

Sweetwater County School District No. 2

Financial Report

June 30, 2013

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Report of Independent Auditor

The Board of Trustees
Sweetwater County School District No. 2
Green River, 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 Sweetwater County School District No. 2 ("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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Sweetwater County School District No. 2, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 and the budgetary comparison schedules on pages 40 through 43 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The combining nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The combining nonmajor governmental funds financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental funds financial statements and the 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 a separate report dated November 5, 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.

DeCoria, Maichel & Teague, P.S.

DeCoria, Maichel & Teague, P.S.
Spokane, Washington

November 5, 2013

SWEETWATER COUNTY SCHOOL DISTRICT 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2013
UNAUDITED

The management's discussion and analysis of the financial performance of Sweetwater County School District No. 2, a GASB 34 requirement, provides an overview of the district's financial activities for the fiscal year ended June 30, 2013.

Comparative data from the previous year is available for the tenth time this year, as this is the eleventh consecutive year that the district has presented financial statements in accordance with GASB Statement No. 34. While a sound accounting system is a prerequisite to effective financial management, it is also essential that it enables the public, investors, and other interested parties to evaluate the District's financial position and results of operations. To this end, the following pages contain information relating to the requirements of GASB Statement No. 34.

The Sweetwater County School District No. 2 Notes to the Financial Statements included in this report provide information that should be read as a preface to this management discussion and analysis.

Financial Highlights

- The overall condition of all funds, governmental activities, and business-type activities of the District continues to remain strong. The goals set by the Board of Trustees and the Administration of Sweetwater County School District No. 2 relating to financial activities continue to be met.
- Sweetwater County School District No. 2 entered the fiscal year ended June 30, 2013 with a total net position of \$53,158,517, and ended the year with a total net position of \$54,662,708, an increase of \$1,504,191, or 2.83%. Total current assets increased by \$12,605,377 or 99.90%. This was due to a sharp increase in cash of \$12,419,989, which was primarily the result of the proceeds of the Series 2013 General Obligation Building Bonds that settled on March 1, 2013. Total liabilities increased by \$12,629,243, or 286.38%. Long-term debt, including the premium on bond issuance and the current portion of long-term debt, increased by \$13,068,719, due to the bond issuance.
- Total revenues for both governmental and business-type activities for 2012-2013 were \$45,823,389, a decrease of \$295,572 or 0.64% over the prior year. The largest portion of total revenues, 70.77%, was derived from tax levies on property and minerals in the District and Sweetwater County. These local revenues increased by \$1,276,807, or 4.10%, from the prior year largely as the result of stable mineral valuations from trona within the District. The funds provided by the State of Wyoming in the Foundation Entitlement Payment to meet the funding guarantee decreased by \$2,387,902, or 26.71%, due to the increased local revenues.
- Total program expenditures for 2012-2013 for both governmental and business-type activities were \$44,327,112, a decrease from the prior year of 0.38%, or \$169,401. These total expenditures were offset with charges for services, operating grants, and contributions resulting in a net cost of services of \$37,580,647, a decrease of 2.64%.
- Combined ending fund balances on governmental funds totaled \$21,092,683, an increase of \$13,036,410, or 161.82%, from the beginning fund balances in governmental funds of \$8,056,273. This increase can be largely attributed to the Capital Projects Fund receiving the proceeds of the Series 2013 bond issue during the fiscal year.

SWEETWATER COUNTY SCHOOL DISTRICT 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2013
UNAUDITED CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole (government-wide statements), and then proceed to provide an increasingly detailed look at financial activities.

The Statement of Net Position and the Statement of Activities provide information on a district-wide basis. These statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.

The Statement of Net Position compares assets plus deferred outflows to liabilities plus deferred inflows to give an overall view of the financial health of the District.

The Statement of Activities defines the entity's expenses by function and illustrates the total that is offset by corresponding revenues – charges for services and/or operating grants and contributions. General revenues and extraordinary credits are identified. The result is total net expense offset by general and miscellaneous revenue.

The remaining statements, the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds, focus on individual parts of the District. Fund statements generally report operations in more detail than the district-wide statements and support the Statement of Net Position.

Notes to the Financial Statements provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position.

Required Supplementary Information further explains and supports the financial statements by including a comparison of the District's budget data for the year and includes all reports in the financial statements through, and including, the financial notes.

Other Supplemental Information provides information specific to non-major governmental funds.

SWEETWATER COUNTY SCHOOL DISTRICT 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2013
UNAUDITED CONTINUED

Table 1
Major Features of the District-wide and Fund Financial Statements

| <i>Fund Financial Statements</i> | | | | |
|---|---|---|---|---|
| | DISTRICT-WIDE STATEMENTS | GOVERNMENTAL | PROPRIETARY | FIDUCIARY |
| SCOPE | Entire District (except fiduciary funds). | The activity of the District that is not proprietary or fiduciary, such as instructional, support services, and community services. <u>The General, Major Maintenance, Debt Service, Recreation and Grant Programs Funds are reported here.</u> | Activities the District operates similar to private business. The <u>Food Service Fund and Child Care Fund are reported here.</u> | Assets held by the District on behalf of someone else. <u>Student Activities are reported here.</u> |
| REQUIRED FINANCIAL STATEMENTS | Statement of net position, and Statement of activities. | Balance sheet, and Statement of revenues, expenditures, and changes in fund balances. | Statement of fund net position, and Statement of revenues, expenses, and changes in fund net position, and Statement of cash flows. | Statement of fiduciary net position and Statement of changes in fiduciary net position. |
| BASIS OF ACCOUNTING AND MEASUREMENT FOCUS | Accrual accounting. Economic resources focus. | Modified accrual accounting. Current financial resources focus. | Accrual accounting. Economic resources focus. | Accrual accounting. Economic resources focus. |
| TYPE OF ASSET AND LIABILITY INFORMATION | All assets and liabilities, both financial and capital, short-term and long-term. | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included. | All assets and liabilities, both financial and capital, short-term and long-term. | All assets and liabilities, both financial and capital, short-term and long-term. |
| TYPE OF INFLOW AND OUTFLOW INFORMATION | All revenues and expenses during the year, regardless of when cash is received or paid. | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and related liability is due and payable. | All revenues and expenses during the year, regardless of when cash is received or paid. | All additions or deductions during the year, regardless of when cash is received or paid. |

SWEETWATER COUNTY SCHOOL DISTRICT 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2013
UNAUDITED CONTINUED

Table 2
Condensed Statements of Net Position

| | Governmental Activities | | Business-Type Activities | |
|-------------------------------|--------------------------------|----------------------|---------------------------------|-------------------|
| | 2012 | 2013 | 2012 | 2013 |
| Assets | | | | |
| Current and Other Assets | \$ 12,432,303 | \$ 25,179,308 | \$ 185,240 | \$ 172,621 |
| Capital Assets, Net | 44,822,884 | 46,200,733 | 127,976 | 149,175 |
| Total Assets | 57,255,187 | 71,380,041 | 313,216 | 321,796 |
| Liabilities: | | | | |
| Current and Other Liabilities | 4,376,030 | 6,506,984 | 33,856 | 32,145 |
| Long-Term Liabilities | - | 10,500,000 | - | - |
| Total Liabilities | 4,376,030 | 17,006,984 | 33,856 | 32,145 |
| Net Position: | | | | |
| Invested in Capital Assets, | | | | |
| Net of related debt | 44,822,884 | 33,280,374 | 127,976 | 149,175 |
| Restricted | 1,846,595 | 13,854,532 | - | - |
| Unrestricted | 6,209,678 | 7,238,151 | 151,384 | 140,476 |
| Total Net Position | \$ 52,879,157 | \$ 54,373,057 | \$ 279,360 | \$ 289,651 |

Table 2 provides the perspective of Sweetwater County School District No. 2 as a whole.

As of June 30, 2013, the District reported total assets of \$71,701,837 and total liabilities of \$17,039,129. Net position amounted to \$54,662,708.

2012-2013 is the tenth year Sweetwater County School District No. 2 has reported net capital assets on the balance sheet. This includes the estimated historical cost of land and improvements, buildings and improvements, equipment and contents, and transportation equipment less accumulated depreciation.

As of June 30, 2013, the District had \$95,163,250 in governmental activities capital assets less accumulated depreciation of \$48,962,517, for a net of \$46,200,733. Business-type activities had \$350,935 in capital assets less accumulated depreciation of \$201,760, for a net of \$149,175.

SWEETWATER COUNTY SCHOOL DISTRICT 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2013
UNAUDITED CONTINUED

Table 3
Changes in Net Position from Operating Results

| | Governmental Activities | Governmental Activities | Business- Type Activities | Business- Type Activities | Total | Total |
|--|----------------------------|----------------------------|---------------------------------|---------------------------------|---------------------|---------------------|
| | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 |
| Revenues | | | | | | |
| Program Revenue: | | | | | | |
| Charges for Services | \$ 39,884 | \$ 32,838 | \$ 592,292 | \$ 553,067 | \$ 632,176 | \$ 585,905 |
| Operating Grants and Contributions | 3,748,532 | 3,620,163 | 510,222 | 539,450 | 4,258,751 | 4,159,613 |
| Capital Grants and Contributions | 1,006,035 | 2,000,947 | - | - | 1,006,035 | 2,000,947 |
| General Revenue: | | | | | | |
| Property Taxes and Other County and Local Sources | 31,153,525 | 32,430,332 | - | - | 31,153,525 | 32,430,332 |
| Unrestricted State Aid | 8,941,338 | 6,553,436 | - | - | 8,941,338 | 6,553,436 |
| Restricted Federal Aid | 87,133 | 74,928 | - | - | 87,133 | 74,928 |
| Earnings on Investments | 40,000 | 18,228 | - | - | 40,000 | 18,228 |
| Total Revenues | 45,016,447 | 44,730,872 | 1,102,514 | 1,092,517 | 46,118,961 | 45,823,389 |
| Program Expenses | | | | | | |
| Instruction | 24,782,018 | 24,333,222 | - | - | 24,782,018 | 24,333,222 |
| Support Services: | | | | | | |
| Students and Instructional Staff | 6,100,066 | 6,035,870 | - | - | 6,100,066 | 6,035,870 |
| Board of Education, Administration, Fiscal and Business | 5,047,880 | 4,787,761 | - | - | 5,047,880 | 4,787,761 |
| Facility O&M | 4,732,149 | 5,585,062 | - | - | 4,732,149 | 5,585,062 |
| Pupil Transportation | 2,235,606 | 2,042,895 | - | - | 2,235,606 | 2,042,895 |
| Other Support Services: | | | | | | |
| Food | - | - | 1,223,587 | 1,270,760 | 1,223,587 | 1,270,760 |
| Other | 176,061 | 93,272 | - | - | 176,061 | 93,272 |
| Capital Outlay | 118,848 | 18,190 | - | - | 118,848 | 18,190 |
| Community Support | 2,500 | 2,500 | 48,956 | 60,136 | 51,456 | 62,636 |
| Interest | 28,842 | 97,444 | - | - | 28,842 | 97,444 |
| Total Expenses | 43,223,970 | 42,996,216 | 1,272,543 | 1,330,896 | 44,496,513 | 44,327,112 |
| Excess (Deficiency) before Other | | | | | | |
| Financing Sources (Uses) | 1,792,477 | 1,734,656 | (170,029) | (238,379) | 1,622,448 | 1,496,277 |
| Transfers | (163,146) | (248,670) | 199,304 | 248,670 | 36,158 | - |
| Gain (loss) on disposal of capital assets | (17,407) | 7,914 | - | - | (17,407) | 7,914 |
| Increase in Net Position | \$ 1,611,924 | \$ 1,493,900 | \$ 29,275 | \$ 10,291 | \$ 1,641,199 | \$ 1,504,191 |

SWEETWATER COUNTY SCHOOL DISTRICT 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2013
UNAUDITED CONTINUED

Table 3 (continued)

Revenue: The majority of the revenue supporting the District's governmental activities is general revenue. The business-type activities revenue largely comes from Food Service sales, Federal reimbursements, and Child Care fees and local grant revenues. For 2012-2013, Sweetwater County School District No. 2 received \$45,823,389 in revenues. Of this total, 70.77% came from property taxes and other county and local sources; 14.30% came in the form of unrestricted state entitlements; 0.16% came from restricted federal aid; 13.45% came from grants; and 0.04% came from earnings on investments. Individuals who directly participated or benefited from a program contributed \$585,905, or 1.28%, to offset the cost of services they received.

Expenses: For 2012-2013, the District's total program expenses were \$44,318,336. Pupil instruction and instructional services accounted for 68.51% of the total expenses. Costs for teacher salaries and benefits are included in this amount. Board of Education, administration, fiscal and business expenses were 10.80% of the total; operation and maintenance of facilities 12.60%; pupil transportation 4.61%; and other support services (including food service) 3.22%. Capital outlay was 0.04%. Finally, interest expense on debt comprised 0.22% of the total expenses.

Table 4
Net Cost of Governmental Activities

| | Total Cost of Services | | | Percent Change | Net Cost of Services | | |
|--|------------------------|----------------------|---------------|----------------------|----------------------|---------------|--------|
| | 2012 | 2013 | | | 2012 | 2013 | Change |
| Instruction | \$ 24,782,018 | \$ 24,333,222 | -1.81% | \$ 21,924,863 | \$ 21,950,536 | 0.12% | |
| Support Services: | | | | | | | |
| Students and Instructional Staff | 6,100,066 | 6,035,870 | -1.05% | 5,258,181 | 5,081,060 | -3.37% | |
| Board of Education, Administration, Fiscal and Business | 5,047,880 | 4,787,761 | -5.15% | 4,983,903 | 4,723,164 | -5.23% | |
| Facility O&M | 4,732,149 | 5,585,062 | 18.02% | 3,706,883 | 3,966,388 | 7.00% | |
| Pupil Transportation | 2,235,606 | 2,042,895 | -8.62% | 2,229,438 | 2,034,684 | -8.74% | |
| Interest | 28,842 | 97,444 | 237.85% | 28,842 | 97,444 | 237.85% | |
| Capital Outlay | 118,848 | 18,190 | -84.69% | 118,848 | (606,780) | -610.55% | |
| Other Support Services | 178,561 | 95,772 | -46.36% | 178,561 | 95,772 | -46.36% | |
| Total | \$ 43,223,970 | \$ 42,996,216 | -0.53% | \$ 37,074,183 | \$ 37,342,268 | -2.83% | |

Table 4 shows the cost of governmental activities in Sweetwater County School District No. 2 (column 1). Column 2 has the costs of the programs offset with charges that were made for the services. The total cost of services provided by the District totaled \$42,996,216 with a net cost of \$37,342,268. The District services were primarily funded by tax revenues and unrestricted state and federal entitlements.

SWEETWATER COUNTY SCHOOL DISTRICT 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2013
UNAUDITED CONTINUED

Table 4 (continued)

School districts traditionally have reported general capital assets in their financial statements but have not depreciated those assets. Under GASB 34, Sweetwater County School District No. 2 is required, for the tenth consecutive fiscal year, to report depreciation expense for all capital assets, including infrastructure assets.

Table 5
Net Capital Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------|-------------------------|----------------------|--------------------------|-------------------|----------------------|----------------------|
| | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 |
| Land and Improvements | \$ 256,569 | \$ 256,569 | \$ - | \$ - | \$ 256,569 | \$ 256,569 |
| Construction in Progress | 419,370 | 2,058,108 | - | - | 419,370 | 2,058,108 |
| Buildings and Improvements | 41,564,238 | 41,222,374 | - | - | 41,564,238 | 41,222,374 |
| Furniture and Equipment | 2,582,707 | 2,663,682 | 127,976 | 149,175 | 2,710,683 | 2,812,857 |
| Total | \$ 44,822,884 | \$ 46,200,733 | \$ 127,976 | \$ 149,175 | \$ 44,950,860 | \$ 46,349,908 |

Table 5 shows that on June 30, 2013, Sweetwater County School District No. 2 had \$46,349,908 invested in land, buildings and improvements, furniture, equipment, vehicles, and buses, net of depreciation.

Table 6
Long-Term Debt

| | Balance | | | Balance |
|--------------------------|---------------|----------------------|-------------|----------------------|
| | June 30, 2012 | Additions | Deductions | |
| General obligation bonds | \$ - | \$ 11,475,000 | \$ - | \$ 11,475,000 |
| Accrued interest | - | 153,608 | - | 153,608 |
| Total | \$ - | \$ 11,628,608 | \$ - | \$ 11,628,608 |

Table 6 shows that for the year ended June 30, 2013, long-term obligations increased by \$11,628,608, due to the issuance of general obligation building bonds, totaling \$11,475,000, issued on March 1, 2013. Additionally, the District recognized accrued interest as of June 30, 2013 related to the general obligation building bonds. All long-term debt is an obligation of the governmental activities.

SWEETWATER COUNTY SCHOOL DISTRICT 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2013
UNAUDITED CONTINUED

CURRENT FINANCIAL ISSUES AND CONCERNS

- The State of Wyoming's economy has continued to recover, and Sweetwater County has stabilized, with a slight decline in total assessed valuation. The total assessed valuation of the County decreased by 5.26% (from the July 1, 2012 valuation of \$2,853,198,681 to the July 1, 2013 valuation of \$2,703,075,978). This decline was largely due to the assessed valuation of oil and gas. The percentage of the total valuation attributable to these assets decreased from 48.55% in 2012 to 42.64% in 2013. This was offset to a degree by trona. The valuation for this mineral increased to 16.70% in 2013 from 15.11% in 2012. Commercial and industrial property valuation also increased from 15.34% of the total in 2012 to 17.07% in 2013.
- In contrast to Sweetwater County, the valuation of Sweetwater County School District No. 2 actually increased slightly. The District's assessed valuation increased from \$947,000,114 to \$965,168,846, or 1.92% from 2012 to 2013. With the increase, the valuation is the second highest for the District in the last twenty-one years, and ranks 32.65% above the average valuation over that period.
- The most recent economic summary from the Wyoming Economic Analysis Division stated "After slowing in the second half of 2012 and the first quarter of 2013, Wyoming's economic recovery appears to be poised to reaccelerate thanks to the strength of the construction, manufacturing industries, and tourism. Natural gas prices rebounded tremendously after bottoming out in April 2012, and drillers appear to be responding." The declining trend in the price of natural gas has reversed somewhat; the price per MCF of natural gas stood at \$3.35 for the week ended October 28, 2013, up 10.45% from the prior year. Sweetwater County's most recent unemployment rate stands at 3.8%, down from 4.4% one year earlier, and substantially lower than the national rate of 7.3%.
- In turn, the underlying causes for the financial strength of Sweetwater County School District No. 2 have improved over the past year. The District's financial health remains strong, and is attributable to the wealth of the State, County, and District, and to the financial leadership provided by the administration and the Board of Trustees.
- Enrollment has stabilized, and has increased slightly at the beginning of the current school year over the past year from 2,664 to 2,752 to, or 3.30%. Over the fiscal year ended June 30, 2013, the District enrollment increased by 41 students from the previous year.
- A goal of the Board of Trustees is to maintain the best salaries in the State for all employees. The current starting salary for a District teacher ranks fifth out of the 48 districts in the State according to the Wyoming School Boards Association, <http://www.wsba-wy.org/>.
- A financial issue that has caused great concern in the District for several years is the continually rising cost of health insurance premiums, and the effects of the implementation of new federal health care regulations. This situation was further aggravated by a decrease of 5% in the funding provided to the District through the Wyoming School Foundation Block Grant, and an increase in premiums of 4% from the District's health insurance provider.

SWEETWATER COUNTY SCHOOL DISTRICT 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2013
UNAUDITED CONTINUED

CURRENT FINANCIAL ISSUES AND CONCERNS, CONTINUED

- The school funding model was recalibrated during 2010, and the updated model was effective for the fiscal year beginning July 1, 2011. During the fiscal year ended June 30, 2013, funding increased marginally as a result of the slight increase in enrollment. A pattern has emerged in the District workforce with retiring teachers' positions being filled by younger teachers, causing the average salary amount in the funding model to decrease. There was no funding increase from the External Cost Adjustment (ECA) in the model, which was set at 0.0% by the Joint Appropriations Committee of the Wyoming State Legislature for the biennium budget due to concerns about the economy by the Legislature. Receiving no adjustments for inflation presents an ongoing challenge to the District, especially as the Cost of Living Index for southwest Wyoming increased by 10.8% over the past four years according to the Economic Analysis Division of the Wyoming Department of Administration and Information. <http://eativ.state.wy.us/wcli/NewsRelease-2Q13.pdf>.
- In conclusion, Sweetwater County School District No. 2 has committed itself to financial excellence for many years. The District's financial planning, budgeting, and internal financial controls are well regarded. The District will continue its sound fiscal management to meet any challenges in the future.

Contacting the School District's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of Sweetwater County School District Number Two's finances and to show the District's accountability for the funds it receives. If you have questions about this report or need additional financial information contact Pete Brandjord, Business Manager, at Sweetwater County School District No. 2, 320 Monroe Avenue, Green River, WY 82935; or email at brandjp@sw2.k12.wy.us, or contact Ann Rudoff, Board of Trustees Treasurer, Sweetwater County School District 2, 320 Monroe Avenue, Green River, WY 82935.

Sweetwater County School District No. 2
Statement of Net Position - District-Wide
June 30, 2013

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 23,734,573 | \$ 99,199 | \$ 23,833,772 |
| Cash in custody of the County Treasurer | 86,035 | - | 86,035 |
| Property taxes receivable | 106,470 | - | 106,470 |
| Grants and contracts receivable | 610,080 | - | 610,080 |
| Other receivables | 19,697 | 4,750 | 24,447 |
| Inventories | 68,721 | 56,686 | 125,407 |
| Prepaid expenses | 416,491 | 867 | 417,358 |
| Internal balances | (11,119) | 11,119 | - |
| Deferred bond issuance costs, to be amortized within one year | 19,351 | - | 19,351 |
| Total current assets | <u>25,050,299</u> | <u>172,621</u> | <u>25,222,920</u> |
| Noncurrent assets: | | | |
| Deferred bond issuance costs, to be amortized after one year | 129,009 | - | 129,009 |
| Capital assets, net | 46,200,733 | 149,175 | 46,349,908 |
| Total noncurrent assets | <u>46,329,742</u> | <u>149,175</u> | <u>46,478,917</u> |
| Total assets | <u>71,380,041</u> | <u>321,796</u> | <u>71,701,837</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 1,417,571 | 1,159 | 1,418,730 |
| Accrued liabilities | 2,520,694 | 30,986 | 2,551,680 |
| Accrued interest on general obligation building bonds | 153,608 | - | 153,608 |
| Premium on bond issuance, to be amortized within one year | 187,841 | - | 187,841 |
| General obligation bonds, due within one year | 975,000 | - | 975,000 |
| Total current liabilities | <u>5,254,714</u> | <u>32,145</u> | <u>5,286,859</u> |
| Noncurrent liabilities: | | | |
| Premium on bond issuance, to be amortized after one year | 1,252,270 | - | 1,252,270 |
| General obligation bonds, due after one year | 10,500,000 | - | 10,500,000 |
| Total noncurrent liabilities | <u>11,752,270</u> | <u>-</u> | <u>11,752,270</u> |
| Total liabilities | <u>17,006,984</u> | <u>32,145</u> | <u>17,039,129</u> |
| NET POSITION | | | |
| Invested in capital assets, net | 33,280,374 | 149,175 | 33,429,549 |
| Restricted for major maintenance projects | 786,752 | - | 786,752 |
| Restricted for capital projects | 12,066,855 | - | 12,066,855 |
| Restricted for debt service | 14,728 | - | 14,728 |
| Restricted for special projects | 986,197 | - | 986,197 |
| Unrestricted | 7,238,151 | 140,476 | 7,378,627 |
| Total net position | <u>\$ 54,373,057</u> | <u>\$ 289,651</u> | <u>\$ 54,662,708</u> |

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

Sweetwater County School District No. 2
Statement of Activities - District-Wide
Year Ended June 30, 2013

| Functions/Programs | Primary Government | | | | | | Total |
|---|----------------------|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | |
| Governmental activities: | | | | | | | |
| Instruction: | | | | | | | |
| Regular instruction | \$ 17,043,109 | \$ 14,330 | \$ 207,728 | \$ - | \$ (16,821,051) | | \$ (16,821,051) |
| Special instruction | 6,814,630 | - | 2,085,184 | - | (4,729,446) | | (4,729,446) |
| Vocational instruction | 475,483 | - | 75,444 | - | (400,039) | | (400,039) |
| Total instruction | <u>24,333,222</u> | <u>14,330</u> | <u>2,368,356</u> | <u>-</u> | <u>(21,950,536)</u> | | <u>(21,950,536)</u> |
| Support services: | | | | | | | |
| Pupil services | 3,950,811 | - | 158,553 | - | (3,792,258) | | (3,792,258) |
| Staff services | 2,085,059 | - | 796,257 | - | (1,288,802) | | (1,288,802) |
| General administration | 309,670 | - | - | - | (309,670) | | (309,670) |
| Central administration | 1,115,978 | - | 47,044 | - | (1,068,934) | | (1,068,934) |
| School administration | 2,375,496 | - | 17,553 | - | (2,357,943) | | (2,357,943) |
| Business administration | 986,617 | - | - | - | (986,617) | | (986,617) |
| General maintenance | 5,585,062 | 10,297 | 232,400 | 1,375,977 | (3,966,388) | | (3,966,388) |
| Transportation services | 2,042,895 | 8,211 | - | - | (2,034,684) | | (2,034,684) |
| Other support services | 93,272 | - | - | - | (93,272) | | (93,272) |
| Capital outlay | 18,190 | - | - | 624,970 | 606,780 | | 606,780 |
| Community support | 2,500 | - | - | - | (2,500) | | (2,500) |
| Interest on long-term debt | 97,444 | - | - | - | (97,444) | | (97,444) |
| Total support services | <u>18,662,994</u> | <u>18,508</u> | <u>1,251,807</u> | <u>2,000,947</u> | <u>(15,391,732)</u> | | <u>(15,391,732)</u> |
| Total governmental activities | <u>42,996,216</u> | <u>32,838</u> | <u>3,620,163</u> | <u>2,000,947</u> | <u>(37,342,268)</u> | | <u>(37,342,268)</u> |
| Business-type activities: | | | | | | | |
| Food services | 1,270,760 | 533,903 | 539,450 | - | - | \$ (197,407) | (197,407) |
| Child care services | 60,136 | 19,164 | - | - | - | (40,972) | (40,972) |
| Total business-type activities | <u>1,330,896</u> | <u>553,067</u> | <u>539,450</u> | <u>-</u> | <u>-</u> | <u>(238,379)</u> | <u>(238,379)</u> |
| Total school district | <u>\$ 44,327,112</u> | <u>\$ 585,905</u> | <u>\$ 4,159,613</u> | <u>\$ 2,000,947</u> | <u>(37,342,268)</u> | <u>(238,379)</u> | <u>(37,580,647)</u> |
| General revenue: | | | | | | | |
| Property taxes, general purposes | | | | | 24,882,418 | - | 24,882,418 |
| Property taxes, nonmajor funds | | | | | 982,201 | - | 982,201 |
| Interest and investment earnings | | | | | 18,228 | - | 18,228 |
| Other local sources | | | | | 38,410 | - | 38,410 |
| Other county sources | | | | | 6,527,303 | - | 6,527,303 |
| State aid, unrestricted | | | | | 6,553,436 | - | 6,553,436 |
| Federal aid, restricted | | | | | 74,928 | - | 74,928 |
| Total general revenue | | | | | <u>39,076,924</u> | <u>-</u> | <u>39,076,924</u> |
| Excess (deficiency) of revenues over (under) expenses before other financing sources (uses) | | | | | 1,734,656 | (238,379) | 1,496,277 |
| Other financing sources (uses): | | | | | | | |
| Transfers from (to) other funds, net | | | | | (248,670) | 248,670 | - |
| Gain on disposal of capital assets | | | | | 7,914 | - | 7,914 |
| Changes in net position | | | | | 1,493,900 | 10,291 | 1,504,191 |
| Total net position, beginning of year | | | | | <u>52,879,157</u> | <u>279,360</u> | <u>53,158,517</u> |
| Total net position, end of year | <u>\$ 54,373,057</u> | <u>\$ 289,651</u> | <u>\$ 54,662,708</u> | | | | |

Sweetwater County School District No. 2
Balance Sheet - Governmental Funds
June 30, 2013

| | General Fund | Special Revenue Fund | Major Maintenance Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------------|------------------------------|-----------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and investments | \$ 8,659,913 | \$ 144,694 | \$ 1,356,902 | \$ 12,354,942 | \$ 1,218,122 | \$ 23,734,573 |
| Cash in custody of the County Treasurer | 71,307 | - | - | - | 14,728 | 86,035 |
| Property taxes receivable | 104,298 | - | - | - | 2,172 | 106,470 |
| Grants and contracts receivable | - | 306,063 | - | 304,017 | - | 610,080 |
| Other receivables | 19,527 | - | 119 | - | 51 | 19,697 |
| Inventories | 68,721 | - | - | - | - | 68,721 |
| Prepaid expenses | 416,491 | - | - | - | - | 416,491 |
| Due from other funds | 498,368 | - | - | 234,148 | - | 732,516 |
| Total assets | \$ 9,838,625 | \$ 450,757 | \$ 1,357,021 | \$ 12,893,107 | \$ 1,235,073 | \$ 25,774,583 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 214,506 | \$ 13,057 | \$ 570,269 | \$ 619,739 | \$ - | \$ 1,417,571 |
| Accrued liabilities | 2,376,000 | 144,694 | - | - | - | 2,520,694 |
| Due to other funds | 9,968 | 293,006 | - | 206,513 | 234,148 | 743,635 |
| Total liabilities | 2,600,474 | 450,757 | 570,269 | 826,252 | 234,148 | 4,681,900 |
| Fund balances: | | | | | | |
| Nonspendable: | | | | | | |
| Inventories | 68,721 | - | - | - | - | 68,721 |
| Prepaid expenses | 416,491 | - | - | - | - | 416,491 |
| Restricted for: | | | | | | |
| Major maintenance projects | - | - | 786,752 | - | - | 786,752 |
| Capital projects | - | - | - | 12,066,855 | - | 12,066,855 |
| Debt service | - | - | - | - | 14,728 | 14,728 |
| Special projects | - | - | - | - | 986,197 | 986,197 |
| Committed for: | | | | | | |
| Instruction | 440,000 | - | - | - | - | 440,000 |
| Facilities acquisition | 140,000 | - | - | - | - | 140,000 |
| Unassigned | 6,172,939 | - | - | - | - | 6,172,939 |
| Total fund balances | 7,238,151 | - | 786,752 | 12,066,855 | 1,000,925 | 21,092,683 |
| Total liabilities and fund balances | \$ 9,838,625 | \$ 450,757 | \$ 1,357,021 | \$ 12,893,107 | \$ 1,235,073 | \$ 25,774,583 |

Sweetwater County School District No. 2
Reconciliation of the Balance Sheet - Governmental Funds
with the Statement of Net Position - District-Wide
June 30, 2013

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

| | |
|--|---------------|
| Total fund balances - Governmental Funds | \$ 21,092,683 |
|--|---------------|

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds:

| | | |
|-------------------------------|---------------------|------------|
| The cost of capital assets is | \$ 95,163,250 | |
| Accumulated depreciation is | <u>(48,962,517)</u> | 46,200,733 |

In 2013, the District issued \$11,475,000 of general obligation building bonds with an interest rate which varies between .75% and 5.00%. As a result of this transaction, the following assets and liabilities are included in the Statement of Net Position - District-Wide, but not in the governmental funds:

| | | |
|---|--------------------|-------------|
| Deferred bond issuance costs, to be amortized within one year | 19,351 | |
| Deferred bond issuance costs, to be amortized after one year | 129,009 | |
| Premium on bond issuance, to be amortized within one year | (187,841) | |
| Premium on bond issuance, to be amortized after one year | <u>(1,252,270)</u> | (1,291,751) |

Noncurrent liabilities, including general obligation bonds, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds:

| | | |
|--|---------------------|---------------------|
| Accrued interest on general obligation building bonds | (153,608) | |
| General obligation building bonds, due within one year | (975,000) | |
| General obligation building bonds, due after one year | <u>(10,500,000)</u> | <u>(11,628,608)</u> |

| | |
|------------------------------------|----------------------|
| Total net position - District-Wide | <u>\$ 54,373,057</u> |
|------------------------------------|----------------------|

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

| | General Fund | Special Revenue Fund | Major Maintenance Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|----------------------------|------------------------------|-----------------------------|-----------------------------------|--------------------------------|
| Revenues: | | | | | | |
| Property taxes | \$ 24,882,418 | \$ - | \$ - | \$ - | \$ 982,201 | \$ 25,864,619 |
| Interest and investment earnings | 15,225 | - | 2,952 | - | 51 | 18,228 |
| Other local sources | 33,756 | 387,771 | 35,677 | 1,815 | - | 459,019 |
| Other county sources | 6,527,303 | - | - | - | - | 6,527,303 |
| State sources | 6,553,436 | 972,231 | 1,608,377 | 624,970 | - | 9,759,014 |
| Federal sources | 74,928 | 2,027,761 | - | - | - | 2,102,689 |
| Total revenues | 38,087,066 | 3,387,763 | 1,647,006 | 626,785 | 982,252 | 44,730,872 |
| Expenditures: | | | | | | |
| Instruction: | | | | | | |
| Regular instruction | 15,059,424 | 207,728 | - | - | - | 15,267,152 |
| Special instruction | 4,805,826 | 2,052,186 | - | - | - | 6,858,012 |
| Vocational instruction | 423,660 | 75,444 | - | - | - | 499,104 |
| Total instruction | 20,288,910 | 2,335,358 | - | - | - | 22,624,268 |
| Support services: | | | | | | |
| Pupil services | 3,775,639 | 158,553 | - | - | - | 3,934,192 |
| Staff services | 1,284,137 | 796,257 | - | - | - | 2,080,394 |
| General administration | 274,907 | - | - | - | - | 274,907 |
| Central administration | 1,082,434 | 47,044 | - | - | - | 1,129,478 |
| School administration | 2,357,943 | 17,553 | - | - | - | 2,375,496 |
| Business administration | 986,617 | - | - | - | - | 986,617 |
| General maintenance | 4,867,103 | - | 1,682,240 | - | - | 6,549,343 |
| Transportation services | 2,081,514 | - | - | - | - | 2,081,514 |
| Other support services | 93,272 | - | - | - | - | 93,272 |
| Capital outlay | - | - | - | 2,144,640 | - | 2,144,640 |
| Community support | 2,500 | - | - | - | - | 2,500 |
| Total support services | 16,806,066 | 1,019,407 | 1,682,240 | 2,144,640 | - | 21,652,353 |
| Total expenditures | 37,094,976 | 3,354,765 | 1,682,240 | 2,144,640 | - | 44,276,621 |
| Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses) | 992,090 | 32,998 | (35,234) | (1,517,855) | 982,252 | 454,251 |
| Other financing sources (uses) | | | | | | |
| Transfers from (to) other funds, net | 28,469 | (32,998) | (40,678) | 761,795 | (965,258) | (248,670) |
| Proceeds from bond issuance | - | - | - | 12,822,915 | - | 12,822,915 |
| Proceeds from sale of capital assets | 7,914 | - | - | - | - | 7,914 |
| Total other financing sources (uses), net | 36,383 | (32,998) | (40,678) | 13,584,710 | (965,258) | 12,582,159 |
| Net changes in fund balances | 1,028,473 | - | (75,912) | 12,066,855 | 16,994 | 13,036,410 |
| Total fund balances, beginning of year | 6,209,678 | - | 862,664 | - | 983,931 | 8,056,273 |
| Total fund balances, end of year | \$ 7,238,151 | \$ - | \$ 786,752 | \$ 12,066,855 | \$ 1,000,925 | \$ 21,092,683 |

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

Sweetwater County School District No. 2
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds with the Statement of Activities - District-Wide
Year Ended June 30, 2013

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

| | |
|--|----------------------------|
| Net change in fund balances - Governmental Funds | \$ 13,036,410 |
| Capital outlays to purchase capital assets are reported as expenditures in the governmental funds. However, in the Statement of Activities - District-Wide, the cost of these assets is allocated over their estimated useful lives as depreciation. This is the amount by which capital outlays, \$3,890,322, exceeds depreciation, \$2,512,473, during the current fiscal year. | 1,377,849 |
| In 2013, the District issued \$11,475,000 of general obligation building bonds with interest rates that vary from 0.75% to 5.00%. As part of this transaction, the District recognized deferred bond issuance costs and a premium on bond issuance, totaling \$154,810 and \$1,502,725, respectively. These amounts are reported as expenditures and other financing sources in the governmental funds. However, in the Statement of Activities - District-Wide, these amounts are amortized over the life of the bonds. This the amount by which premium proceeds exceed bond issuance costs. | (1,347,915) |
| In 2013, the District issued \$11,475,000 of general obligation building bonds with interest rates that vary from 0.75% to 5.00%. As part of this transaction, the District recognized deferred bond issuance costs and a premium on bond issuance, totaling \$154,810 and \$1,502,725, respectively, which are being amortized over the life of the bonds. During 2013, the net amortization is included as interest on long-term debt in the Statement of Activities - District-Wide. | 56,164 |
| In the Statement of Activities - District-Wide, interest on long-term debt is measured by the amount incurred during the year. In the governmental funds, expenditures for interest is measured by the amount of financial resources used (i.e., the amount actually paid). In the current year, the amount incurred exceeded the amount paid. | (153,608) |
| The issuance of the general obligation rebuilding bonds provided current financial resources to the governmental funds, but increased long-term liabilities in the Statement of Net Position - District-Wide. | <u>(11,475,000)</u> |
| Change in net position - District-Wide | <u><u>\$ 1,493,900</u></u> |

Sweetwater County School District No. 2
Statement of Net Position - Proprietary Funds
June 30, 2013

| | Food Services Fund | Child Care Fund | Total Proprietary Funds |
|---------------------------------|--------------------------|-----------------------|-------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 99,199 | \$ - | \$ 99,199 |
| Other receivables | 4,750 | - | 4,750 |
| Inventories | 56,686 | - | 56,686 |
| Prepaid expenses | 867 | - | 867 |
| Due from other funds | 1,151 | 9,968 | 11,119 |
| Total current assets | <u>162,653</u> | <u>9,968</u> | <u>172,621</u> |
| Noncurrent assets: | | | |
| Capital assets, net | 149,175 | - | 149,175 |
| Total noncurrent assets | <u>149,175</u> | <u>-</u> | <u>149,175</u> |
| Total assets | <u>311,828</u> | <u>9,968</u> | <u>321,796</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 1,159 | - | 1,159 |
| Accrued liabilities | 26,648 | 4,338 | 30,986 |
| Total liabilities | <u>27,807</u> | <u>4,338</u> | <u>32,145</u> |
| NET POSITION | | | |
| Invested in capital assets, net | 149,175 | - | 149,175 |
| Unrestricted | 134,846 | 5,630 | 140,476 |
| Total net position | <u>\$ 284,021</u> | <u>\$ 5,630</u> | <u>\$ 289,651</u> |

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

Sweetwater County School District No. 2
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds
Year Ended June 30, 2013

| | Food Services Fund | Child Care Fund | Total Proprietary Funds |
|--|--------------------------|-----------------------|-------------------------------|
| Operating revenues: | | | |
| School meal sales | \$ 500,889 | \$ - | \$ 500,889 |
| Other food service income | 33,014 | - | 33,014 |
| Charges for child care services | - | 19,164 | 19,164 |
| Total operating revenues | <u>533,903</u> | <u>19,164</u> | <u>553,067</u> |
| Operating expenses: | | | |
| Payroll costs | 613,247 | 59,522 | 672,769 |
| Direct food costs | 541,580 | - | 541,580 |
| Supplies and materials | 73,955 | 614 | 74,569 |
| Other operating expenses | 22,500 | - | 22,500 |
| Depreciation | 19,478 | - | 19,478 |
| Total operating expenses | <u>1,270,760</u> | <u>60,136</u> | <u>1,330,896</u> |
| Operating loss | <u>(736,857)</u> | <u>(40,972)</u> | <u>(777,829)</u> |
| Non-operating revenues: | | | |
| Federal reimbursements | 464,537 | - | 464,537 |
| U.S. Department of Agriculture commodity contributions | 74,913 | - | 74,913 |
| Total non-operating revenues | <u>539,450</u> | <u>-</u> | <u>539,450</u> |
| Loss before transfers | <u>(197,407)</u> | <u>(40,972)</u> | <u>(238,379)</u> |
| Transfers from other funds | 209,001 | 39,669 | 248,670 |
| Changes in fund net position | <u>11,594</u> | <u>(1,303)</u> | <u>10,291</u> |
| Total fund net position, beginning of year | <u>272,427</u> | <u>6,933</u> | <u>279,360</u> |
| Total fund net position, end of year | <u>\$ 284,021</u> | <u>\$ 5,630</u> | <u>\$ 289,651</u> |

Sweetwater County School District No. 2
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2013

| | Food Services Fund | Child Care Fund | Total Proprietary Funds |
|---|--------------------------|-----------------------|-------------------------------|
| Cash flows from operating activities: | | | |
| Cash received from user charges | \$ 540,661 | \$ 19,164 | \$ 559,825 |
| Cash paid for employee services | (607,973) | (58,219) | (666,192) |
| Cash paid for direct food costs | (472,922) | - | (472,922) |
| Cash paid for other supplies and materials | (96,455) | (614) | (97,069) |
| Net cash used by operating activities | <u>(636,689)</u> | <u>(39,669)</u> | <u>(676,358)</u> |
| Cash flows from capital and related financing activities: | | | |
| Purchases of capital assets | (40,677) | - | (40,677) |
| Net cash used by capital and related financing activities | <u>(40,677)</u> | <u>-</u> | <u>(40,677)</u> |
| Cash flows from non-capital financing activities: | | | |
| Transfers from other funds | 209,001 | 39,669 | 248,670 |
| Non-operating grants received | 464,537 | - | 464,537 |
| Net cash provided by non-capital financing activities | <u>673,538</u> | <u>39,669</u> | <u>713,207</u> |
| Decrease in cash and cash equivalents | (3,828) | - | (3,828) |
| Cash and cash equivalents, beginning of year | 103,027 | - | 103,027 |
| Cash and cash equivalents, end of year | <u>\$ 99,199</u> | <u>\$ -</u> | <u>\$ 99,199</u> |
| Reconciliation of operating loss to net cash used by operating activities: | | | |
| Operating loss | \$ (736,857) | \$ (40,972) | \$ (777,829) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | | | |
| Depreciation | 19,478 | - | 19,478 |
| U.S. Department of Agriculture commodity contributions | 74,913 | - | 74,913 |
| Changes in assets and liabilities: | | | |
| Other receivables | 6,758 | - | 6,758 |
| Inventories | 4,083 | - | 4,083 |
| Prepaid expenses | 9 | - | 9 |
| Due from other funds | (10,414) | (908) | (11,322) |
| Accounts payable | 67 | - | 67 |
| Accrued liabilities | 5,274 | 2,211 | 7,485 |
| Net cash used by operating activities | <u>\$ (636,689)</u> | <u>\$ (39,669)</u> | <u>\$ (676,358)</u> |

Non-cash, non-capital financing activities:

During the year, the District received \$74,913 in food commodities from the U.S. Department of Agriculture.

Sweetwater County School District No. 2
Statement of Net Position - Fiduciary Funds
June 30, 2013

| | Student Scholarship Fund | Student Activity Funds |
|-----------------------------|--------------------------------|------------------------------|
| | <u> </u> | <u> </u> |
| ASSETS | | |
| Current assets: | | |
| Cash and investments | \$ 33,709 | \$ 247,545 |
| Other receivables | 3,018 | 25,249 |
| | <u> </u> | <u> </u> |
| Total assets | <u>36,727</u> | <u>\$ 272,794</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Due to student groups | - | \$ 272,794 |
| | <u> </u> | <u> </u> |
| Total liabilities | <u>-</u> | <u>\$ 272,794</u> |
| NET POSITION | | |
| Held for benefit of others | <u>\$ 36,727</u> | |

Sweetwater County School District No. 2
Statement of Changes in Net Position - Fiduciary Funds
Year Ended June 30, 2013

| | Student Scholarship Fund |
|----------------------------------|--------------------------------|
| | <u> </u> |
| Additions: | |
| Interest and investment earnings | \$ 77 |
| Donations | 300 |
| | <u> </u> |
| Total additions | <u>377</u> |
| Deductions: | |
| Scholarships paid | 12,300 |
| | <u> </u> |
| Total deductions | <u>12,300</u> |
| Changes in net position | (11,923) |
| Net position, beginning of year | <u>48,650</u> |
| Net position, end of year | <u><u>\$ 36,727</u></u> |

Sweetwater County School District No. 2
Notes to Financial Statements
June 30, 2013

1. Organization

Sweetwater County School District No. 2 (“the District”) is governed by an elected seven-member Board of Trustees (“the Board”), which has governance responsibilities over all activities related to providing educational services to the residents of the City of Green River and the towns of Granger and McKinnon, Wyoming and the surrounding area within Sweetwater County, Wyoming. The District receives funding from local, county, state and federal government sources and must comply with the requirements of these funding entities. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public; have decision-making authority; have the power to designate management; have the responsibility to significantly influence operations; and have primary accountability for fiscal matters.

At a meeting of the District’s Board of Trustees held on July 20, 2011, the Board voted to approve a one mil recreation levy for the purpose of establishing and maintaining a system of public recreation facilities and programs within the District pursuant to Wyoming Statute 18-9-201. The District’s Board of Trustees serves as the governing board for the recreation district. Due to the governing control by the Board of Trustees, the recreation district is considered a blended component unit of the District. The recreation district is presented as an individual governmental fund in the accompanying financial statements and does not issue stand-alone financial statements.

The District is a member in the Sweetwater County Board of Cooperative Educational Services (BOCES), by mutual agreement with Sweetwater County School District No. 1 of Rock Springs, Wyoming, and Western Wyoming Community College. The BOCES was created in accordance with Wyoming Statutes 21-20-101 through 21-20-111, and the District became a member effective July 1, 1992. The District is represented by two members of the BOCES’ six-member Board of Trustees. The purpose of the BOCES is to provide joint educational services in the areas of vocational-technical education, adult education, electronic learning, and summer “accelerated” courses, as well as any other services approved by the Board of Trustees. The BOCES is not considered to be a component unit and, accordingly, its financial statements are not included with the District’s financial statements.

2. District-Wide and Fund Financial Statements

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments* (GASB No. 34) defines the financial reporting requirements and the reporting model for the annual financial reports of state and local governments. The financial information required by GASB No. 34 includes:

Management’s Discussion and Analysis

The management’s discussion and analysis introduces the basic financial statements and provides an analytical overview of the District’s financial activities in a narrative format. An analysis of the District’s overall financial position and results of operations is included to assist users in assessing whether the financial position has improved or deteriorated as a result of the year’s activities.

Sweetwater County School District No. 2
Notes to Financial Statements, Continued
June 30, 2013

2. District-Wide and Fund Financial Statements, Continued

District-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Budgetary Comparison Schedules

The budgetary comparison schedules are presented as required supplementary information to demonstrate whether resources were obtained and used in accordance with the District's legally adopted budgets (see Note 4). The District may revise the original budgets over the course of the year for various reasons. Under the reporting model prescribed by GASB No. 34, budgetary information continues to be provided, and includes comparisons of the District's original adopted budgets to the final budgets and actual results.

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

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

Sweetwater County School District No. 2
Notes to Financial Statements, Continued
June 30, 2013

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, judgments, compensated absences and early retirement liabilities, which are recognized to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

The District reports the following governmental funds:

General Fund: The General Fund is the primary operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The instructional and most of the support service programs of the District are accounted for in the General Fund. The revenue of the fund consists primarily of local property taxes and federal and state funds. This is a budgeted fund, and any unassigned or unencumbered fund balances are considered as resources available for use.

Special Revenue Fund: The Special Revenue Fund is used to account for funds received from federal and state grants that have restrictions on their use. This is a budgeted fund, and any unassigned or unencumbered fund balances are considered as resources available for use.

Major Maintenance Fund: The Major Maintenance Fund is used to account for funds received from the Wyoming School Facilities Commission that are specifically designated for major maintenance expenditures. This is a budgeted fund, and any fund balances are considered restricted (see Note 14).

Capital Projects Fund: The Capital Projects Fund is used to account for the financial resources accumulated and payments made for the acquisition and improvement of sites; construction and remodel of facilities; and procurement of equipment, textbooks and supplies necessary for providing educational programs to the District's students. The revenue of the fund consists primarily of capital construction funds from the Wyoming School Facilities Commission. This is a budgeted fund, and any fund balances are considered restricted (see Note 14).

Nonmajor Governmental Funds: The Nonmajor Governmental Funds include the Debt Service Fund and the Recreation Fund. The Debt Service Fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and related costs. The revenue of the fund consists primarily of local property taxes. This is a budgeted fund, and any fund balances are considered restricted. The Recreation Fund is used to account for funds received from the recreation mil levy that are allocated to special projects. It is a blended component unit of the District and is a budgeted fund, and any fund balances are considered restricted (see Note 1).

Sweetwater County School District No. 2
Notes to Financial Statements, Continued
June 30, 2013

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued

The District reports the following proprietary funds:

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

Child Care Fund: The Child Care Fund is used to account for the District's child care program, which provides services for students of the District. Operating revenues are comprised of user charges. Non-operating revenues are comprised of grant revenues and transfers from other funds. This is a budgeted fund, and any fund balances are considered as resources available for use.

The District reports the following fiduciary funds:

Student Scholarship Fund: The Student Scholarship Fund is a private-purpose trust fund used to account for funds donated for scholarships awarded to graduating seniors who will be attending college, vocational or technical training schools. This fund does not include revenues and expenditures for general operations of the District.

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

4. Budgetary Information

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

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

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

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

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

Sweetwater County School District No. 2
Notes to Financial Statements, Continued
June 30, 2013

5. Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles and standards. The District has adopted and applied all applicable GASB pronouncements, including GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Recent Accounting Pronouncements

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 62; GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*; and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB 53*, were all effective for the District beginning in the fiscal year ended June 30, 2013. Implementation of these statements did not have a material impact on the District's financial results.

GASB Statement No. 63 amends the current net assets reporting requirements by incorporating deferred inflows of resources and deferred outflows of resources into the definitions of required financial statement components and renames *Net Assets* as *Net Position*. The District's financial statements have been modified to conform to the requirements of this statement. Implementation did not have a material impact on the District's financial results.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities as deferred outflows or deferred inflows of resources, or as outflows or inflows of resources. This statement also limits the use of the term deferred in financial statement presentations. This statement will be effective for the District beginning in the fiscal year ending June 30, 2014. The District is currently assessing the financial statement impact of adopting this statement, and believes that it will have a significant impact.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions. This statement establishes standards for measuring and recognizing liabilities, deferred outflows and deferred inflows of resources and expenses. For defined benefit pension plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosure and required supplementary information about pensions are also addressed. GASB Statement No. 68 will be effective for the District beginning in the fiscal year ending June 30, 2015. The District is currently evaluating the financial statement impact of adopting this statement.

Cash and Cash Equivalents

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

Sweetwater County School District No. 2
Notes to Financial Statements, Continued
June 30, 2013

5. Summary of Significant Accounting Policies, Continued

Receivables

Receivables shown on the governmental fund financial statements are those for which payment was received within 60 days after the financial statement date. All receivables, regardless of when they are collected, are recognized in the district-wide financial statements. Such receivables are shown net of any allowances for uncollectible amounts.

Inventories

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

Capital Assets

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

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

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|--------------------------------|------------------------------------|-------------------------------------|
| Buildings | 20 – 50 years | -- |
| Building and site improvements | 10 – 30 years | -- |
| Furniture and equipment | 5 – 15 years | 6 – 12 years |

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported in the proprietary fund financial statements. On the district-wide financial statements and the proprietary fund financial statements, liabilities that become due and payable within one year after the financial statement date are included in current liabilities, while liabilities that become due and payable after that time are shown as noncurrent liabilities.

Sweetwater County School District No. 2
Notes to Financial Statements, Continued
June 30, 2013

5. Summary of Significant Accounting Policies, Continued

Accrued Liabilities and Long-Term Obligations, Continued

In general, governmental funds payables and accrued liabilities that are paid in a timely manner from current financial resources are reported as obligations of the funds. Liabilities shown on the fund financial statements are those that have become due and payable at the end of the fiscal year, which are expected to be paid during the upcoming fiscal year, and are reported as expenditures and fund liabilities of the governmental fund that will pay it.

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences* (GASB No. 16). Compensated absences consist of accumulated sick and vacation leave balances that are unpaid by the financial statement date.

All eligible employees of the District receive fifteen days of sick leave at the beginning of the year. In accordance with GASB No. 16, no liability is recorded for non-vesting accumulated rights to receive sick pay.

The District records a liability for accumulated unused vacation time for all eligible employees. All full-time and part-time, twelve-month employees working more than thirty hours per week are entitled to vacation leave after completing 90 days of service. The amount of vacation leave earned is based on a graduated scale which reflects length of service. Part-time, twelve-month employees working less than thirty hours per week receive one week of vacation per year.

Accumulated vacation leave that is expected to be utilized by employees during the upcoming fiscal year is reported as an expenditure and fund liability of the governmental fund that will pay it. Accumulated vacation leave that is not expected to be utilized by employees during the upcoming fiscal year is reported as an obligation in the district-wide statements. Accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at fiscal year-end are reported as fund balance since they do not constitute expenditures or liabilities. An appropriation equal to the outstanding year-end encumbrance is made in the succeeding year. Unspent appropriations lapse at year-end.

The District's encumbrance policy is for fiscal year-end individual encumbrances exceeding \$100,000 to be considered significant encumbrances. All encumbrances outstanding at year-end are reported either as committed fund balance or assigned fund balance in the General Fund, or as restricted fund balance in other funds, if any (see Note 14). Significant encumbrances at June 30, 2013 consisted of ongoing capital construction and maintenance projects to be completed subsequent to June 30, 2013, totaling \$1,282,630.

Sweetwater County School District No. 2
Notes to Financial Statements, Continued
June 30, 2013

5. Summary of Significant Accounting Policies, Continued

Net Position

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

Fund Balances

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* (GASB No. 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB No. 54, which became effective for fiscal years beginning after June 15, 2010, requires the fund balance amounts to be properly reported within one of the following fund balance classifications (see Note 14):

Nonspendable: The portion of fund balance that is not expected to be converted to cash, such as inventories or prepaid expenses, if any;

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

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

Assigned: The portion of fund balance that is intended to be used by the District for specific purposes, but does not meet the criteria to be classified as restricted or committed; and

Unassigned: The residual portion of fund balance for the District's General Fund and includes all spendable amounts not included in the other classifications.

Property Tax Calendar

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

Grant Revenue

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

Sweetwater County School District No. 2
Notes to Financial Statements, Continued
June 30, 2013

5. Summary of Significant Accounting Policies, Continued

Operating and Non-Operating Revenues

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

Use of Restricted Resources

When expenditures qualify to be paid out of both restricted and unrestricted resources, it is the policy of the District to generally use restricted resources first.

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then, restricted fund balances for specific purposes are determined (not including nonspendable amounts). Then, any remaining fund balance amounts for governmental funds other than the General Fund are classified as restricted fund balance.

It is possible for the governmental funds other than the General Fund to have negative unassigned fund balances when nonspendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the governmental funds other than the General Fund.

Use of Estimates

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

Subsequent Events

The District has evaluated subsequent events through November 5, 2013, the date as of which these financial statements were available to be issued. No material subsequent events have occurred since June 30, 2013 that required recognition or disclosure in these financial statements.

6. Cash and Investments

Authorized deposits are controlled by state statute and include, but are not limited to, deposits in banks, money market accounts, and treasury notes. Statutes also authorize the District to invest in the Wyoming Government Investment Fund (WGIF) and the Wyo-STAR Local Government Investment Pool, which were established pursuant to the Wyoming Statutory Trust Act.

Sweetwater County School District No. 2
Notes to Financial Statements, Continued
June 30, 2013

6. Cash and Investments, Continued

The carrying amount of deposits and investments at June 30, 2013 consists of and appears in the financial statements as summarized below:

| | |
|--|----------------------|
| Cash in banks | \$ 1,932,364 |
| WGIF | 12,370,811 |
| Wyo-STAR | 9,810,656 |
| Held by County Treasurer | 86,035 |
| Petty cash | <u>1,195</u> |
| | <u>\$ 24,201,061</u> |
| | |
| Cash and investments, Statement of Net Position – District-Wide | \$ 23,833,772 |
| Cash in custody of the County Treasurer, Statement of Net Position – District-Wide | 86,035 |
| Cash and cash equivalents, Statement of Net Position – Fiduciary Funds | <u>281,254</u> |
| | <u>\$ 24,201,061</u> |

At June 30, 2013, bank balances totaled \$3,386,746. The differences between the carrying amount of cash in banks and the bank balances consisted of outstanding checks and deposits not processed by the banks as of June 30, 2013. Of the carrying amount of bank deposits, \$250,000 was covered by federal deposit insurance through the FDIC and \$3,136,746 was collateralized by securities held by the pledging institution's trust department or a correspondent bank under a joint custody receipt in the name of the District and the financial institution.

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

As of June 30, 2013, the District had the following investments (including investments of fiduciary funds).

| <u>Investment</u> | <u>Maturities</u> | <u>Fair Value</u> |
|---|-------------------|----------------------|
| Wyoming Government Investment Fund | 45 days average | \$ 12,370,811 |
| Wyo-STAR Local Government Investment Pool | 266 days average | <u>9,810,656</u> |
| Total investments | | <u>\$ 22,181,467</u> |

Sweetwater County School District No. 2
Notes to Financial Statements, Continued
June 30, 2013

6. Cash and Investments, Continued

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

Credit Risk State law limits investments to obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. District policy further states that unless matched to a specific cash flow, the District will not directly invest in securities maturing more than one year from the date of purchase. Board approval is required for investments with maturities greater than one year. As of June 30, 2013 the District's investment in the Wyo-STAR Local Government Investment Pool (Wyo-STAR) and the Wyoming General Investment Fund (WGIF) had a credit rating of AAA and AAAM, respectively, by Standard and Poor's Rating Services.

Concentration of Credit Risk The District places no limit on the amount the District may invest in any one issuer. More than five percent of the District's investments are invested in the Wyoming Government Investment Fund and the Wyo-STAR Local Government Investment Pool. These investments represent 55.8% and 44.2% of the District's total investments, respectively.

The Wyo-STAR Local Government Investment Pool is overseen by the Wyoming State Treasurer.

7. Receivables

All amounts recognized as receivables on the governmental funds financial statements were collected within 60 days after year-end. All receivables, regardless of when they are collected, are recognized on the district-wide financial statements.

Property Taxes Receivable

Property taxes receivable consist of property taxes received in the first 60 days after June 30, 2013 that relate to taxes levied prior to and during the 2013 fiscal year. The balance reported for property taxes receivable as of June 30, 2013 is \$106,470.

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

Grants Receivable

Grants receivable balances consisted of revenues earned by the District from various state or federal grants that had not been received by the District as of June 30, 2013. The balance reported for grants receivable, which is included within grants and contracts receivable, as of June 30, 2013 is \$610,080.

Sweetwater County School District No. 2
Notes to Financial Statements, Continued
June 30, 2013

8. Capital Assets

GASB Statement No. 34 requires the inclusion of capital asset information in the Statement of Net Position – District-Wide and depreciation expense in the Statement of Activities – District-Wide. Capital asset activity for the year ended June 30, 2013 is as follows:

Governmental activities:

| | Balance June 30, 2012 | Additions | Transfers | Disposals | Balance June 30, 2013 |
|--------------------------------|-----------------------------|---------------------|--------------------|----------------|-----------------------------|
| Buildings | \$ 64,931,366 | \$ -- | \$ -- | \$ -- | \$ 64,931,366 |
| Building and site improvements | 18,051,132 | 242,065 | 1,382,965 | -- | 19,676,162 |
| Furniture and equipment | 7,829,184 | 538,774 | 87,780 | (214,693) | 8,241,045 |
| Accumulated depreciation | <u>(46,664,737)</u> | <u>(2,512,473)</u> | <u>--</u> | <u>214,693</u> | <u>(48,962,517)</u> |
| | 44,146,945 | (1,731,634) | 1,470,745 | -- | 43,886,056 |
| Land | 256,569 | -- | -- | -- | 256,569 |
| Construction in progress | <u>419,370</u> | <u>3,109,483</u> | <u>(1,470,745)</u> | <u>--</u> | <u>2,058,108</u> |
| | <u>\$ 44,822,884</u> | <u>\$ 1,377,849</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 46,200,733</u> |

Depreciation expense recorded in the Statement of Activities – District-Wide was charged to governmental functions as follows:

Governmental activities:

Instructional services:

| | |
|------------------------|------------------|
| Regular instruction | \$ 1,798,860 |
| Special instruction | 24,647 |
| Vocational instruction | <u>17,679</u> |
| | <u>1,841,186</u> |

Support services:

| | |
|-------------------------|---------------------|
| Pupil services | 24,219 |
| Staff services | 4,665 |
| General administration | 34,763 |
| General maintenance | 300,003 |
| Transportation services | <u>307,637</u> |
| | <u>671,287</u> |
| | <u>\$ 2,512,473</u> |

Sweetwater County School District No. 2
Notes to Financial Statements, Continued
June 30, 2013

8. Capital Assets, Continued

Business-type activities:

| | Balance June 30, 2012 | Additions | Transfers | Disposals | Balance June 30, 2013 |
|--------------------------|-----------------------------|------------------|--------------|--------------|-----------------------------|
| Equipment | \$ 310,258 | \$ 40,677 | \$ -- | \$ -- | \$ 350,935 |
| Accumulated depreciation | <u>(182,282)</u> | <u>(19,478)</u> | <u>--</u> | <u>--</u> | <u>(201,760)</u> |
| | <u>\$ 127,976</u> | <u>\$ 21,199</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 149,175</u> |

9. Interfund Receivables and Payables

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

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

| <u>Due To</u> | <u>Due From</u> | <u>Amount</u> |
|-----------------------|-----------------------|---------------|
| General Fund | Special Revenue Fund | \$291,855 |
| General Fund | Capital Projects Fund | 206,513 |
| Capital Projects Fund | Recreation Fund | 234,148 |
| Child Care Fund | General Fund | 9,968 |
| Food Service Fund | Special Revenue Fund | 1,151 |

10. Interfund Transfers

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

| <u>Transfer From</u> | <u>Transfer To</u> | <u>Reason</u> | <u>Amount</u> |
|----------------------|-----------------------|------------------------------------|---------------|
| General Fund | Food Services Fund | Annual subsidy | \$165,000 |
| General Fund | Special Revenue Fund | Supplement BOCES ELL Grant | 4,994 |
| General Fund | Child Care Fund | Board approved subsidy | 5,000 |
| Recreation Fund | General Fund | To fund activities equipment | 30,240 |
| Debt Service Fund | General Fund | Proceeds remaining from bond issue | 173,223 |
| Special Revenue Fund | Food Services Fund | Summer school lunch program | 3,323 |
| Special Revenue Fund | Child Care Fund | Grant funds to fund program | 34,669 |
| Major Maint. Fund | Food Services Fund | Walk-in freezer replacement | 40,678 |
| Recreation Fund | Capital Projects Fund | Pay for capital project additions | 761,795 |

Sweetwater County School District No. 2
Notes to Financial Statements, Continued
June 30, 2013

11. Short-Term Borrowings

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

12. Long-Term Obligations

General Obligation Building Bonds

On March 1, 2013, the District issued \$11,475,000 in general obligation building bonds for the purpose of financing capital construction projects. The bonds bear interest at rates which vary from 0.75% to 5.00%. The general obligation building bonds were issued at a premium of \$1,502,725, and after paying the underwriter's discount and bond issuance costs, totaling \$154,810, the net proceeds were \$12,822,915. The net proceeds from the issuance were invested in the Wyoming Government Investment Fund. In addition, a mandatory maintenance and repair fund, totaling \$344,250, was established in accordance with Wyoming Statute 21-13-701(d).

In connection with this transaction, the District recognized deferred expenses of \$154,810 for the costs of issuance. The District also recognized a liability of \$1,502,725 for the premium received on the bonds. These amounts are being amortized over the life of the new bonds (96 months). During 2013, amortization for deferred bond issuance costs was recognized in the amount of \$6,450 and amortization of the premium on the bonds was recognized in the amount of \$62,614. These amounts partially offset each other, with the net amortization of \$56,164 being recognized as a reduction of interest on long-term debt in the Statement of Activities – District-Wide.

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

| | Long-Term Obligations June 30, 2012 | Long-Term Obligations Incurred | Long-Term Obligations Paid | Long-Term Obligations June 30, 2013 | Due Within One Year |
|-----------------------------------|--|--------------------------------------|----------------------------------|--|------------------------------|
| General obligation building bonds | \$ -- | \$ 11,475,000 | \$ -- | \$ 11,475,000 | \$ 975,000 |
| Accrued interest | -- | 153,608 | -- | 153,608 | 153,608 |
| | <u>\$ --</u> | <u>\$ 11,628,608</u> | <u>\$ --</u> | <u>\$ 11,628,608</u> | <u>\$ 1,128,608</u> |

13. Wyoming Retirement System Defined Benefit Plan

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

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

Sweetwater County School District No. 2
Notes to Financial Statements, Continued
June 30, 2013

13. Wyoming Retirement System Defined Benefit Plan, Continued

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

Salaries and wages paid to employees covered by the Plan for the years ended June 30, 2013, 2012 and 2011 were \$24,052,748, \$23,634,289, and \$23,236,781, respectively, and the District's contributions totaled \$3,224,271, \$3,337,137, and \$3,253,046, respectively.

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

14. Fund Equity

GASB 54 requires the fund balance amounts to be properly reported within one of five categories (see Note 5). Specific amounts reported as committed and assigned are summarized below:

Committed: The District's Committed Fund Balance is fund balance reporting required by the District's Board of Trustees, either because of a Board policy or because of motions that passed at Board meetings. At June 30, 2013, there was \$580,000 of fund balance reported as committed as a result of Board policies or as a result of motions passed at Board meetings. Of this amount, \$440,000 is for a major curriculum adoption and \$140,000 is for the replacement of two teacherages.

Assigned: The District's Assigned Fund Balance is fund balance reporting occurring by the Board administration authority, as designated by the District's superintendents, with consultation of the business office. At June 30, 2013, there were no amounts reported as Assigned Fund Balance representing encumbrances outstanding reported within the General Fund.

Restrictions of net position reported in the district-wide financial statements are established to either (1) satisfy legal covenants that require a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific restrictions on net position are summarized below:

Major Maintenance Projects: The amount is restricted to segregate funds for capital outlay expenditures which meet the Wyoming School Facilities Commission's definition of major maintenance.

Capital Projects: The amount is restricted for the purpose of financing capital construction projects.

Debt Service: The amount is restricted for the repayment of long-term debt.

Special Projects: The amount is restricted for establishing and maintaining a system of public recreation facilities and programs within the District, pursuant to Wyoming Statute 18-9-201.

Sweetwater County School District No. 2
Notes to Financial Statements, Continued
June 30, 2013

15. Risk Management

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

16. Contingent Liabilities

Grant Programs

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

School Foundation Program

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

17. Economic Dependency

The District receives a large portion of its funding from the State. Any shortfall in property taxes collected by the District is made up by the State. Therefore, the District is economically dependent on the State for its continued operations.

Required Supplementary Information

Sweetwater County School District No. 2
 Budgetary Comparison Schedule for the General Fund
 Year Ended June 30, 2013

| | Budgeted Amounts | | Actual Modified Accrual Basis | Variances Positive/(Negative) | |
|--|------------------|---------------|--|----------------------------------|--------------------|
| | Original | Final | | Original to Final | Final to Actual |
| Revenues: | | | | | |
| Property taxes | \$ 24,784,503 | \$ 24,784,503 | \$ 24,882,418 | \$ - | \$ 97,915 |
| Interest and investment earnings | 12,375 | 12,375 | 15,225 | - | 2,850 |
| Other local sources | 16,500 | 16,500 | 33,756 | - | 17,256 |
| Other county sources | 6,413,136 | 6,413,136 | 6,527,303 | - | 114,167 |
| State sources | 6,632,515 | 6,632,515 | 6,553,436 | - | (79,079) |
| Federal sources | 80,000 | 80,000 | 74,928 | - | (5,072) |
| Total revenues | 37,939,029 | 37,939,029 | 38,087,066 | - | 148,037 |
| Expenditures: | | | | | |
| Instruction: | | | | | |
| Regular instruction | 15,525,067 | 15,499,720 | 15,059,424 | 25,347 | 440,296 |
| Special instruction | 5,225,229 | 5,250,275 | 4,805,826 | (25,046) | 444,449 |
| Vocational instruction | 404,068 | 404,068 | 423,660 | - | (19,592) |
| Total instruction | 21,154,364 | 21,154,063 | 20,288,910 | 301 | 865,153 |
| Support services: | | | | | |
| Pupil services | 3,771,639 | 3,845,539 | 3,775,639 | (73,900) | 69,900 |
| Staff services | 1,449,856 | 1,391,927 | 1,284,137 | 57,929 | 107,790 |
| General administration | 320,973 | 327,473 | 274,907 | (6,500) | 52,566 |
| Central administration | 1,273,951 | 1,248,573 | 1,082,434 | 25,378 | 166,139 |
| School administration | 2,379,796 | 2,380,979 | 2,357,943 | (1,183) | 23,036 |
| Business administration | 1,040,056 | 1,039,702 | 986,617 | 354 | 53,085 |
| General maintenance | 5,151,398 | 5,160,864 | 4,867,103 | (9,466) | 293,761 |
| Transportation services | 1,999,658 | 2,127,572 | 2,081,514 | (127,914) | 46,058 |
| Other support services | 140,402 | 140,402 | 93,272 | - | 47,130 |
| Capital outlay | 55,000 | 70,000 | - | (15,000) | 70,000 |
| Community support | 2,500 | 2,500 | 2,500 | - | - |
| Principal and interest | - | - | - | - | - |
| Total support services | 17,585,229 | 17,735,531 | 16,806,066 | (150,302) | 929,465 |
| Total expenditures | 38,739,593 | 38,889,594 | 37,094,976 | (150,001) | 1,794,618 |
| Excess (deficiency) of revenues over (under) expenditures | (800,564) | (950,565) | 992,090 | (150,001) | 1,942,655 |
| Other financing sources (uses): | | | | | |
| Transfers from (to) other funds, net | (2,375) | (2,375) | 28,469 | - | 30,844 |
| Proceeds from sale of capital assets | - | - | 7,914 | - | 7,914 |
| Total other financing sources (uses) | (2,375) | (2,375) | 36,383 | - | 38,758 |
| Net change in fund balance | (802,939) | (952,940) | 1,028,473 | (150,001) | 1,981,413 |
| Total fund balance, beginning of year | 6,209,678 | 6,209,678 | 6,209,678 | - | - |
| Total fund balance, end of year | \$ 5,406,739 | \$ 5,256,738 | \$ 7,238,151 | \$ (150,001) | \$ 1,981,413 |

Sweetwater County School District No. 2
Budgetary Comparison Schedule for the Special Revenue Fund
Year Ended June 30, 2013

| | Budgeted Amounts | | Actual | Variances | |
|--|-------------------------|-------------------|------------------|----------------------------|---------------------|
| | Original | Final | Modified | Positive/(Negative) | |
| | | | Accrual | Original | Final |
| | Original | Final | Basis | to Final | to Actual |
| Revenues: | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest and investment earnings | - | - | - | - | - |
| Other local sources | 443,632 | 443,632 | 387,771 | - | (55,861) |
| Other county sources | - | - | - | - | - |
| State sources | 1,005,062 | 1,331,390 | 972,231 | 326,328 | (359,159) |
| Federal sources | 1,987,092 | 2,404,501 | 2,027,761 | 417,409 | (376,740) |
| Total revenues | <u>3,435,786</u> | <u>4,179,523</u> | <u>3,387,763</u> | <u>743,737</u> | <u>(791,760)</u> |
| Expenditures: | | | | | |
| Instruction: | | | | | |
| Regular instruction | 2,174,634 | 384,378 | 207,728 | 1,790,256 | 176,650 |
| Special instruction | 135,181 | 2,397,287 | 2,052,186 | (2,262,106) | 345,101 |
| Vocational instruction | 58,624 | 155,622 | 75,444 | (96,998) | 80,178 |
| Total instruction | <u>2,368,439</u> | <u>2,937,287</u> | <u>2,335,358</u> | <u>(568,848)</u> | <u>601,929</u> |
| Support services: | | | | | |
| Pupil services | 861,665 | 138,940 | 158,553 | 722,725 | (19,613) |
| Staff services | 25,957 | 880,486 | 796,257 | (854,529) | 84,229 |
| General administration | - | - | - | - | - |
| Central administration | 58,681 | 51,273 | 47,044 | 7,408 | 4,229 |
| School administration | - | 30,108 | 17,553 | (30,108) | 12,555 |
| Business administration | - | - | - | - | - |
| General maintenance | - | - | - | - | - |
| Transportation services | - | - | - | - | - |
| Other support services | - | - | - | - | - |
| Community support | - | - | - | - | - |
| Principal and interest | - | - | - | - | - |
| Total support services | <u>946,303</u> | <u>1,100,807</u> | <u>1,019,407</u> | <u>(154,504)</u> | <u>81,400</u> |
| Total expenditures | <u>3,314,742</u> | <u>4,038,094</u> | <u>3,354,765</u> | <u>(723,352)</u> | <u>683,329</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>121,044</u> | <u>141,429</u> | <u>32,998</u> | <u>20,385</u> | <u>(108,431)</u> |
| Other financing sources (uses): | | | | | |
| Transfers from (to) other funds, net | <u>39,687</u> | <u>19,300</u> | <u>(32,998)</u> | <u>(20,387)</u> | <u>(52,298)</u> |
| Total other financing sources (uses) | <u>39,687</u> | <u>19,300</u> | <u>(32,998)</u> | <u>(20,387)</u> | <u>(52,298)</u> |
| Net change in fund balance | 160,731 | 160,729 | - | (2) | (160,729) |
| Total fund balance, beginning of year | - | - | - | - | - |
| Total fund balance, end of year | <u>\$ 160,731</u> | <u>\$ 160,729</u> | <u>\$ -</u> | <u>\$ (2)</u> | <u>\$ (160,729)</u> |

Sweetwater County School District No. 2
Budgetary Comparison Schedule for the Major Maintenance Fund
Year Ended June 30, 2013

| | Budgeted Amounts | | Actual | Variences | |
|--|-------------------------|---------------------|-------------------|----------------------------|---------------------|
| | Original | Final | Modified | Positive/(Negative) | |
| | | | Accrual | Original | Final |
| | | | Basis | to Final | to Actual |
| Revenues: | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest and investment earnings | 6,000 | 6,000 | 2,952 | - | (3,048) |
| Other local sources | - | - | 35,677 | - | 35,677 |
| Other county sources | - | - | - | - | - |
| State sources | 1,608,377 | 1,608,377 | 1,608,377 | - | - |
| Federal sources | - | - | - | - | - |
| Total revenues | <u>1,614,377</u> | <u>1,614,377</u> | <u>1,647,006</u> | <u>-</u> | <u>32,629</u> |
| Expenditures: | | | | | |
| Instruction: | | | | | |
| Regular instruction | - | - | - | - | - |
| Special instruction | - | - | - | - | - |
| Vocational instruction | - | - | - | - | - |
| Total instruction | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Support services: | | | | | |
| Pupil services | - | - | - | - | - |
| Staff services | - | - | - | - | - |
| General administration | - | - | - | - | - |
| Central administration | - | - | - | - | - |
| School administration | - | - | - | - | - |
| Business administration | - | - | - | - | - |
| General maintenance | 2,824,397 | 2,824,397 | 1,682,240 | - | 1,142,157 |
| Transportation services | - | - | - | - | - |
| Other support services | - | - | - | - | - |
| Community support | - | - | - | - | - |
| Principal and interest | - | - | - | - | - |
| Total support services | <u>2,824,397</u> | <u>2,824,397</u> | <u>1,682,240</u> | <u>-</u> | <u>1,142,157</u> |
| Total expenditures | <u>2,824,397</u> | <u>2,824,397</u> | <u>1,682,240</u> | <u>-</u> | <u>1,142,157</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,210,020)</u> | <u>(1,210,020)</u> | <u>(35,234)</u> | <u>-</u> | <u>1,174,786</u> |
| Other financing uses: | | | | | |
| Transfers to other funds, net | - | - | (40,678) | - | (40,678) |
| Total other financing uses | <u>-</u> | <u>-</u> | <u>(40,678)</u> | <u>-</u> | <u>(40,678)</u> |
| Net change in fund balance | (1,210,020) | (1,210,020) | (75,912) | - | 1,134,108 |
| Total fund balance, beginning of year | <u>862,664</u> | <u>862,664</u> | <u>862,664</u> | <u>-</u> | <u>-</u> |
| Total fund balance, end of year | <u>\$ (347,356)</u> | <u>\$ (347,356)</u> | <u>\$ 786,752</u> | <u>\$ -</u> | <u>\$ 1,134,108</u> |

See accompanying Report of Independent Auditor and Note to Budgetary Comparison Schedules.

Sweetwater County School District No. 2
Budgetary Comparison Schedule for the Capital Projects Fund
Year Ended June 30, 2013

| | Budgeted Amounts | | Actual Modified Accrual Basis | Variances Positive/(Negative) | |
|--|-------------------------|---------------------|--|--|----------------------------|
| | Original | Final | | Original to Final | Final to Actual |
| | | | | | |
| Revenues: | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest and investment earnings | - | - | - | - | - |
| Other local sources | - | - | 1,815 | - | 1,815 |
| Other county sources | - | - | - | - | - |
| State sources | 1,000,000 | 1,333,386 | 624,970 | 333,386 | (708,416) |
| Federal sources | - | - | - | - | - |
| Total revenues | <u>1,000,000</u> | <u>1,333,386</u> | <u>626,785</u> | <u>333,386</u> | <u>(706,601)</u> |
| Expenditures: | | | | | |
| Instruction: | | | | | |
| Regular instruction | - | - | - | - | - |
| Special instruction | - | - | - | - | - |
| Vocational instruction | - | - | - | - | - |
| Total instruction | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Support services: | | | | | |
| Pupil services | - | - | - | - | - |
| Staff services | - | - | - | - | - |
| General administration | - | - | - | - | - |
| Central administration | - | - | - | - | - |
| School administration | - | - | - | - | - |
| Business administration | - | - | - | - | - |
| General maintenance | - | - | - | - | - |
| Transportation services | - | - | - | - | - |
| Other support services | - | - | - | - | - |
| Capital outlay | 2,788,824 | 14,597,210 | 2,144,640 | (11,808,386) | 12,452,570 |
| Principal and interest | - | - | - | - | - |
| Total support services | <u>2,788,824</u> | <u>14,597,210</u> | <u>2,144,640</u> | <u>(11,808,386)</u> | <u>12,452,570</u> |
| Total expenditures | <u>2,788,824</u> | <u>14,597,210</u> | <u>2,144,640</u> | <u>(11,808,386)</u> | <u>12,452,570</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,788,824)</u> | <u>(13,263,824)</u> | <u>(1,517,855)</u> | <u>(11,475,000)</u> | <u>11,745,969</u> |
| Other financing sources: | | | | | |
| Transfers from other funds | 1,788,824 | 1,788,824 | 761,795 | - | (1,027,029) |
| Proceeds from bond issuance | - | 11,475,000 | 12,822,915 | 11,475,000 | 1,347,915 |
| Total other financing sources | <u>1,788,824</u> | <u>13,263,824</u> | <u>13,584,710</u> | <u>11,475,000</u> | <u>320,886</u> |
| Net change in fund balance | - | - | 12,066,855 | - | 12,066,855 |
| Total fund balance, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total fund balance, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 12,066,855</u> | <u>\$ -</u> | <u>\$ 12,066,855</u> |

Sweetwater County School District No. 2
Note to Budgetary Comparison Schedules
June 30, 2013

1. Basis of Presentation

The budgetary comparison schedules have been prepared on the modified accrual basis of accounting, which is the same basis of accounting used in the Governmental Fund financial statements. The modified accrual basis of accounting and the account groupings reflected in the Governmental Funds financial statements differ from the presentation and account groupings required by Wyoming Statutes for Board of Trustees' budgetary control at the functional level, as described in Note 4 to the Financial Statements. As a result, the budgetary comparison schedules at pages 40 through 43 disclose two instances in which actual expenditures exceeded budgeted expenditures. In fact, there were no instances in which actual expenditures exceeded budgeted expenditures at the functional levels required by Wyoming Statutes.

Other Supplementary Information

Sweetwater County School District No. 2
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2013

| | Recreation Fund | Debt Service Fund | Nonmajor Governmental Funds |
|--|---------------------|-------------------------|-----------------------------------|
| ASSETS | <u> </u> | <u> </u> | <u> </u> |
| Cash and investments | \$ 1,218,122 | \$ - | \$ 1,218,122 |
| Cash in custody of the County Treasurer | - | 14,728 | 14,728 |
| Property taxes receivable | 2,223 | - | 2,223 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 1,220,345</u> | <u>\$ 14,728</u> | <u>\$ 1,235,073</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Due to other funds | \$ 234,148 | \$ - | \$ 234,148 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>234,148</u> | <u>-</u> | <u>234,148</u> |
| Fund balances: | | | |
| Restricted for: | | | |
| Debt service | - | 14,728 | 14,728 |
| Special projects | 986,197 | - | 986,197 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances | <u>986,197</u> | <u>14,728</u> | <u>1,000,925</u> |
| Total liabilities and fund balances | <u>\$ 1,220,345</u> | <u>\$ 14,728</u> | <u>\$ 1,235,073</u> |

Sweetwater County School District No. 2
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2013

| | Recreation Fund | Debt Service Fund | Nonmajor Governmental Funds |
|--|--------------------|-------------------------|-----------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Revenues: | | | |
| Property taxes | \$ 996,875 | \$ (14,674) | \$ 982,201 |
| Interest and investment earnings | 51 | - | 51 |
| | <u>996,926</u> | <u>(14,674)</u> | <u>982,252</u> |
| Total revenues | | | |
| Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses) | <u>996,926</u> | <u>(14,674)</u> | <u>982,252</u> |
| Other financing uses: | | | |
| Transfers to other funds | <u>(792,035)</u> | <u>(173,223)</u> | <u>(965,258)</u> |
| Total other financing uses | <u>(792,035)</u> | <u>(173,223)</u> | <u>(965,258)</u> |
| Net changes in fund balances | 204,891 | (187,897) | 16,994 |
| Total fund balances, beginning of year | <u>781,306</u> | <u>202,625</u> | <u>983,931</u> |
| Total fund balances, end of year | <u>\$ 986,197</u> | <u>\$ 14,728</u> | <u>\$ 1,000,925</u> |

Compliance Reports



**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***

The Board of Trustees
Sweetwater County School District No. 2
Green River, 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 Sweetwater County School District No. 2 (“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 November 5, 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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 13-1, that we consider to be a significant deficiency.

Compliance and Other Matters

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

District's Response to Finding

The District's response to the 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 the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The sole purpose of this report is to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DeCoria, Maichel & Teague, PS

DeCoria, Maichel & Teague, P.S.
Spokane, Washington

November 5, 2013

Sweetwater County School District No. 2
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

| Federal Grantor/ Pass-Through Grantor Program Title | Federal CFDA Number | Pass- Through Grantor's Number | Expenditures |
|---|---------------------------|---|----------------------------|
| U.S. Department of Education | | | |
| Passed Through Wyoming State Department of Education: | | | |
| Local Education Agencies Cluster: | | | |
| Title I-A - Local Education Agencies (Basic) | 84.010 | 1219022T1A00 | \$ 16,896 |
| Title I-A - Local Education Agencies (Basic) | 84.010 | 1319023T1A00 | 535,299 |
| Title I-D - Local Education Agencies (Subpart 2) | 84.013 | 1319023T1D00 | <u>15,811</u> |
| | | | \$ 568,006 |
| Title II-A - Teacher Quality | 84.367 | 1319023T2A00 | 268,154 |
| Title II-D - Technology | 84.318 | 111902T2D00 | 3,895 |
| Title III - English Language Acquisition | 84.365 | 1219022T3E00 | 7,442 |
| Title III - English Language Acquisition | 84.365 | 1319023T3E00 | <u>15,178</u> |
| | | | 22,620 |
| Special Education Cluster: | | | |
| Title VI-B - Federal Special Education K-12 | 84.027 | 1219022T6100 | 77,927 |
| Title VI-B - Federal Special Education K-12 | 84.027 | 1319023T6100 | 660,135 |
| Title VI-B - Federal Special Education Preschool | 84.391 | 1219022T6900 | 2,628 |
| Title VI-B - Federal Special Education Preschool | 84.173 | 1319023T6900 | <u>7,871</u> |
| | | | 748,561 |
| Vocational Education - Basic Grants to States | 84.048 | 1219022VEA00 | 571 |
| Vocational Education - Basic Grants to States | 84.048 | 1319023VEA00 | <u>13,647</u> |
| | | | 14,218 |
| Physical Education Program - Physical Education Develops Active Lifestyles | 84.215 | Q215F120106 | 402,307 |
| Impact Aid | 84.041 | | <u>74,928</u> |
| Total U.S. Department of Education | | | <u>2,102,689</u> |
| U.S. Department of Agriculture | | | |
| Passed Through Wyoming State Department of Education: | | | |
| Child Nutrition Cluster: | | | |
| Non-Cash Assistance (Commodities): | | | |
| National School Lunch Program | 10.555 | 1902000 | 66,136 |
| Cash Assistance: | | | |
| National School Breakfast Program | 10.553 | 1902000 | 64,869 |
| National School Lunch Program | 10.555 | 1902000 | 320,757 |
| National Child Care Food Program | 10.555 | 1902000 | <u>6,162</u> |
| | | | 457,924 |
| National Fresh Fruit and Vegetable Program | | | |
| Non-Cash Assistance (Commodities): | | | |
| National Fresh Fruit and Vegetable Program | 10.582 | 1902000 | 8,776 |
| Cash Assistance: | | | |
| National Fresh Fruit and Vegetable Program | 10.582 | 1902000 | <u>72,750</u> |
| | | | 81,526 |
| Total U.S. Department of Agriculture | | | <u>539,450</u> |
| Total Federal Financial Assistance | | | <u><u>\$ 2,642,139</u></u> |

Sweetwater County School District No. 2
Note to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Sweetwater County School District No. 2 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



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

The Board of Trustees
Sweetwater County School District No. 2
Green River, Wyoming

Report on Compliance for Each Major Federal Program

We have audited Sweetwater County School District No. 2'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, Sweetwater County School District No. 2 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.

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 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The sole purpose of this report on internal control over compliance is to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

DeCoria, Maichel & Teague, P.S.

DeCoria, Maichel & Teague, P.S.
Spokane, Washington

November 5, 2013

**Sweetwater County School District No. 2
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013**

Section I – Summary of Auditor’s Results:

Financial Statements

The report of independent auditor expressed an unqualified opinion on the basic financial statements of Sweetwater County School District No. 2.

The audit of the financial statements of Sweetwater County School District No. 2 disclosed one significant deficiency in internal control over financial reporting.

The significant deficiency in internal control over financial reporting was not considered to be a material weakness.

The audit disclosed no compliance findings material to the financial statements of Sweetwater County School District No. 2.

Federal Awards

The report of independent auditor expressed an unqualified opinion on compliance for major programs.

The audit identified no significant deficiencies for internal control over compliance for major programs.

The audit identified no material weaknesses for internal control over compliance for major programs.

The audit disclosed no compliance findings that are required to be reported in accordance with Section 510(a) of Circular A-133.

Identification of Major Programs:

| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
|--------------------|--|
| 84.010 | Title I – Local Education Cluster: Title I-A – Local Education Agencies |
| 84.013 | Title I-D – Local Education Agencies (Subpart 2) |
| 84.215 | Physical Education Program – Physical Education Develops Active Lifestyles |

The dollar threshold used to distinguish type A and B programs was \$300,000.

The auditee qualified as a low-risk auditee.

Sweetwater County School District No. 2
Schedule of Findings and Questioned Costs, Continued
Year Ended June 30, 2013

Section II – Financial Statement Findings:

This section identifies the significant deficiencies, material weaknesses, and instances of non-compliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Finding 13-1

| | |
|-----------------------|--|
| Condition | The size of the District's staff is not large enough to permit a complete segregation of duties for an effective system of internal control over financial reporting. |
| Criteria | An effective system of internal control over financial reporting requires that closely related duties be segregated. |
| Effect | The concentration of closely related duties and responsibilities by a small staff makes it difficult to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records. |
| Cause | The District's staff is too small to allow a complete segregation of duties. |
| Recommendation | Although the organization is not large enough to permit a complete segregation of duties for an effective system of internal control over financial reporting, we recommend that officials be aware that the condition does exist. |
| Management's Response | Management and the Board of Trustees are aware of this condition and have made a conscious decision to accept the resulting degree of risk because of cost or other considerations. |

Sweetwater County School District No. 2
Schedule of Findings and Questioned Costs, Continued
Year Ended June 30, 2013

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings (significant deficiencies, material weaknesses, and instances of non-compliance, including questioned costs) related to federal awards that are required to be reported in accordance with OMB Circular A-133.

There were no findings in the current year.

Sweetwater County School District No. 2
Status of Prior Year Findings
Year Ended June 30, 2013

Finding 12-1

Condition The size of the District's staff is not large enough to permit a complete segregation of duties for an effective system of internal control over financial reporting.

Status This condition continues to exist at June 30, 2013. See Finding 13-1.