

GOSHEN COUNTY SCHOOL DISTRICT #1

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Honorable Superintendent and
Board of Trustees
Goshen County School District #1
Torrington, 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 Goshen County School District #1 (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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 the District 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 management's discussion and analysis on pages 3 through 7, the budgetary comparison information on pages 30 through 34, and the schedule of funding progress on page 35, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and schedule of expenditures of Federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and schedule of expenditures of Federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013 on our consideration of the District'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 the District's internal control over financial reporting and compliance.

McLee, Hearne & Paiz, LLP

Cheyenne, Wyoming
December 4, 2013

GOSHEN COUNTY SCHOOL DISTRICT #1

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Goshen County School District One, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the District's financial statements, notes to the financial statements and various supplementary information, which follow this section.

Financial Highlights

The District's total combined net position was \$45,403,259 at June 30, 2013 which compares to \$45,023,113 at the beginning of the fiscal year, an increase of \$380,146 (0.84%).

The District's revenue generated in taxes and other revenues for governmental and business-type activities was \$34,248,900. For the District's governmental and business-type activities total expenses were \$33,868,754.

Overview of the Financial Statements

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

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

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, fluctuations from year to year need to be reviewed in light of the timing of funding.

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

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. Such information may be useful in evaluating a government's near-term financing requirements. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities reported in the statement of net position and the statement of activities and the governmental funds are reconciled in the financial statements. The general fund and Federal and state grants fund are considered major. The other governmental funds of the District, consisting of the major maintenance fund, recreation fund, and capital projects fund are presented as non-major governmental funds in the fund financial statements.

Proprietary funds. Proprietary funds are used to account for services for which the District charges participants a fee. These funds, like the government-wide statements, provide both long- and short-term financial information. The food service fund is in this category for the District, presented under business-type activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is the trustee, or fiduciary, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. The District has two funds in this category, the student activities fund and the BOCES fund.

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

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

Financial Analysis of the District as a Whole

The statement of net position provides the perspective of the District as a whole. The following provides a summary of the District's net position at June 30, 2013 and 2012:

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District	
	2012	2013	2012	2013	2012	2013
Current and other assets	\$13,889,617	\$14,494,200	\$ 266,216	\$ 154,015	\$14,155,833	\$14,648,215
Capital assets	39,465,935	39,914,338	103,966	91,419	39,569,901	40,005,757
Total assets	\$53,355,552	\$54,408,538	\$ 370,182	\$ 245,434	\$53,725,734	\$54,653,972
Other liabilities	\$ 8,345,498	\$ 8,771,094	\$ 27,422	\$ 33,190	\$ 8,372,920	\$ 8,804,284
Long-term liabilities	329,701	446,429	-	-	329,701	446,429
Total liabilities	\$ 8,675,199	\$ 9,217,523	\$ 27,422	\$ 33,190	\$ 8,702,621	\$ 9,250,713
Net position:						
Net investment in capital assets	\$39,465,935	\$39,647,588	\$ 103,966	\$ 91,419	\$39,569,901	\$39,739,007
Restricted	771,121	243,356	-	-	771,121	243,356
Unrestricted	4,443,297	5,300,071	238,794	120,825	4,682,091	5,420,896
Total net position	\$44,680,353	\$45,191,015	\$ 342,760	\$ 212,244	\$45,023,113	\$45,403,259

The net investment in capital assets is \$39,739,007, which is the net book value of capital assets (e.g., land, buildings, equipment) of \$40,005,757, less any related debt used to acquire those assets that is still outstanding of \$266,750. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. An additional portion of the District's net position of \$243,356 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$5,420,896 may be used to meet the District's ongoing obligations.

The District's total net position increased by \$380,146 during the year ended June 30, 2013. The total cost of all governmental activities this year was \$32,881,829 and of the business-type activity was \$986,925. The amount paid by the State Foundation Program was \$22,448,587 or 66% of revenues.

Changes in the District's Net Position

	Governmental Activities		Business-Type Activities		Total School District	
	2012	2013	2012	2013	2012	2013
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 299,267	\$ 210,493	\$ 299,267	\$ 210,493
Operating grants and contributions	3,546,796	3,015,070	574,804	520,916	4,121,600	3,535,986
Capital grants and contributions	1,410,176	117,965	-	-	1,410,176	117,965
General revenues:						
Taxes	5,795,210	6,297,247	-	-	5,795,210	6,297,247
Governmental aid	23,666,151	23,931,311	-	-	23,666,151	23,931,311
Miscellaneous	242,826	155,898	-	-	242,826	155,898
Transfers	(150,000)	(125,000)	150,000	125,000	-	-
Total revenues	34,511,159	33,392,491	1,024,071	856,409	35,535,230	34,248,900
Expenses:						
Regular instruction	13,318,932	13,445,828	-	-	13,318,932	13,445,828
Special Ed instruction	4,063,445	4,157,633	-	-	4,063,445	4,157,633
Vocational instruction	1,121,597	1,129,305	-	-	1,121,597	1,129,305
Pupil services	2,015,988	2,062,708	-	-	2,015,988	2,062,708
Instructional staff services	1,675,047	1,469,298	-	-	1,675,047	1,469,298
General admin. services	222,496	232,834	-	-	222,496	232,834
School admin. services	1,693,669	1,815,901	-	-	1,693,669	1,815,901
Business services	671,248	657,400	-	-	671,248	657,400
O & M of plant services	4,178,986	4,209,386	-	-	4,178,986	4,209,386
Pupil transportation	2,165,267	2,126,985	-	-	2,165,267	2,126,985
Central services	1,518,423	1,236,468	-	-	1,518,423	1,236,468
Facilities, acquisitions, and construction fees	493,502	338,083	-	-	493,502	338,083
Enterprise funds	-	-	1,080,500	986,925	1,080,500	986,925
Total expenses	33,138,600	32,881,829	1,080,500	986,925	34,219,100	33,868,754
Change in net position	\$ 1,372,559	\$ 510,662	\$ (56,429)	\$ (130,516)	\$ 1,316,130	\$ 380,146

Financial Analysis of the District's Funds

Governmental Funds:

Revenues. General fund revenues increased from \$28,677,067 in FY2012 to \$28,775,684 in FY2013. There was an increase of \$510,497 in funding from the local taxes, which was offset by a decrease of \$333,603 from intergovernmental revenues. General fund revenues were more than budget by \$457,387.

Federal and state grants revenue decreased by \$791,658 due to a reduction of Federal funding.

Expenditures. The total expenditures of the general fund, was \$28,298,440 in 2013 compared to \$28,171,043 in 2012. The majority of the increase in expenditures was due to additional instruction costs, offset by reduced support services and capital outlay. General fund expenditures were \$311,610 less than budget.

Proprietary fund. The food service fund is operating at a deficit despite having increased lunch prices in an effort to offset the deficit. This is mainly due to a reduction in the number of lunches served during the year, combined with an increase in cost per meal served. In order to offset the increased expenses, it was necessary to transfer funds from the general fund.

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2013 amounts to \$39,914,338 (net of accumulated depreciation). This investment in capital assets includes land, site improvements, in-progress construction, buildings and equipment (which include vehicles and buses).

**District's Capital Assets (Governmental Activities)
(Net of Depreciation)**

	2012	2013
Land	\$ 435,315	\$ 435,315
Construction in Progress	2,425,316	560,124
Buildings	34,782,797	37,001,139
Equipment	357,518	471,288
Vehicles	1,464,989	1,446,472
	\$39,465,935	\$39,914,338

**District's Capital Assets (Business-Type Activities)
(Net of Depreciation)**

	2012	2013
Equipment	\$ 103,966	\$ 91,419

Additional information on the District's capital assets can be found in Note 3 of this report.

Long-term debt. The District incurred long-term debt for accrued compensated absences and capital lease obligation in the amounts of \$41,575 and \$266,750, respectively. Long-term debt was reduced by \$42,875. The District also recorded a net OPEB obligation of \$111,036 as of June 30, 2013. Additional information on the District's long-term debt can be found in Notes 4 and 9 of this report.

Factors affecting the District's future. The continued uncertainty in funding, the District's varying enrollment and its relationship to funding and the capital facilities commissions' involvement in Major Maintenance funding will play a major role in the amount of revenue received by the District. The District must continue to be cautious in all decisions affecting the financial position of the District.

Requests for information. This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Marcy Cates, Business Manager, 626 West 25th Avenue, Torrington, Wyoming 82240.

BASIC FINANCIAL STATEMENTS

GOSHEN COUNTY SCHOOL DISTRICT #1

STATEMENT OF NET POSITION
June 30, 2013

ASSETS	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Current Assets			
Cash	\$ 8,746,001	\$ 118,348	\$ 8,864,349
Cash held by County Treasurer	22,817	-	22,817
Property taxes receivable	5,176,153	-	5,176,153
Accounts receivable, granting agencies	375,213	-	375,213
Accounts receivable	93,237	18,503	111,740
Internal balances	(565)	565	-
Inventory	-	15,460	15,460
Prepaid items	81,344	1,139	82,483
Total current assets	14,494,200	154,015	14,648,215
Capital Assets			
Land and construction in progress	995,439	-	995,439
Depreciable buildings, vehicles and equipment, net of accumulated depreciation	38,918,899	91,419	39,010,318
Total noncurrent assets	39,914,338	91,419	40,005,757
Total assets	54,408,538	245,434	54,653,972
LIABILITIES			
Current Liabilities			
Accounts payable	409,817	18,270	428,087
Accrued salaries payable	2,278,082	3,458	2,281,540
Accrued employee benefits payable	887,903	11,462	899,365
Deferred revenue	5,098,600	-	5,098,600
Accrued compensated absences, due within one year	42,875	-	42,875
Capital lease obligation, due within one year	53,817	-	53,817
Total current liabilities	8,771,094	33,190	8,804,284
Noncurrent Liabilities			
Accrued compensated absences, due in more than one year	122,460	-	122,460
Capital lease obligation, due in more than one year	212,933	-	212,933
Net OPEB obligation	111,036	-	111,036
Total noncurrent liabilities	446,429	-	446,429
Total liabilities	9,217,523	33,190	9,250,713
NET POSITION			
Net Investment in Capital Assets	39,647,588	91,419	39,739,007
Restricted for:			
Maintenance	106,102	-	106,102
Recreation projects and other purposes	137,254	-	137,254
Unrestricted	5,300,071	120,825	5,420,896
Total net position	\$ 45,191,015	\$ 212,244	\$ 45,403,259

See Notes to Financial Statements.

GOSHEN COUNTY SCHOOL DISTRICT #1

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Instruction:				
Regular instruction	\$ 13,445,828	\$ -	\$ 1,135,007	\$ -
Special education instruction	4,157,633	-	838,308	-
Vocational education	1,129,305	-	53,670	-
Support services:				
Pupil services	2,062,708	-	-	-
Instructional staff services	1,469,298	-	938,680	-
General administration services	232,834	-	44,577	-
School administration services	1,815,901	-	-	-
Business services	657,400	-	-	-
Operation and maintenance of plant services	4,209,386	-	-	-
Pupil transportation services	2,126,985	-	4,828	-
Central support services	1,236,468	-	-	-
Facilities, acquisitions and construction services	338,083	-	-	117,965
Total governmental activities	32,881,829	-	3,015,070	117,965
Business-Type Activities				
Nutrition services	986,925	210,493	520,916	-
Total School District	\$ 33,868,754	\$ 210,493	\$ 3,535,986	\$ 117,965

General Revenue

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for specific purposes, recreation

Federal, State and local aid not restricted to specific purposes:

State Foundation program

Other State sources

County sources

Unrestricted investment earnings

Unrestricted miscellaneous revenue

Subtotal general revenues

Transfers

Total general revenues and transfers

Change in net position

Net Position, beginning

Net Position, ending

See Notes to Financial Statements.

Net (Expenses) Revenues and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (12,310,821)	\$ -	\$ (12,310,821)
(3,319,325)	-	(3,319,325)
(1,075,635)	-	(1,075,635)
(2,062,708)	-	(2,062,708)
(530,618)	-	(530,618)
(188,257)	-	(188,257)
(1,815,901)	-	(1,815,901)
(657,400)	-	(657,400)
(4,209,386)	-	(4,209,386)
(2,122,157)	-	(2,122,157)
(1,236,468)	-	(1,236,468)
(220,118)	-	(220,118)
(29,748,794)	-	(29,748,794)
-	(255,516)	(255,516)
(29,748,794)	(255,516)	(30,004,310)
6,154,333	-	6,154,333
142,914	-	142,914
22,448,587	-	22,448,587
1,479,668	-	1,479,668
3,056	-	3,056
92,090	-	92,090
63,808	-	63,808
30,384,456	-	30,384,456
(125,000)	125,000	-
30,259,456	125,000	30,384,456
510,662	(130,516)	380,146
44,680,353	342,760	45,023,113
<u>\$ 45,191,015</u>	<u>\$ 212,244</u>	<u>\$ 45,403,259</u>

GOSHEN COUNTY SCHOOL DISTRICT #1

BALANCE SHEET

June 30, 2013

ASSETS	General Fund	Federal and State Grants Fund	Nonmajor Funds	Total Governmental Funds
Cash	\$ 7,630,807	\$ 98,234	\$ 1,016,960	\$ 8,746,001
Cash with fiscal agent	22,266	-	551	22,817
Property taxes receivable	5,014,618	-	161,535	5,176,153
Accounts receivable, granting agencies	-	375,213	-	375,213
Accounts receivable	38,685	342	54,210	93,237
Due from other funds	-	172	-	172
Prepaid items	60,084	21,260	-	81,344
Total assets	\$ 12,766,460	\$ 495,221	\$ 1,233,256	\$ 14,494,937
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 98,058	\$ 19,154	\$ 292,605	\$ 409,817
Accrued salaries payable	1,946,685	331,397	-	2,278,082
Accrued employee benefits payable	798,746	89,157	-	887,903
Due to other funds	737	-	-	737
Deferred revenue	5,027,063	25,048	160,893	5,213,004
Total liabilities	7,871,289	464,756	453,498	8,789,543
Fund Balances				
Nonspendable:				
Prepaid items	60,084	21,260	-	81,344
Restricted for:				
GCRB projects	-	-	91,789	91,789
Grants	-	9,205	-	9,205
Major maintenance projects	-	-	106,102	106,102
Committed to:				
Current capital projects	-	-	325,000	325,000
Future capital projects	-	-	256,867	256,867
Unassigned	4,835,087	-	-	4,835,087
Total fund balances	4,895,171	30,465	779,758	5,705,394
Total liabilities and fund balances	\$ 12,766,460	\$ 495,221	\$ 1,233,256	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	39,914,338
Liabilities (capital lease obligation, compensated absences and net OPEB obligation) are not due and payable from current financial resources and, therefore, are not reported in the funds	(543,121)
Other assets are not available to apply to current period expenditures and, therefore, are deferred in the funds	114,404
Net position of governmental activities	\$ 45,191,015

See Notes to Financial Statements.

GOSHEN COUNTY SCHOOL DISTRICT #1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2013

	General Fund	Federal and State Grants Fund	Nonmajor Funds	Total Governmental Funds
Revenues				
Taxes	\$ 6,148,503	\$ -	\$ 142,914	\$ 6,291,417
Intergovernmental revenues	22,482,843	3,003,780	1,565,435	27,052,058
Investment earnings	80,278	-	11,812	92,090
Miscellaneous	64,060	-	-	64,060
Total revenues	28,775,684	3,003,780	1,720,161	33,499,625
Expenditures				
Current:				
Instruction:				
Regular instruction	12,157,924	1,325,834	-	13,483,758
Special education instruction	3,319,325	838,308	-	4,157,633
Vocational education instruction	1,103,720	25,585	-	1,129,305
Total instruction	16,580,969	2,189,727	-	18,770,696
Support services:				
Pupil services	2,062,708	-	-	2,062,708
Instructional staff services	530,618	938,680	-	1,469,298
General administration services	134,939	44,577	-	179,516
School administration services	1,815,901	-	-	1,815,901
Business services	657,400	-	-	657,400
Operation and maintenance of plant services	2,880,446	-	-	2,880,446
Pupil transportation services	1,758,271	4,828	-	1,763,099
Central support services	1,236,468	-	-	1,236,468
Facilities, acquisitions and construction services	-	-	338,083	338,083
Total support services	11,076,751	988,085	338,083	12,402,919
Capital outlay	640,720	28,085	1,590,859	2,259,664
Total expenditures	28,298,440	3,205,897	1,928,942	33,433,279
Excess (deficiency) of revenues over expenditures	477,244	(202,117)	(208,781)	66,346
Other Financing Sources (Uses)				
Operating transfers in	-	50,000	400,000	450,000
Operating transfers (out)	(575,000)	-	-	(575,000)
Proceeds from capital leases	266,750	-	-	266,750
Total other financing sources (uses)	(308,250)	50,000	400,000	141,750
Net change in fund balances	168,994	(152,117)	191,219	208,096
Fund Balances, beginning	4,726,177	182,582	588,539	5,497,298
Fund Balances, ending	\$ 4,895,171	\$ 30,465	\$ 779,758	\$ 5,705,394

See Notes to Financial Statements.

GOSHEN COUNTY SCHOOL DISTRICT #1

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

For the Year Ended June 30, 2013

Net change in fund balances - total governmental funds	\$ 208,096
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	448,655
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the governmental funds.	18,118
The change in long-term liabilities (compensated absences and net OPEB obligation) does not require the use of current financial resources of governmental funds. Thus, the change is not recorded in the governmental funds. This is the net effect of the treatment of these differences.	102,795
Proceeds from capital leases are recorded as other financing sources in the governmental funds, but increases long-term liabilities in the statement of net position.	(266,750)
Governmental funds do not report gains and losses on sales or retirements of capital assets. However, the statement of activities reports these amounts.	<u>(252)</u>
Change in net position of governmental activities	<u><u>\$ 510,662</u></u>

See Notes to Financial Statements.

GOSHEN COUNTY SCHOOL DISTRICT #1

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

June 30, 2013

	<u>Enterprise Fund</u> <u>Food Service</u> <u>Fund</u>
ASSETS	
Current Assets	
Cash	\$ 118,348
Accounts receivable	18,503
Inventory	15,460
Prepaid items	1,139
Due from other funds	565
Total current assets	<u>154,015</u>
Noncurrent Assets	
Property and equipment, net of accumulated depreciation	<u>91,419</u>
Total assets	<u>245,434</u>
LIABILITIES	
Current Liabilities	
Accounts payable	18,270
Accrued salaries payable	3,458
Accrued employee benefits payable	11,462
Total current liabilities	<u>33,190</u>
NET POSITION	
Net Investment in Capital Assets	91,419
Unrestricted	<u>120,825</u>
Total net position	<u><u>\$ 212,244</u></u>

See Notes to Financial Statements.

GOSHEN COUNTY SCHOOL DISTRICT #1

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND**

For the Year Ended June 30, 2013

	<u>Enterprise Fund</u> <u>Food Service</u> <u>Fund</u>
Operating Revenues	
Charges for services	\$ 210,493
Total operating revenues	<u>210,493</u>
Operating Expenses	
Salaries	268,384
Employee benefits	219,836
Purchased services	3,059
Supplies	33,577
Direct food costs	369,690
Cost of commodities	77,262
Other	2,570
Depreciation	12,547
Total operating expenses	<u>986,925</u>
Net operating (loss)	<u>(776,432)</u>
Nonoperating Revenues	
Federal and state operating grants	453,209
USDA commodity subsidy	67,707
Total nonoperating revenues	<u>520,916</u>
(Loss) before transfers	(255,516)
Transfers In	<u>125,000</u>
Change in net position	(130,516)
Net Position, beginning of year	<u>342,760</u>
Net Position, end of year	<u>\$ 212,244</u>

See Notes to Financial Statements.

GOSHEN COUNTY SCHOOL DISTRICT #1

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the Year Ended June 30, 2013

	<u>Enterprise Fund</u> <u>Food Service</u> <u>Fund</u>
<hr/>	
Cash Flows from Operating Activities	
Cash received from customers	\$ 204,242
Cash payments to suppliers for services	(424,457)
Cash payments to employees for services	(478,734)
Net cash (used in) operating activities	<u>(698,949)</u>
Cash Flows from Noncapital Financing Activities	
Reimbursements from State and Federal governments	453,209
Settlement of interfund balances and transfers	124,435
Net cash provided by noncapital financing activities	<u>577,644</u>
Net change in cash	(121,305)
Cash	
Beginning of year	<u>239,653</u>
End of year	<u><u>\$ 118,348</u></u>
Reconciliation of Operating (Loss) to Net Cash	
(Used in) Operating Activities	
Net operating (loss)	\$ (776,432)
Adjustments to reconcile (loss) to net cash	
(used in) operating activities:	
USDA commodity subsidy	67,707
Depreciation	12,547
Change in assets and liabilities:	
(Increase) in:	
Accounts receivable	(6,251)
Inventory	(2,283)
Prepaid items	(5)
Increase (decrease) in:	
Accounts payable	(3,718)
Accrued salaries payable	(954)
Accrued employee benefits payable	10,440
Net cash (used in) operating activities	<u><u>\$ (698,949)</u></u>
Noncash Investing, Financing and Capital Related Transactions	
USDA commodities valued at \$67,707	

See Notes to Financial Statements.

GOSHEN COUNTY SCHOOL DISTRICT #1

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

June 30, 2013

ASSETS	Agency Funds	
	Student Activities	BOCES Fund
Cash	\$ 276,001	\$ 146,714
Accounts Receivable	2,126	83,222
Prepaid Expenses	1,175	-
Total assets	\$ 279,302	\$ 229,936
LIABILITIES		
Accounts Payable	\$ 5,874	\$ -
Deferred Revenue	-	80,446
Due to Student Groups	273,428	-
Due to BOCES	-	149,490
Total liabilities	\$ 279,302	\$ 229,936

See Notes to Financial Statements.

GOSHEN COUNTY SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations and Significant Accounting Policies

Financial reporting entity: The Board of Trustees (the "Board") is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Goshen County School District #1 (the "District"). The Board receives funding from local, state and Federal government sources and must comply with the accompanying requirements of these funding source entities. However, the District serves as the nucleus for the reporting entity under the provisions of the Governmental Accounting Standards Board (GASB) for its basic financial statements. The District is not included in any other governmental "reporting entity" as defined by the GASB.

As required by accounting principles generally accepted in the United States of America, these financial statements present the District and its component unit, for which the District is considered to be financially accountable. Blended component units, although legally separate units, are in substance part of the District's operations.

Blended component unit: The Goshen County Recreation Board (GCRB) provides funding to the Goshen County Community for recreation projects, which may include facilities, construction, programs and equipment. The Board appoints three of the five members of GCRB's governing board. GCRB is fiscally dependent on the District because the District's Board must approve annually a one mill levy which provides GCRB's funding. The component unit has a June 30 year end and is presented in the accompanying financial statements as the recreation fund. No separate individual component unit financial statements are available for GCRB.

Government-wide and fund financial statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the *direct expenses* of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues includes: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

GOSHEN COUNTY SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The District reports the following major governmental funds:

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

The *Federal and state grants fund* accounts for Federal, state and local grants and other resources whose use is restricted or committed for a particular purpose.

The District reports the following proprietary fund:

The *food service fund* which accounts for the activities of the District's hot lunch program.

Additionally, the District reports the following fiduciary fund type:

The *agency funds* account for the resources held in a custodial capacity by the District and consist of funds that are the property of students or others and Board of Cooperative Educational Services (BOCES).

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

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

GOSHEN COUNTY SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to students and faculty for food services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, liabilities, and net position or equity:

Cash: Cash consists of demand deposit accounts, money market accounts and petty cash.

Cash with fiscal agent: Cash with County Treasurer in the general and other governmental funds represents property taxes collected and held by the Goshen County Treasurer, which have not been remitted to the District at June 30.

Accounts receivable: The District considers all accounts receivable to be fully collectible at June 30, 2013 and, therefore, no allowance for doubtful accounts is deemed necessary.

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

Property taxes: Property is annually valued and assessed January 1. Taxes are levied on or about August 1 and payable in two installments on September 1 and March 1. The County bills and collects its own property taxes and also taxes for all municipalities and political subdivisions within the County, including the District. If not paid, property taxes attach as an enforceable lien on property as of May 11. District property tax revenues are recognized when levied to the extent that they result in current receivables, which means when collected within the current period or expected to be collected within 60 days of the fiscal year end to be used to pay liabilities of the current period on the fund financial statements.

Property taxes in the amount of \$75,167 at June 30, 2013, which are not current receivables are offset by deferred revenues on the fund financials, but are reported on the government-wide financial statements as revenue and receivables, with no amount being deferred. Property taxes receivable totaling \$5,080,376 for fiscal year 2014 is reported on the fund financials and on the government-wide financial statements and is included in deferred revenue on both statements as these revenues may not be used until fiscal year 2014.

The District is required by Wyoming Statutes to levy taxes of 25 mills of assessed valuation for all school purposes, exclusive of bond interest and redemption. In addition, a county-wide school property tax of six mills is levied; one-half mill is levied for Board of Cooperative Educational Services (BOCES) and a recreation district tax for one mill. The combined tax related to finance general school services other than the payment of principal and interest on long-term debt for the year ended June 30, 2013 was 32½ mills.

Inventories: Inventories are stated at the lower of cost (first-in, first-out method) or market. Inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to expense when consumed or sold.

GOSHEN COUNTY SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

Capital assets: Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	40-50
Building improvements	20
Vehicles	8-12
Machinery and equipment	5-25

Compensated absences: It is the District's policy to permit certified employees to accumulate earned but unused personal and sick pay benefits. All compensated absences are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Estimates: The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund balance: The District reports fund balance in the governmental fund financial statements in one of the following five categories: 1) *Nonspendable fund balance* represents amounts that are not in spendable form for which the District includes prepaid amounts; 2) *Restricted fund balance* represents amounts constrained to a specific purpose by their providers, through constitutional provisions, or by enabling legislation; 3) *Committed fund balance* represents amounts constrained to a specific purpose by the Board of Trustees through formal motion. Amounts reported as committed cannot be used for any other purpose unless the Board of Trustees makes another formal motion; 4) *Assigned fund balance* represents amounts constrained by the District's intent to use them for a specific purpose. Although the District does not have a policy specific to assigned fund balance, other District policies authorize certain individuals to enter into purchase orders which may result in encumbrances at year end; and 5) *Unassigned fund balance* represents amounts that have not been restricted, committed or assigned to a specific purpose.

As of June 30, 2013, the District does not have a policy on the order in which unrestricted (committed, assigned, or unassigned) resources are to be used when any of these amounts are available for expenditure. As a result, the District assumes the default approach that resources be used in the following order: committed, assigned, and unassigned.

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year end. The District did not have any encumbrances as of June 30, 2013.

GOSHEN COUNTY SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Investments

Cash and investments as of June 30, 2013 as classified in the accompanying financial statements consist of the following:

Statement of Net Position

Cash:

Deposits with financial institutions	<u>\$ 8,864,349</u>
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Fiduciary Funds:

Cash:

Deposits with financial institutions	<u>\$ 422,715</u>
--------------------------------------	-------------------

Investments authorized by the District's investment policy: The District follows the guidelines set forth in Wyoming State Statute 9-4-831 as it relates to the investment of public funds. The District's investment policy requires investments to comply with State Statutes, which generally allows the District to invest in U.S., state and local government securities and accounts of any bank and savings associations which are Federally insured. Stocks and bonds of private corporations as well as reverse repurchase agreements are a prohibited investment means for the District. All investments made during the year were made within these statutory limits. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk and concentration of credit risk.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Certain deposits held in District bank accounts are insured by Federal depository insurance or are collateralized with securities held by the custodian bank, Federal Reserve receipts in the name of the District and the financial institution, or other obligations issued or guaranteed by a Federal Government agency in the District's name. As of June 30, 2013, the primary government had bank balances on deposit of \$9,584,410, and the Fiduciary Funds had bank balances on deposit of \$447,752. These deposits were fully collateralized at June 30, 2013.

GOSHEN COUNTY SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

Note 3. Capital Assets

A summary of changes in capital assets follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 435,315	\$ -	\$ -	\$ 435,315
Construction in progress	2,425,316	1,520,511	(3,385,703)	560,124
Total capital assets, not being depreciated	2,860,631	1,520,511	(3,385,703)	995,439
Capital assets, being depreciated:				
Buildings and improvements	45,637,646	3,474,332	-	49,111,978
Equipment	1,070,282	238,859	(63,778)	1,245,363
Vehicles	6,075,664	411,666	(104,761)	6,382,569
Total capital assets, being depreciated	52,783,592	4,124,857	(168,539)	56,739,910
Less accumulated depreciation for:				
Buildings and improvements	10,854,849	1,255,990	-	12,110,839
Equipment	712,764	124,837	(63,526)	774,075
Vehicles	4,610,675	430,183	(104,761)	4,936,097
Total accumulated depreciation	16,178,288	1,811,010	(168,287)	17,821,011
Total capital assets, net of depreciation	36,605,304	2,313,847	(252)	38,918,899
Governmental activities, capital assets, net	\$ 39,465,935	\$ 3,834,358	\$ (3,385,955)	\$ 39,914,338
Business-Type Activities				
Capital assets, being depreciated:				
Equipment	\$ 308,925	\$ -	\$ (10,660)	\$ 298,265
Less accumulated depreciation	204,959	12,547	(10,660)	206,846
Business-type activities capital assets, net of depreciation	\$ 103,966	\$ (12,547)	\$ -	\$ 91,419

GOSHEN COUNTY SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

Depreciation expenses were charged to functions/programs of the District as follows:

Governmental Activities	
Instruction:	
Regular instruction	\$ 64,866
Support services:	
General administration services	53,318
Operation and maintenance of plant services	1,328,940
Pupil transportation services	363,886
	<hr/>
Total depreciation expenses - governmental activities	\$ 1,811,010
	<hr/> <hr/>
Business-Type Activities	
Lunch Fund	\$ 12,547
	<hr/> <hr/>

Construction commitments: The construction in progress represents construction related to improvements at various schools. Actual signed and unexpended contracts for these and other miscellaneous projects at June 30, 2013 were \$441,642 and will be funded by the general, major maintenance, and capital projects funds.

Note 4. Capital Leases and Accrued Compensated Absences

During the year ended June 30, 2013, the District entered into a lease for the purchase of transportation equipment at a cost of \$266,750. This lease is to be paid over a five-year period beginning on September 1, 2013. As of June 30, 2013, the District's outstanding lease payable extends through fiscal year ending June 30, 2018 with an interest rate of 1.50%. The District has accounted for this transaction as a capital lease.

Following is a schedule by year of anticipated lease payments under the capital lease as of June 30, 2013:

Year ending June 30,	Principal	Imputed Interest	Total
	<hr/>	<hr/>	<hr/>
2014	\$ 53,817	\$ 1,456	\$ 55,273
2015	52,035	3,238	55,273
2016	52,827	2,447	55,274
2017	53,625	1,648	55,273
2018	54,446	828	55,274
	<hr/>	<hr/>	<hr/>
	\$ 266,750	\$ 9,617	\$ 276,367
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The capital lease obligation for the transportation equipment is paid through the General Fund.

GOSHEN COUNTY SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

Accrued compensated absences at June 30, 2013 are comprised of the following:

Certified employees may accumulate up to 100 days of sick and emergency leave which will be paid upon termination at the rate of \$20 to \$30 per day; at June 30, 2013, there were 7,984 days of accumulated leave

\$ 165,335

The accrued compensated absences obligations are paid through the General and Federal and State Grants Funds.

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

	Capital Leases	Compensated Absences
Balance, June 30, 2012	\$ -	\$ 166,635
Additions	266,750	41,575
Reductions	-	(42,875)
Balance, June 30, 2013	<u>\$ 266,750</u>	<u>\$ 165,335</u>
Current Portion	<u>\$ 53,817</u>	<u>\$ 42,875</u>

Note 5. Retirement Plan

The Board contributes to the Wyoming Retirement System (System), a cost-sharing, multiple-employer public employee retirement system. The System provides retirement, disability and death benefits according to predetermined formulas. Benefits are established by Title 9, Chapter 3 of the Wyoming Statutes. The System issued a publicly available financial report that includes audited financial statements and required supplementary information for the System. The report may be obtained by writing to: Wyoming Retirement System, 6101 Yellowstone Road, Suite 500, Cheyenne, WY 82002.

Plan members are required to contribute 7.00% of their annual covered salary and the District is required to contribute 7.12% of the annual covered payroll. Legislation enacted in 1979 allows the employer to pay any or all of the employees' contribution in addition to the matching contribution. The District currently pays 100% of all of the employees' contribution. Contribution rates are established by Title 9, Chapter 3 of the Wyoming Statutes. The District's contributions to the System for the years ended June 30, 2013, 2012 and 2011 were \$2,501,015, \$2,490,084 and \$2,401,090, respectively, which equaled 100% of the required contributions for each year.

GOSHEN COUNTY SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

Note 6. Interfund Receivables, Payables, and Transfers

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

	Due From	Due To
General Fund	\$ -	\$ 737
Federal and State Grants Fund	172	-
Enterprise Fund	565	-
	<u>\$ 737</u>	<u>\$ 737</u>

The balances in interfund receivables and payables 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 system, and (3) payments between funds are made.

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

	Transfers In	Transfers Out
General Fund	\$ -	\$ 575,000
Capital Projects Fund	400,000	-
Federal and State Grants Fund	50,000	-
Enterprise Fund	125,000	-
	<u>\$ 575,000</u>	<u>\$ 575,000</u>

Transfers are used to: (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 7. Risk Management

General liability: The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the year ended June 30, 2013, the District contracted with various insurance companies for property insurance (including boiler and machinery), general liability insurance, professional insurance and vehicle insurance. The coverages under each type of insurance policy vary in amounts and deductibles. The District has not had significant settlements exceeding insurance coverage in any of the past three fiscal years.

The District pays into the State Worker's Compensation System a premium based on a rate per covered payroll. This rate is calculated based on accident history and administrative cost.

GOSHEN COUNTY SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

Note 8. Operating Leases

The District has entered into a lease agreement for copiers. The lease extends for four years through April 2016. The lease is reported as an operating lease and, accordingly, is not capitalized. As of June 30, 2013, all payments for the lease were current. The total minimum lease commitment at June 30, 2013 under the lease is as follows:

For the year ending June 30,	
2014	\$ 57,600
2015	57,600
2016	48,000
	<hr/>
	\$ 163,200
	<hr/>

The total rent expense for the year ended June 30, 2013 is \$57,600.

Note 9. Postemployment Benefits Other Than Pensions (OPEB)

Plan description: The District participates in one single-employer defined benefit postemployment healthcare plan. Under this plan, the District offers postemployment healthcare benefits to a closed group of retirees who have at least 15 years of service within the District and retired on or before July 31, 2011. The retirees are responsible for paying their own premiums, which currently are the same as premiums of active employees and will be reassessed on an annual basis based on claim history. Participating retirees then receive coverage equal to that of active employees. The retiree may remain on the District's health insurance plan until the earlier of when the participant reaches age 65 or June 30, 2014. The Board of Trustees (the "Board") has the authority for establishing and amending the plan. During the fiscal year ended June 30, 2011, the plan was amended. Prior to this amendment, the plan was available to retirees with at least 15 years of service within the District, and retirees were able to remain on the plan until age 65. The plan does not issue a separate report.

Funding policy: The District finances this program on a pay-as-you-go basis. The Board has the authority for establishing and amending the funding policy.

Annual OPEB cost and net OPEB obligation: The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 for the postemployment benefits other than pensions. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 4 years.

GOSHEN COUNTY SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 130,222
Interest on net OPEB obligation	9,564
Adjustment to annual required contribution	<u>(56,675)</u>
Annual OPEB cost	83,111
Employer contributions	<u>(184,606)</u>
(Decrease) in net OPEB obligation	(101,495)
Net OPEB obligation, beginning of year	<u>212,531</u>
Net OPEB obligation, end of year	<u><u>\$ 111,036</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years 2013, 2012 and 2011 was as follows:

	2013	2012	2011
Annual OPEB cost	\$ 83,111	\$ 69,309	\$ 45,079
Percentage of OPEB cost contributed	222.12%	165.15%	305.64%
Net OPEB obligation	\$ 111,036	\$ 212,531	\$ 257,684

Funded status and funding progress: The funded status of the plan as of July 1, 2010, being the actuarial valuation date, was as follows:

Actuarial accrued liability (a)	\$ 440,358
Actuarial value of plan assets (b)	<u>-</u>
Unfunded actuarial accrued liability (funding excess) (a) - (b)	<u><u>\$ 440,358</u></u>
Funded ratio (b) / (a)	0.00%
Covered payroll (c)	\$ -
Unfunded actuarial accrued liability (funded excess) as a percentage of covered payroll $[(a) - (b)] / (c)$	0.00%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

GOSHEN COUNTY SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

Actuarial methods and assumptions: Projections of benefits are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits in force at the valuation date. Actuarial calculations reflect long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

<i>Actuarial valuation date:</i>	July 1, 2010
<i>Actuarial cost method:</i>	Attained Age
<i>Amortization method:</i>	Level Dollar Basis
<i>Amortization period:</i>	4 years
<i>Asset valuation method:</i>	Fair value of assets
<i>Actuarial assumptions:</i>	
Discount rate:	4.5%
Healthcare cost trend rate (HCCTR):	Initial rate of 9.0%; Ultimate rate of 4.0%; Grading period of five years
<i>Assumed rates of increase applied to retiree premiums:</i>	Same as HCCTR

Note 10. Recent Pronouncements

In June 2012, the Governmental Accounting Standards Board issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which replaces GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, for most government pensions. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). GASB Statement No. 68 is effective for years beginning after June 15, 2014 with the effects of changes made to comply with this statement reported as adjustments to prior periods. The effect that the adoption of GASB Statement No. 68 will have on the District's financial statements has not been determined.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement was issued to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively by restating financial statements, if practical, for all periods presented. If restatement is not practical, the cumulative effect of applying this statement, if any, should be reported as a restatement of beginning net position for the earliest period restated. The District is currently evaluating the impact that the provisions of this statement will have on the District's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

GOSHEN COUNTY SCHOOL DISTRICT #1

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)**

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Revenue				
Taxes	\$ 5,985,459	\$ 5,985,459	\$ 6,134,544	\$ 149,085
Intergovernmental revenue	22,418,833	22,418,833	22,484,162	65,329
Charges for services	17,500	17,500	13,959	(3,541)
Miscellaneous	163,255	163,255	409,769	246,514
Total revenue	28,585,047	28,585,047	29,042,434	457,387
Expenditures				
Instruction:				
Elementary instruction	5,154,828	5,154,828	5,176,662	(21,834)
Junior high instruction	2,447,059	2,447,059	2,412,937	34,122
Senior high instruction	4,606,690	4,588,643	4,580,035	8,608
Exceptional programs	3,030,143	3,030,143	3,104,560	(74,417)
Homebound program	26,383	26,383	18,478	7,905
Other special programs	223,016	223,016	196,287	26,729
Elementary student activities	13,822	13,822	8,353	5,469
Middle student activities	241,283	241,283	238,876	2,407
Senior high student activities	886,941	904,991	851,781	53,210
Total instruction	16,630,165	16,630,168	16,587,969	42,199
Instructional support:				
Guidance services	676,002	676,002	686,966	(10,964)
Health services	303,479	303,479	313,413	(9,934)
Psychological services	606,847	606,847	568,491	38,356
Physical and occupational therapy services	204,050	204,050	200,047	4,003
Improvement of instruction services	135,708	135,708	107,990	27,718
Speech pathology services	313,154	313,154	293,790	19,364
Educational media services	423,403	423,403	422,627	776
Total instructional support	2,662,643	2,662,643	2,593,324	69,319

Continued

GOSHEN COUNTY SCHOOL DISTRICT #1

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) (Continued)**

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Expenditures (continued)				
General Support				
Central administration	\$ 597,324	\$ 597,324	\$ 544,410	\$ 52,914
School administration	1,786,326	1,786,326	1,815,903	(29,577)
Business administration	638,716	638,716	573,153	65,563
Board of Education services	82,000	82,000	84,249	(2,249)
Election services	3,000	3,000	2,891	109
General maintenance	2,889,977	2,889,977	2,916,210	(26,233)
Care and upkeep of grounds services	188,211	188,211	139,535	48,676
Vehicle operations to/from school	1,476,102	1,776,102	1,837,237	(61,135)
Vehicle operations - activities	135,070	135,070	130,050	5,020
Nonreimbursable staff services	133,508	133,508	202,647	(69,139)
Technology coordination	1,087,005	1,087,005	870,862	216,143
Food service support	125,000	125,000	125,000	-
Special revenue fund support	50,000	50,000	50,000	-
Capital construction fund	100,000	400,000	400,000	-
Total general support	9,292,239	9,892,239	9,692,147	200,092
Total expenditures	28,585,047	29,185,050	28,873,440	311,610
Excess (deficiency) of revenue over expenditures	\$ -	\$ (600,003)	\$ 168,994	\$ 768,997

See Notes to Required Supplementary Information.

GOSHEN COUNTY SCHOOL DISTRICT #1

**FEDERAL AND STATE GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenue				
Intergovernmental revenue	\$ 3,258,559	\$ 3,258,559	\$ 3,003,780	\$ (254,779)
Miscellaneous	50,000	50,000	50,000	-
Total revenue	3,308,559	3,308,559	3,053,780	(254,779)
Expenditures				
Instruction:				
Elementary instruction	1,404,313	1,245,141	1,322,004	(76,863)
Junior high instruction	14,427	12,792	3,831	8,961
Senior high instruction	173,137	153,513	-	153,513
Exceptional programs	663,696	588,469	449,196	139,273
Other special programs	259,704	230,268	389,112	(158,844)
Secondary allocation programs	43,284	38,378	53,670	(15,292)
Total instruction	2,558,561	2,268,561	2,217,813	50,748
Instructional support:				
Improvement of instruction services	461,411	674,625	317,900	356,725
Instructional facilitator services	171,547	250,817	566,715	(315,898)
Educational media services	27,087	39,603	54,064	(14,461)
Total instructional support	660,045	965,045	938,679	26,366
General Support				
Central administration	68,362	56,962	44,576	12,386
School administration	21,591	17,991	-	17,991
Nonreimbursable staff services	-	-	4,829	(4,829)
Total general support	89,953	74,953	49,405	25,548
Total expenditures	3,308,559	3,308,559	3,205,897	102,662
Excess (deficiency) of revenue over expenditures	\$ -	\$ -	\$ (152,117)	\$ (152,117)

See Notes to Required Supplementary Information.

GOSHEN COUNTY SCHOOL DISTRICT #1

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Stewardship, Compliance, and Accountability

Budgets and budgetary accounting: The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to May 15, the Superintendent submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A public hearing is conducted on the third Wednesday in July to obtain public comments.
- c. The budget is adopted by the third Thursday of July.
- d. At the request of the Superintendent or upon its own motion after publication of notice, the Board of Trustees may by resolution transfer any unencumbered or unexpended appropriation balance or part thereof from one fund, department or account to another. All appropriations, excluding appropriations for capital projects, lapse at the close of the budget year to the extent they are not expended or encumbered. The level of expenditure control for budget purposes is the functional level.
- e. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds and capital projects fund.
- f. Budgets are adopted on an accrual plus encumbrances basis (Budgetary). Such basis is not consistent with accounting principles generally accepted in the United States of America (GAAP).
- g. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration during the year. Encumbrances outstanding at year end within the General Fund and Federal and State Grants Fund are included as a reconciling item between budgetary basis and GAAP basis.

GOSHEN COUNTY SCHOOL DISTRICT #1

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 2. Explanation of differences Between Budgetary Basis and GAAP Basis

	<u>General Fund</u>	<u>Federal and State Grants Fund</u>
Revenues		
Actual amounts (budgetary basis) from the schedule of revenues, expenditures and changes in fund balance - budget (budgetary basis) and actual	\$ 29,042,434	\$ 3,053,780
Differences - Budget Basis to GAAP		
Transfers	-	(50,000)
Proceeds from capital leases	(266,750)	-
	<u> </u>	<u> </u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 28,775,684</u>	<u>\$ 3,003,780</u>
Expenditures		
Actual amounts (budgetary basis) from the schedule of revenues, expenditures and changes in fund balance - budget (budgetary basis) and actual	\$ 28,873,440	\$ 3,205,897
Differences - Budget Basis to GAAP		
Transfers	(575,000)	-
Encumbrances	-	-
	<u> </u>	<u> </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 28,298,440</u>	<u>\$ 3,205,897</u>

GOSHEN COUNTY SCHOOL DISTRICT #1

**SCHEDULE OF FUNDING PROGRESS-OPEB
For the Year Ended June 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2010	\$ -	\$ 440,358	\$ 440,358	0%	\$ 0	0%
July 1, 2008	\$ -	\$2,194,734	\$2,194,734	0%	\$14,926,784	14.7%

During the fiscal year ended June 30, 2011, the District's postemployment healthcare plan was amended so that plan benefits are only offered to a closed group of retirees who have at least 15 years of service within the District and retired on or before July 31, 2011. Prior to this amendment, the plan was available to retirees with at least 15 years of service within the District. In addition, the plan was amended so that retirees may only remain on the plan until the earlier of age 65 or June 30, 2014. Previously, retirees were able to remain on the plan until age 65.

OTHER SUPPLEMENTARY INFORMATION

GOSHEN COUNTY SCHOOL DISTRICT #1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013**

ASSETS	Special Revenue Funds			Total
	Recreation Fund	Major Maintenance Fund	Capital Projects Fund	
Cash	\$ 93,299	\$ 395,707	\$ 527,954	\$ 1,016,960
Cash with fiscal agent	551	-	-	551
Property taxes receivable	161,535	-	-	161,535
Accounts receivable	297	-	53,913	54,210
Total assets	\$ 255,682	\$ 395,707	\$ 581,867	\$ 1,233,256
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 3,000	\$ 289,605	\$ -	\$ 292,605
Deferred revenue	160,893	-	-	160,893
Total liabilities	163,893	289,605	-	453,498
Fund Balances				
Restricted for:				
GCRB projects	91,789	-	-	91,789
Major maintenance projects	-	106,102	-	106,102
Committed to:				
Current capital projects	-	-	325,000	325,000
Future capital projects	-	-	256,867	256,867
Unassigned	-	-	-	-
Total fund balances	91,789	106,102	581,867	779,758
Total liabilities and fund balances	\$ 255,682	\$ 395,707	\$ 581,867	\$ 1,233,256

GOSHEN COUNTY SCHOOL DISTRICT #1

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2013

	Special Revenue Funds			Total
	Recreation Fund	Major Maintenance Fund	Capital Projects Fund	
Revenue				
Taxes	\$ 142,914	\$ -	\$ -	\$ 142,914
Intergovernmental revenue	297	1,447,173	117,965	1,565,435
Investment earnings	1,025	7,385	3,402	11,812
Total revenue	<u>144,236</u>	<u>1,454,558</u>	<u>121,367</u>	<u>1,720,161</u>
Expenditures				
Current:				
Support services:				
Facilities, acquisitions and construction services	146,269	27,193	164,621	338,083
Capital outlay	-	1,263,159	327,700	1,590,859
Total expenditures	<u>146,269</u>	<u>1,290,352</u>	<u>492,321</u>	<u>1,928,942</u>
Excess (deficiency) of revenues over expenditures	(2,033)	164,206	(370,954)	(208,781)
Other Financing Sources				
Operating transfers in	-	-	400,000	400,000
Net change in fund balances	(2,033)	164,206	29,046	191,219
Fund Balances, beginning	93,822	(58,104)	552,821	588,539
Fund Balances, ending	<u>\$ 91,789</u>	<u>\$ 106,102</u>	<u>\$ 581,867</u>	<u>\$ 779,758</u>

GOSHEN COUNTY SCHOOL DISTRICT #1

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013**

Federal Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Disbursements
U.S. Department of Agriculture			
Pass through Wyoming Department of Education:			
Food Donation - Commodities	10.550	None	\$ 46,209
Summer Food Service Program	10.559	None	21,768
National School Lunch Program	10.555	None	291,228
National School Breakfast Program	10.553	None	102,376
Total Child Nutrition Cluster			<u>461,581</u>
Food Donation - Fresh Fruit and Produce Program	10.582	None	59,336
Total U.S. Department of Agriculture			<u><u>520,917</u></u>
U.S. Department of Education			
Pass through Wyoming Department of Education:			
Title I Grants to Local Educational Agencies:			
Title I	84.010	1308013T1A00	547,790
Title I	84.010	20110801T1A00	5,183
Title I	84.010	1208012T1A00	437,343
Total Title I			<u>990,316</u>
Migrant Education Basic State Grant	84.011	110801T1M00	22,571
	84.011	1208012T1C00	54,473
			<u>77,044</u>
Vocational Education	84.048	1308013VEA00	52,298
	84.048	1208012VEA00	2,973
			<u>55,271</u>
Title II-A Improving Teacher Quality State Grant	84.367	1308013T2A00	182,397
	84.367	1208012T2A00	58,415
			<u>240,812</u>
School Improvement - Recovery Act	ARRA-84.388	110801T1S1A0	15,351
Special Education Grants:			
Special Education - Grants to States	84.027	1308013T6100	214,694
Special Education - Grants to States	84.027	1208012T6100	183,888
Special Education - Preschool Grants	84.173	1308013T6900	2,876
Total Special Education Cluster			<u>401,458</u>
Total U.S. Department of Education			<u>1,780,252</u>
U.S. Department of Health and Human Services			
Pass through Natrona County, Wyoming:			
Temporary Assistance for Needy Families	93.558	None	17,549
Total Federal awards expended			<u><u>\$ 2,318,718</u></u>

See Note to Schedule of Expenditures of Federal Awards.

GOSHEN COUNTY SCHOOL DISTRICT #1

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of Goshen County School District #1 and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SINGLE AUDIT SECTION

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

Honorable Superintendent and Board of Trustees
Goshen County School District #1
Torrington, Wyoming

We have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Goshen County School District #1 (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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

Mc Gee, Heurne & Paig, LLP

Cheyenne, Wyoming
December 4, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Superintendent and Board of Trustees
Goshen County School District #1
Torrington, Wyoming

Report on Compliance for Each Major Federal Program

We have audited Goshen County School District #1's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2013. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-001 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Mc Gee, Hearne & Paig, LLP

Cheyenne, Wyoming
December 4, 2013

GOSHEN COUNTY SCHOOL DISTRICT #1

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

A. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

B. Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? X Yes _____ None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X Yes _____ No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
10.550, 10.553, 10.555, and 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

_____ Yes X No

GOSHEN COUNTY SCHOOL DISTRICT #1

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

II. FINANCIAL STATEMENT FINDINGS

None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

2013-001: Allowable Costs/Cost Principles: Documentation of Employee Time and Effort

Catalog of Federal Assistance (CFDA) Number and Title: CFDA #84.010 – Title I
Federal Agency Name: U.S. Department of Education
Pass-Through Entity Name (if applicable): Wyoming Department of Education

Condition – During our testing of documentation of employee time and effort, we identified a deficiency in internal control surrounding completion of time and effort logs for one of the two District employees required to maintain such documentation. Per testing performed, we identified 111.5 hours of Title I programming time that had been improperly omitted from the former Assistant Superintendent’s time and effort logs for fiscal year 2013. The omission of these hours led to an indication that the salary of the former Assistant Superintendent had been improperly allocated to the Title I program. However, upon further investigation, we noted that the time and effort logs were improperly completed, and additional documentation was available elsewhere to substantiate allocation of the former Assistant Superintendent’s salary.

Criteria – The Department of Education Cross Cutting Section within the 2013 Compliance Supplement requires that an employee who works in part on a single cost objective (i.e., the consolidated administrative cost objective) and in part on a Federal program whose administrative funds have not been consolidated or on activities funded from other revenue sources must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B, paragraphs 8.h.(4), (5) and (6). These paragraphs state that such records must reflect an after-the-fact distribution of the actual activity of each employee and account for the total activity for which each employee is compensated.

Cause – The District did not have a well-established procedure in place to ensure accurate and complete documentation of employee time and effort. We noted that the monthly employee time and effort logs included a signature line for supervisory review. However, the supervisor’s signature was missing from nine of the twelve monthly time and effort logs of the former Assistant Superintendent.

Effect – A violation or failure to comply with Federal laws and regulations may result in the Federal oversight agency taking whatever action is deemed necessary to gain compliance with Federal requirements. Furthermore, salaries could be improperly allocated to the Title I program, resulting in a potential overcharge to the program.

GOSHEN COUNTY SCHOOL DISTRICT #1

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Recommendation – We recommend that the District ensure appropriate supervisory or other personnel review the employee time and effort logs on a monthly basis to ensure the employee's hours are accurately reported on the time and effort log. In addition, the time and effort logs should also be reviewed on a periodic basis to ensure they properly support allocation of the employee's time to the Federal program.

Questioned Costs – \$0

Auditee Response – The prior administration did not have a process in place for ensuring documentation and supervisory review of time and effort logs. The Superintendent has established a process and protocol for documenting and reviewing the time and effort logs monthly for those individuals who may work in part on a single cost objective and in part on a Federal program. These records will reflect actual activity of each employee and account for the total activity for which each employee is compensated.

GOSHEN COUNTY SCHOOL DISTRICT #1

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2013

Finding	Status
<p data-bbox="235 499 686 527"><u>2012-02: Suspension and Debarment</u></p> <p data-bbox="235 569 824 789">The following U.S. Department of Education programs did not have an effective system in place to ensure compliance with the control objective around the suspension and debarment compliance requirement to provide reasonable assurance that covered transactions are not made with a debarred or suspended party:</p> <ul data-bbox="248 831 797 1003" style="list-style-type: none"><li data-bbox="248 831 756 858">• Title I - CFDA 84.010 and ARRA-84.389<li data-bbox="248 873 797 930">• School Improvement - Recovery Act - CFDA ARRA -84.388<li data-bbox="248 945 764 1003">• Special Education Cluster - CFDA 84.027, 84.173, ARRA -84.391 <p data-bbox="235 1045 824 1199">Two covered transactions were identified that were allocated amongst the above programs for which the District did not have verification that the suspension and debarment requirements were addressed.</p>	<p data-bbox="846 569 1438 762">The District has established a process where all Federal contracts are reviewed by the Business Manager as well as the Director of Curriculum, Instruction and Data Management to ensure satisfactory completion of suspension and debarment requirements.</p>