10.553	N/A	71,232
National School Lunch Program	10.555	N/A	148,446
National School Lunch Program Commodities	10.555	N/A	12,676
Fresh Fruits and Vegetable Program	10.582	N/A	13,554
Total U. S. Department of Agriculture			245,908
U.S Department of Labor:			
Passed through Wyoming Workforce Services			
Student Worker Services	17.259	N/A	6,818
U.S. Department of Interior:			
Passed through Bureau of Indian Affairs and Joint Business Council:			
Johnson O'Malley	15.130	N/A	50
		N/A	817
Total Expenditures of Federal Awards			\$ 4,659,483

FREMONT COUNTY SCHOOL DISTRICT #38
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1. General

The schedule of expenditures of federal awards presents the activity of all federal award programs of Fremont County School District #38. The District reporting entity is defined in Note 1 to the District's basic financial statements. All federal financial awards received directly from federal agencies as well as federal financial awards passed through other governmental agencies are included on the schedule. Of the federal expenditures presented in the schedule, the District provided no federal awards to subrecipients.

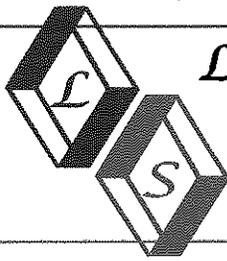
Note 2. Basis of Accounting

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

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

Note 3. Commodities

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



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

To the Board of Trustees
Fremont County School District #38
Arapahoe, Wyoming

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fremont County School District #38 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Fremont County School District #38's basic financial statements and have issued our report thereon dated March 21, 2014.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Fremont County School District #38'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 Fremont County School District #38's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fremont County School District #38's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the schedule of findings and questioned costs as item 2013-1 and 2013-2 to be a material weakness.

Roxy L. Skogen, CPA, CFE

Michael J. Cometto, CPA, CFE

A *significant deficiency* is a deficiency, or 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. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fremont County School District #38's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Fremont County School District #38's Response to Findings

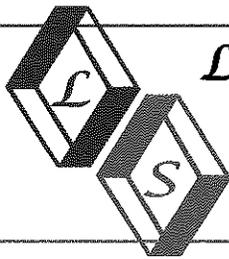
Fremont County School District #38's response to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit Fremont County School District #38's response and, accordingly, we express no opinion on it.

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 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.

Lovelett, Skogen & Associates, P.C.

Casper, Wyoming
March 21, 2014



**LOVELETT,
SKOGEN &
ASSOCIATES, P.C.**

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

To the Board of Trustees
Fremont County School District #38
Arapahoe, Wyoming

Report On Compliance for Each Major Federal Program

We have audited Fremont County School District #38's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Fremont County School District #38's major federal programs for the year ended June 30, 2013. Fremont County School District #38's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Fremont County School District #38's major federal programs based on our audit of the types of compliance requirements referred above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fremont County School District #38's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Basis of Qualified Opinion on the Prior Year Data Collection Form Filing Package

As described in the accompanying schedule of findings and questioned costs, Fremont County School District #38 did not comply with the requirements of §.320, Report Submission, of OMB Circular A-133 for the year ending June 30, 2012 as described in finding number 2013-3. Compliance with such

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Michael J. Cometto, CPA, CFE

requirements is necessary, in our opinion, for Fremont County School District #38 to comply with the requirements applicable to their federal awards.

Qualified Opinion on Prior Year Data Collection Form Filing Package

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Fremont County School District #38, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the reporting requirements under §.320 of OMB Circular A-133 for the year ending June 30, 2012.

Unmodified Opinion on Each of the Major Federal Programs

In our opinion, Fremont County School District #38 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Fremont County School District #38's responses to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Fremont County School District #38's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Fremont County School District #38 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Fremont County School District #38's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Fremont County School District #38's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the schedule of findings and questioned costs as item 2013-2 to be a material weakness.

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. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

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.

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fremont County School District #38, 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. We issued our report thereon dated March 21, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

Lovelett, Skogen & Associates, P.C.

Casper, Wyoming
March 21, 2014

FREMONT COUNTY SCHOOL DISTRICT #38
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF AUDITORS' RESULTS

(d)(1)(i)	Type of auditors' report issued?	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions noted at the financial statement level?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other reportable 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 findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	
	Name of Federal Program or Cluster	CFDA Numbers
	Title I	84.010A
	School Improvement Grants	84.388A
	School Assistance in Federal Affected Areas (PL 103-382)	84.041
(d)(1)(viii)	Dollar threshold: Type A/B programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low risk auditee?	No

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

2013-1, 2013-2

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

2013-2, 2013-3

**FREMONT COUNTY SCHOOL DISTRICT #38
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013**

Section II – Financial Statement Findings:

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

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

Internal control consists of five interrelated components:

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

Condition: The District has established various components of internal control; however, it has not addressed all categories of internal control and has inherent limitations due to its limited size. We noted the following deficiencies which are considered to be material weaknesses:

The District has established its control activities over time to limit risk of error or fraud. However, the District is limited in size which reduces its ability to adequately segregate duties. Examples of the specific areas this affects include the following:

The Assistant Superintendent of Business/Finance has complete access to all accounting activities as well as approval authority for purchases and access to signature plates. The District has implemented various controls to monitor disbursements including the Superintendent reviewing unopened bank statements for unusual activities.

Payroll – Currently, all duties other than the bank reconciliation process are performed by one individual. All contracts and other employee pay are entered by the Payroll Clerk. The verification of time cards, entry into the system, preparing checks including facsimile signature, transmission to financial institution, etc. are completed by the Payroll Clerk. Written guidance is not provided to the Payroll Clerk and employees on necessary control components within the payroll process. The Assistant Superintendent noted that she is reviewing the payroll preparation, but that it is not documented.

Bank reconciliations – The District did not perform monthly bank reconciliations during the year.

**FREMONT COUNTY SCHOOL DISTRICT #38
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013**

Section II – Financial Statement Findings (Continued):

Condition (Continued):

Investments – Investment activities are performed by one individual.

Effect: The control deficiencies result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Recommendation: As noted above, the District has limited resources and may not be able to correct the deficiencies noted above. The District should assess control risk and when possible establish compensating controls.

The District should establish written payroll procedures. Prior to the first payment under the contract of the year, a policy should have employees complete a written election on the number of paychecks to be received and mandate all changes be written. All changes should be reviewed and approved by someone other than the Payroll Clerk or person making the change in the computer system. As controls and procedures are implemented, individuals involved need to be informed of the components of the internal control system and how important their duties are in fulfilling key control areas.

Response: Fremont County School District #38 has established its internal control over time to limit risk of error or fraud. We are a small district and have put in place as much segregation of duties as possible. Several controls have been established that will help limit risk and/or error. Our bank reconciliations are now current, and procedures have been established that require all bank accounts be reconciled by the 25th of each month. The district is also in the process of splitting our sweep account into separate accounts to aid in the reconciliation process as recommended.

Our district has also created policies that will ensure that the payroll clerk will not have total control over the payroll procedure each pay period. Written guidance has been established which allows for time card calculation, report of payroll entries, direct deposits and bank transfers to be reviewed and approved by the business manager and/or other office staff. The district is in the process of changing to a computerized time clock system, which should significantly diminish errors in time card calculations.

An additional control will be fiscal training for the School Principals and other Administrators. It is important that all involved in the control structure fully understand their roles and the element of control they provide such as purchase request, budget review, time card approval, etc.

**Finding 2013-3: Reporting
Material Weakness**

See description following in Section III below.

**FREMONT COUNTY SCHOOL DISTRICT #38
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013**

Section III – Findings and Questioned Costs for Federal Awards:

Finding 2013-2: Internal Control Structure

Title 1 Grants in Local Educational Agencies, 84.010 – US Department of Education

Material Weakness

Criteria: District personnel are required to be paid based on contracts approved by the District, employee and Board of Trustees.

Condition: During the audit of monthly payroll for the Title 1 grants for the current year it was noted an employee was over paid each pay period by approximately \$40 based on the approved contract of \$17.75 per hour, per day (8 hours), for a 185 day school year. The contract base computed to \$26,270 spread over 26 pay periods would be approximately \$1,010 and the employee was paid approximately \$1,051 base. Total overpayment computed to \$1,051.

Effect: Title 1 was improperly charged for wages in excess of the approved contract amount by \$1,051.

Recommendation: The District should implement procedures to more closely monitor the computation of payroll based on approved contracts.

Response: At the beginning of each contract year, a checklist has been created to acknowledge each employee's salary, the elected number of pay periods, and amount to be paid each pay period. The checklist will be signed by the payroll clerk, business manager, and employee. This signed checklist, a copy of the minutes, salary schedule, and school calendar will be placed in the personnel file. Also, the annual input of all salary and wage information into the payroll system will be reviewed by the business manager before the start of the new fiscal year. Each year all supervisors and staff will be trained in fiscal procedures to emphasize the importance of their roles and the element of control they provide to each of our fiscal procedures.

Finding 2013-3: Reporting

Data Collection Form Reporting Package Year Ending June 30, 2012

Material Noncompliance

Criteria: Per §.320 Reporting of OMB Circular A-133, the Data Collection Form and Reporting Package shall be submitted within 30 days after receipt of the auditors' reports, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Condition: The District's June 30, 2012 Data Collection Form and Reporting Package was due March 31, 2013, but was not filed until May 28, 2013.

Effect: The District was not in compliance with the filing deadline set under Single Audit requirements.

**FREMONT COUNTY SCHOOL DISTRICT #38
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013**

Section III – Findings and Questioned Costs for Federal Awards (Continued):

Recommendation: The District should implement procedures to more closely monitor due dates of various reporting deadlines and ensure the reports are filed timely. The District should also try to maintain some consistency in the managerial personnel working in the Business office to ensure the knowledge of filing deadlines are known and followed. We also recommend that the District consider providing continuing education to these individuals in the areas of grant, Single Audit, and governmental financial reporting matters to help ensure they have the necessary knowledge to properly understand the reporting requirements.

Response: The district has put in place procedures where the business manager, superintendent and the board of trustees are given a list of all fiscal reporting deadlines. The superintendent holds a weekly meeting with the business manager to review deadlines of all fiscal reports for timely and accurate submission. Weekly updates are reported to the superintendent and then the superintendent reports to the board of trustees the progress and submissions of fiscal reports. The district is maintaining consistency in the business office by offering the business manager a contract for the 2014-2015 school year. Business office personnel will take advantage of all training offered pertaining to grant, single audit, and governmental financial reporting matters.

**FREMONT COUNTY SCHOOL DISTRICT #38
RESOLUTION OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

**Finding 2012-1: Internal Control Structure
Material Weakness**

Condition: The District has established various components of internal control; however, it has not addressed all categories of internal control and has inherent limitations due to its limited size. We noted the following deficiencies which are considered to be material weaknesses:

The District has established its control activities over time to limit risk of error or fraud. However, the District is limited in size which reduces its ability to adequately segregate duties. Examples of the specific areas this affects include the following:

The Assistant Superintendent of Business/Finance has complete access to all accounting activities as well as approval authority for purchases and access to signature plates. The District has implemented various controls to monitor disbursements including the Superintendent reviewing unopened bank statements for unusual activities.

Payroll – Currently, all duties other than the bank reconciliation process are performed by one individual. All contracts and other employee pay are entered by the Payroll Clerk. The verification of time cards, entry into the system, preparing checks including facsimile signature, transmission to financial institution, etc. are completed by the Payroll Clerk. Written guidance is not provided to the Payroll Clerk and employees on necessary control components within the payroll process. The Assistant Superintendent noted that he is reviewing the payroll preparation, but that it is not documented.

Bank reconciliations – The District did not perform monthly bank reconciliations during the year.

Investments – Investment activities are performed by one individual.

Resolution: The District will continue to review the process and make changes where deemed appropriate to provide for further segregation of duties. Due to the limited size of the staff involved in the accounting functions, the District will continue to rely on after the fact monitoring as a compensating control for the limited segregation of duties. See current year finding 2013-1.

**Finding 2012-2: Documentation of pay rates
Material Weakness**

Condition: During our testing of payroll transactions 22 out of the 60 tested did not have documentation for the hourly pay.

Resolution: The District implemented changes during the current year to fix this issue and no findings were noted in the current year.

FREMONT COUNTY SCHOOL DISTRICT #38
RESOLUTION OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Finding 2012-3: Monitoring
Material Weakness

Condition: During the audit of capital assets for the current year it was noted that the asset additions added to the District's depreciation schedule during the fiscal year ending June 30, 2011 did not have any depreciation expense computed on them requiring a prior period adjustment to be necessary to the statement of activities in the amount of \$422,535.

Resolution: The District implemented procedures to remedy this issue and the depreciation schedule was reviewed during the current year audit with no findings noted.

Finding 2012-4: Improper Reporting
School Assistance in Federally Affected Areas, 84.041 – US Department of Education
Material Weakness

Condition: The Impact Aid application for the school year 2011 – 2012 submitted by the District on 1/31/2012 improperly reported special instruction kids under both Table 1 and Table 3.

Resolution: The District implemented procedures to ensure correct reporting on the application. No findings were noted in the current year.

Finding 2012-5: Time and Effort Logs
Title I, 84.010A - Department of Education
Title IIA, 84.367A - Department of Education
Passed through the Wyoming Department of Education, July 1, 2011 through June 30, 2012
Significant Deficiency

Condition: The District's semi-annual certification for an employee did not identify the Federal program and was not signed by the supervisor. The time and effort logs for an individual did not support the allocation used by the District.

Resolution: The District implemented procedures to ensure proper documentation and no findings were noted in the current year.