

**Lincoln County School  
District No. 2**

*Financial Report*  
**June 30, 2023**

**Lincoln County School District No. 2**  
**Table of Contents**  
**June 30, 2023**

	<u>Page</u>
<b>Independent Auditor’s Report</b> .....	1-3
<b>Management’s Discussion and Analysis</b> .....	4-12
<b>Financial Section:</b>	
Statement of Net Position – District-Wide .....	13-14
Statement of Activities – District-Wide .....	15-16
Balance Sheet – Governmental Funds .....	17-18
Reconciliation of the Balance Sheet – Governmental Funds with the Statement of Net Position – District-Wide .....	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds . . . .	20-21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds with the Statement of Activities – District-Wide . . . .	22
Statement of Net Position – Proprietary Fund .....	23
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund .....	24
Statement of Cash Flows – Proprietary Fund .....	25
Statement of Fiduciary Net Position – Custodial Funds .....	26
Statement of Changes in Fiduciary Net Position – Custodial Funds .....	27
Notes to Financial Statements .....	28-51
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule for the General Fund .....	52
Budgetary Comparison Schedule for the Major Maintenance Fund .....	53
Budgetary Comparison Schedule for the Capital Construction Fund .....	54
Budgetary Comparison Schedule for the Local, State, and Federal Grants .....	55
Notes to Budgetary Comparison Schedules .....	56

**Lincoln County School District No. 2**  
**Table of Contents**  
**June 30, 2023**

	<u><b>Page</b></u>
Schedule of Changes in Total OPEB Liability and Related Ratios. . . . .	57-58
Schedule of Employer’s Share of Net Pension Liability-WRS Public Employees’ Pension Plan . . . . .	59
Schedule of Employer Contributions-WRS Public Employees’ Pension Plan . . . . .	60
Notes to WRS Public Employees’ Pension Plan Schedules . . . . .	61
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> . . . . .	62-63
Schedule of Expenditures of Federal Awards . . . . .	64
Notes to Schedule of Expenditures of Federal Awards . . . . .	65
Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required By The Uniform Guidance. . . . .	66-68
Schedule of Findings and Questioned Costs . . . . .	69-71
Status of Prior Year Findings – Financial Statements . . . . .	72

***INDEPENDENT AUDITOR'S REPORT***

The Board of Trustees  
Lincoln County School District No. 2  
Afton, Wyoming 83110

**Report on the Financial Statements**

***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lincoln County School District No. 2, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln County School District No. 2 as of June 30, 2023, 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.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lincoln County School District No. 2, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lincoln County School District No. 2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lincoln County School District No. 2 internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lincoln County School District No. 2's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, and schedules of employer's share of net position liability and employer contributions – WRS public employees' pension plan on pages 4 through 12 and 51 through 60 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lincoln County School District No. 2's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2023, on our consideration of Lincoln County School District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lincoln County School District No. 2's 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 Lincoln County School District No. 2's internal control over financial reporting and compliance.

*Searle Hart + Associates PLLC*

Rexburg, Idaho  
December 6, 2023

**Lincoln County School District No. 2  
Management's Discussion and Analysis  
June 30, 2023**

This section of the District's annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2023. It should be read in conjunction with the District's financial statements, which immediately follow this section.

**Financial Highlights**

- The District's overall financial net position increased \$1.1 million over the prior year.
- The District's ending net position was approximately \$50.6 million.
- The cost of programs including transfers in the governmental was approximately \$52.3 million
- Revenues in all governmental activities were approximately \$59.6 million
- The net position for governmental activities increased by approximately \$817 thousand.
- Ending net position for business-type activities is \$462 thousand.
- The District's enrollment (ADM) increased 38.25 district-wide per Wyoming Department of Education (WDE) 100 report(s) 2022-23 to 2023-24 in a year-to-year comparison.

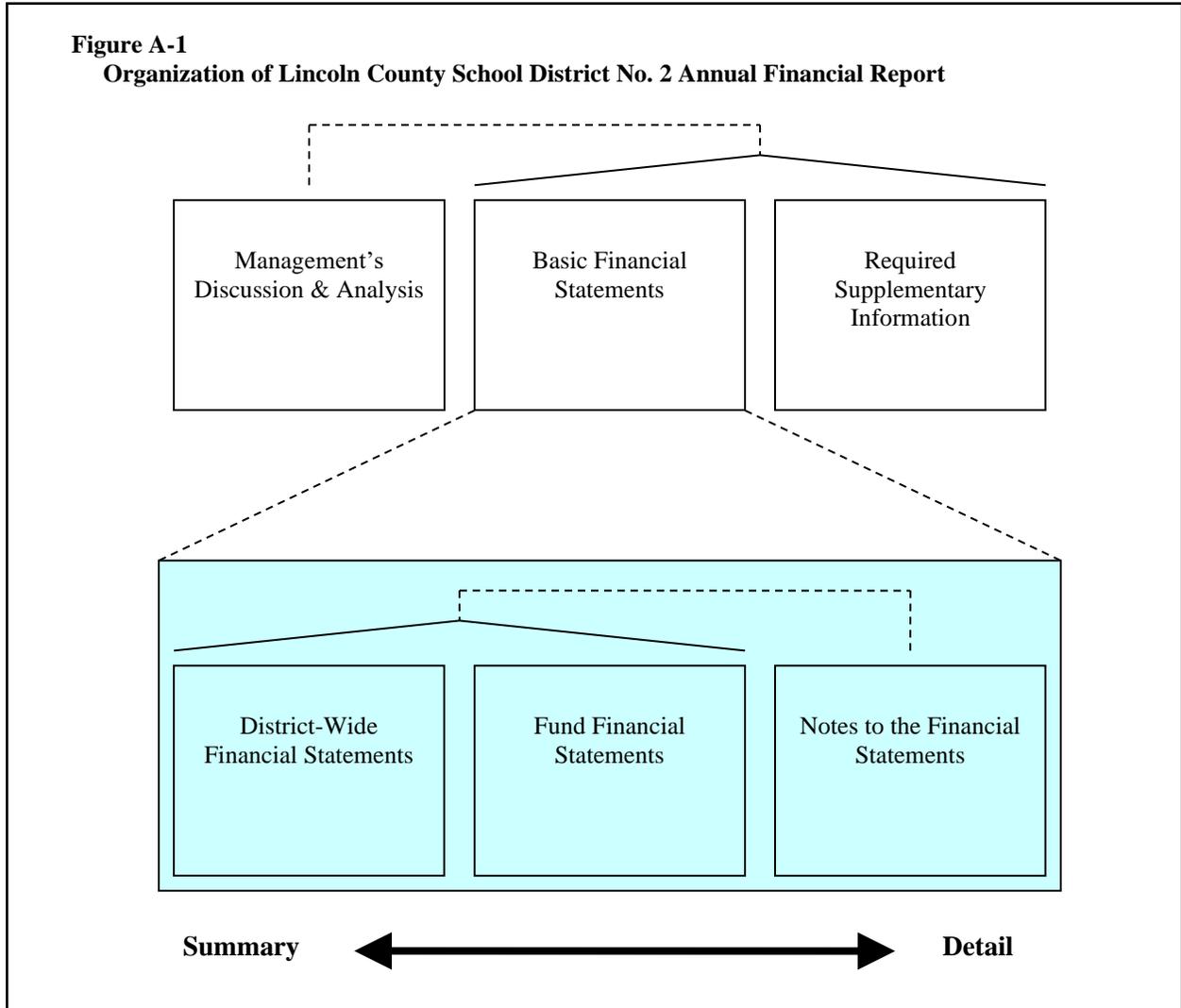
**Overview of the Financial Statements**

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

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

**Lincoln County School District No. 2  
Management's Discussion and Analysis, Continued  
June 30, 2023**

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison to the District's budgets for the year. Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.



**Lincoln County School District No. 2  
Management’s Discussion and Analysis, Continued  
June 30, 2023**

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

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

**Lincoln County School District No. 2**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2023**

***District-Wide Statements***

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

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

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

- *Governmental activities:* Most of the District's basic services are included in this category, such as regular, vocational, and special education, pupil and staff services, central and school administration and transportation. Property taxes and the State Foundation Program finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's food services are included in this category.

***Fund Financial Statements***

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

The District has three types of funds:

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

*Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's *enterprise fund* (one type of proprietary fund) is the same as its business-type activities but provides more detail and additional information, such as cash flows.

**Lincoln County School District No. 2**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2023**

*Fund Financial Statements, Continued*

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

**Financial Analysis for the District as a Whole**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$51.1 million at the close of the most recent fiscal year.

- The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment net of accumulated depreciation), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate those liabilities.
- An additional portion of the District's net position (less than 1%) represents resources that are subject to external restrictions on how they may be used. The restricted balance is for the purpose of purchasing or replacing specified equipment and or capital improvements under W.S. 21-13-504.
- The remaining balance of unrestricted net position may be used to meet the District's obligations to students, employees and creditors and to honor the next year's budget.
- Per State Statute 21-13-313 (e) for the fiscal year ending June 30, 2023 through June 30, 2026, legislation is allowing public schools to increase the fund balance (operating balance and cash reserve) from 15% to 30% of the districts total foundation program amount. The increase held amount "*shall be accounted for and reported separately and shall not be transferred or expended for purposes of capital construction. For purposes of this subsection, "capital construction" does not include major building and facility repair and replacement as defined under W.S. 21-15-109(a)(iii).*"
- The District has 14 buses of various capacity on order for the past 3 years with no secure delivery dates available at this time. The total cost held in Restricted Fund balance is \$2,140,841.
- The District provided a Staff Retention to include a Cost of Living Allowance needed due to high rate of National inflation out of the increase in fund balance per State Statute 21-13-313 (e) to be used only for staffing total cost of \$2,096,395.

**Lincoln County School District No. 2**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2023**

**Financial Analysis for the District as a Whole, Continued**

Table 1 shows a summary of the District's Statement of Net Position as of June 30, 2022 and 2023.

<b>Table 1 (in thousands)</b>						
<b>Summary Statement of Net Position as of June 30, 2023</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total School District</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Current and other assets	\$ 23,578	\$ 21,758	\$911	\$839	\$ 24,489	\$ 22,597
Noncurrent assets	63,199	60,923	8	11	63,207	60,934
Total assets	86,777	82,681	919	850	87,696	83,531
Deferred outflows	6,213	5,497	89	125	6,302	5,622
Current liabilities	5,787	3,634	48	84	5,835	3,718
Long-term liabilities	36,336	21,601	495	447	36,831	22,048
Total liabilities	42,123	25,235	543	531	42,666	25,766
Deferred inflows	219	13,112	3	298	222	13,410
Net position:						
Invested in capital assets net of related debt	63,199	60,923	8	11	63,207	60,934
Restricted	7,870	2,529	-	-	7,870	2,529
Unrestricted	(20,421)	(13,621)	454	135	(19,967)	(13,486)
Total net position	\$ 50,648	\$ 49,831	\$462	\$146	\$51,110	\$49,977

The District's total net position increase by approximately \$1.1 million during the current year.

Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, 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.

\*Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. Statement 68 and Statement 67 establish a definition of a pension plan

**Lincoln County School District No. 2**  
**Management’s Discussion and Analysis, Continued**  
**June 30, 2023**

that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating, and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

***Governmental Activities***

The State Foundation Funding Guarantee is based largely on Average Daily Membership (ADM). One student attending the schools in the District for the entire school year counts as one ADM. The State of Wyoming provides a funding guarantee based on the State Foundation Program (the funding model used by the State to determine school district funding levels). If local resources such as property taxes and tuition revenues charged for out-of-state students do not reach the funding guarantee provided by the State, the State makes up the difference with an entitlement grant. In the current year, the State Foundation entitlement was \$33 million approximately 62% of the District’s revenue for governmental activities. Other highlights include:

- Revenues in all governmental activities were approximately \$56.0 million
- The District recognized \$5.4 million from the School Facilities Commission that was used to pay for facility modifications (including grade configurations), comprehensive facility plans, design and construction work, land acquisitions for new school facilities, or capital improvements to existing facilities.
- The District received approximately \$2.3 million from the state for qualifying and approved major maintenance projects for school facilities.
- In addition to the amounts identified above, the federal and state governments subsidized certain programs with additional grants and contributions over \$4.6 million.
- The two largest revenue amounts were local property taxes collected at \$11.6 million under (W.S. 21-13-303 and 39-13-104(a)(iv)) and the State of Wyoming Foundation guarantee at \$33 million. Other local and county sources totaled \$3.7 million
- Investment earnings totaled approximately \$42 thousand.

***Business-Type Activities***

On a cash basis revenue of the District’s business-type activities (i.e., its school lunch program) were \$1.164 million with expenses of \$848 thousand with a fund balance increase of \$316 thousand primarily due to U.S. Department response in funding increase.

**Financial Analysis of the District’s Funds**

The General Fund decreased its fund balance by \$1.0 million to a total fund balance of \$15.0 million. The decrease in fund balance is from allowed transfers for planned capital improvements. The district conservatively estimated revenues and stayed within budget constraints for expenses.

**Lincoln County School District No. 2  
Management's Discussion and Analysis, Continued  
June 30, 2023**

The fund balance for the Major Maintenance Fund balance increased \$541 thousand on an accrual bases accounting. Major Maintenance fund balance can be carried year-to-year.

**Financial Analysis of the District's Funds, Continued**

The Restricted Fund balance was used for

- Completion of Afton Elementary water line engineering & relocation for additions.
- Star Valley High School LED lighting conversion in gym and parking lots.
- Star Valley High School final phase of the football/soccer field replacement.
- District wide network infrastructure.

Local, State and Federal Grants Funds account for various federal and state grants. Federal grant monies are earned by the District when the District expends money on the programs related to the grants; therefore, federal revenues equal federal expenditures, with any fund balance being related to state grant monies.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of the 2023 fiscal year, the District has invested approximately \$63.2 million in a broad range of capital assets, including school buildings, athletic facilities, land, vehicles, and equipment. This amount represents a net decrease of approximately \$2.3 million from 2022.

*Long-Term Debt*

At year-end, the District had no general obligation bonds outstanding.

**Factors Bearing on the District's Future**

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

- *On Thursday, March 11, 2021, the American Rescue Plan (ARP) Act was signed into law. It is an unprecedented \$1.9 trillion package of assistance measures, including \$122 billion for the ARP Elementary and Secondary School Emergency Relief (ARP ESSER) Fund. Funds are provided to State educational agencies and school districts to help safely reopen and sustain the safe operation of schools and address the impact of the coronavirus pandemic on the Nation's students.*

**Lincoln County School District No. 2**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2023**

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Lincoln County School District No. 2, at 360 Jefferson Avenue, Afton, Wyoming 83110.

**This Page Intentionally Left Blank**

## **Financial Section**

**LINCOLN COUNTY SCHOOL DISTRICT #2**  
**STATEMENT OF NET POSITION**  
**June 30, 2023**

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 20,658,995	\$ 877,266
Taxes receivable	1,825,180	-
Internal Balances	42,822	(42,822)
Due from Other Governmental Agencies	1,030,962	-
Inventories	-	76,757
Postemployment Benefit Asset	19,797	285
<b>Capital assets</b>		
Construction in progress	6,569,921	-
Land and improvements not being depreciated	2,063,251	-
Buildings	119,201,105	-
Equipment and vehicles	11,798,355	306,244
Less: accumulated depreciation	<u>(76,433,524)</u>	<u>(298,443)</u>
Total Capital Assets	<u>63,199,108</u>	<u>7,801</u>
TOTAL ASSETS	<u>86,776,864</u>	<u>919,287</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	6,209,866	89,342
Other post-employment benefits	3,442	50
Total Deferred Outflows of Resources	<u>6,213,308</u>	<u>89,392</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	4,832,994	3,095
Salaries and benefits payable	114,413	-
Deferred Revenues	-	45,599
<b>Long-term liabilities</b>		
<b>Due within one year</b>		
Compensated absences	838,760	-
<b>Due in more than one year</b>		
Compensated absences	1,957,106	-
Net pension liability	<u>34,379,369</u>	<u>494,620</u>
TOTAL LIABILITIES	<u>42,122,642</u>	<u>543,314</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	217,936	3,135
Other post-employment benefits	1,267	18
Total Deferred Inflows of Resources	<u>219,203</u>	<u>3,153</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	63,199,108	7,801
Restricted for:		
Capital construction and other purposes	4,799,790	-
Major maintenance	3,070,494	-
Unrestricted	<u>(20,421,065)</u>	<u>454,411</u>
TOTAL NET POSITION	<u>\$ 50,648,327</u>	<u>\$ 462,212</u>

**TOTAL  
PRIMARY  
GOVERNMENT**

\$	21,536,261
	1,825,180
	-
	1,030,962
	76,757
	20,082
	6,569,921
	2,063,251
	119,201,105
	12,104,599
	<u>(76,731,967)</u>
	<u>63,206,909</u>
	<u>87,696,151</u>
	6,299,208
	3,492
	<u>6,302,700</u>
	4,836,089
	114,413
	45,599
	838,760
	1,957,106
	<u>34,873,989</u>
	<u>42,665,956</u>
	221,071
	1,285
	<u>222,356</u>
	63,206,909
	4,799,790
	3,070,494
	<u>(19,966,654)</u>
\$	<u><u>51,110,539</u></u>

**LINCOLN COUNTY SCHOOL DISTRICT #2**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2023**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
Regular instruction	\$ 23,387,315	\$ -	\$ 3,946,293	\$ (19,441,022)
Special instruction	9,470,412	-	293,320	(9,177,092)
Vocational instruction	262,568	-	77,086	(185,482)
Total instruction	<u>33,120,295</u>	<u>-</u>	<u>4,316,699</u>	<u>(28,803,596)</u>
Pupil services	3,755,701	-	-	(3,755,701)
Staff services	2,932,543	-	1,317,868	(1,614,675)
Central administration	566,560	-	-	(566,560)
School administration	2,539,586	-	-	(2,539,586)
Business administration	595,499	-	-	(595,499)
General maintenance	5,587,655	-	-	(5,587,655)
Transportation services	4,092,910	-	-	(4,092,910)
Food services	107,729	-	-	(107,729)
Community support	5,398	-	-	(5,398)
Depreciation	4,969,590	-	-	(4,969,590)
Total support services	<u>25,153,171</u>	<u>-</u>	<u>1,317,868</u>	<u>(23,835,303)</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>58,273,466</u>	<u>-</u>	<u>5,634,567</u>	<u>(52,638,899)</u>
<b>Business-Type Activities:</b>				
Food services	847,555	575,670	587,977	
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>847,555</u>	<u>575,670</u>	<u>587,977</u>	
<b>TOTAL SCHOOL DISTRICT</b>	<u>\$ 59,121,021</u>	<u>\$ 575,670</u>	<u>\$ 6,222,544</u>	<u>(52,638,899)</u>
General revenues:				
Property taxes, levied for general purposes				2,669,176
Other county sources				1,991,217
Other local sources				13,786,463
State and federal revenue				35,350,078
Unrestricted investment earnings				217,319
<i>Special item</i> - gain (loss) on sale of assets				(558,371)
Transfers				<u>-</u>
<b>TOTAL GENERAL REVENUES</b>				<u>53,455,882</u>
Change in net position				816,983
Net position - Beginning				<u>49,831,344</u>
<b>NET POSITION - Ending</b>				<u>\$ 50,648,327</u>

<u>Business-Type Activities</u>	<u>Total Primary Government</u>
	\$ (19,441,022)
	(9,177,092)
	(185,482)
	<u>(28,803,596)</u>
	(3,755,701)
	(1,614,675)
	(566,560)
	(2,539,586)
	(595,499)
	(5,587,655)
	(4,092,910)
	(107,729)
	(5,398)
	(4,969,590)
	<u>(23,835,303)</u>
	<u>(52,638,899)</u>
<u>\$ 316,092</u>	<u>316,092</u>
<u>316,092</u>	<u>316,092</u>
<u>316,092</u>	<u>(52,322,807)</u>
-	2,669,176
-	1,991,217
-	13,786,463
-	35,350,078
-	217,319
-	(558,371)
-	-
<u>-</u>	<u>53,455,882</u>
316,092	1,133,075
<u>146,120</u>	<u>49,977,464</u>
<u>\$ 462,212</u>	<u>\$ 51,110,539</u>

**LINCOLN COUNTY SCHOOL DISTRICT #2**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2023**

	<u>GENERAL FUND</u>	<u>CAPITAL CONSTRUCTION FUND</u>	<u>MAJOR MAINTENANCE FUND</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,129,874	\$ 153,989	\$ 3,838,959
Cash in custody of County Treasurer	-	-	-
Taxes receivable, net	1,825,180	-	-
Interfund receivable	760,624	-	-
Receivable from other governments	(27,580)	310,360	-
Other receivables	-	-	-
<b>TOTAL ASSETS</b>	<u>18,688,098</u>	<u>464,349</u>	<u>3,838,959</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Expenditures unavailable for use	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 18,688,098</u>	<u>\$ 464,349</u>	<u>\$ 3,838,959</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 129,578	\$ 464,349	\$ 768,465
Interfund payable	-	-	-
Other accrued expenses	1,755,836	-	-
<b>TOTAL LIABILITIES</b>	<u>1,885,414</u>	<u>464,349</u>	<u>768,465</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Expenditures unavailable for use	1,825,180	-	-
<b>FUND BALANCES</b>			
<b>Restricted for:</b>			
Buses and payroll bonus	4,237,236	-	-
<b>Assigned to:</b>			
Major maintenance	-	-	3,070,494
Capital construction and other purposes	-	-	-
<b>Unassigned</b>	<u>10,740,268</u>	<u>-</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<u>14,977,504</u>	<u>-</u>	<u>3,070,494</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 18,688,098</u>	<u>\$ 464,349</u>	<u>\$ 3,838,959</u>

<b>LOCAL, STATE AND FEDERAL GRANTS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
\$ 536,173	\$ 20,658,995
-	-
-	1,825,180
-	760,624
748,182	1,030,962
-	-
<u>1,284,355</u>	<u>24,275,761</u>
-	-
<u>\$ 1,284,355</u>	<u>\$ 24,275,761</u>
\$ 3,999	\$ 1,366,391
717,802	717,802
-	1,755,836
<u>721,801</u>	<u>3,840,029</u>
-	1,825,180
-	4,237,236
-	3,070,494
562,554	562,554
-	10,740,268
-	-
<u>562,554</u>	<u>18,610,552</u>
<u>\$ 1,284,355</u>	<u>\$ 24,275,761</u>

**This Page Intentionally Left Blank**

**LINCOLN COUNTY SCHOOL DISTRICT #2**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**June 30, 2023**

Total fund balance, governmental funds \$ 18,610,552

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Historical Cost	139,632,632
Accumulated Depreciation	(76,433,524)

Certain deferred outflows of resources are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	6,213,308
--	-----------

Certain postemployment benefit assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	19,797
---	--------

Certain deferred inflows of resources are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	(219,203)
---	-----------

Long-term liabilities, including accrued compensated absences are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consisted of:

Accrued compensated absences	(2,795,866)
Net pension liability	(34,379,369)

Net position of governmental activities in the Statement of Net Position	<u>\$ 50,648,327</u>
--	----------------------

**LINCOLN COUNTY SCHOOL DISTRICT #2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2023**

	<u>GENERAL FUND</u>	<u>CAPITAL CONSTRUCTION FUND</u>	<u>MAJOR MAINTENANCE FUND</u>
<b>REVENUES</b>			
Property taxes	\$ 14,652,523	\$ -	\$ -
Intergovernmental-State	27,035,003	5,411,528	2,342,093
Intergovernmental-Federal	-	-	-
Investment earnings	195,778	708	20,833
Other county sources	821,549	-	-
Other local sources	2,618,119	-	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	45,322,972	5,412,236	2,362,926
<b>EXPENDITURES</b>			
Instruction:			
Regular instruction	19,617,866	-	-
Special instruction	7,756,794	-	-
Vocational instruction	-	-	-
Total instruction	<hr/>	<hr/>	<hr/>
	27,374,660	-	-
Support services:			
Pupil services	3,966,599	-	-
Staff services	1,602,508	-	-
Central administration	557,960	-	-
School administration	2,402,554	-	-
Business administration	498,310	-	-
General maintenance	4,810,803	-	1,821,744
Community support	5,486	-	-
Transportation	4,096,634	-	-
Food service	-	-	-
Capital construction	-	5,920,782	-
Total support services	<hr/>	<hr/>	<hr/>
	17,940,854	5,920,782	1,821,744
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	45,315,514	5,920,782	1,821,744
Excess (deficiency) of revenues over expenditures			
	<hr/>	<hr/>	<hr/>
	7,458	(508,546)	541,182
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	1,021,015	-
Transfers out	(1,021,015)	-	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	(1,021,015)	1,021,015	-
<b>SPECIAL ITEM</b>			
Proceeds from sale of assets	<hr/>	<hr/>	<hr/>
	3,873	-	-
Net change in fund balances	(1,009,684)	512,469	541,182
Fund balances - Beginning	<hr/>	<hr/>	<hr/>
	15,987,188	(512,469)	2,529,312
<b>FUND BALANCES - Ending</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 14,977,504	\$ -	\$ 3,070,494

<b>LOCAL, STATE AND FEDERAL GRANTS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
\$ -	\$ 14,652,523
-	34,788,624
5,363,175	5,363,175
-	217,319
-	821,549
<u>1,187,510</u>	<u>3,805,629</u>
<u>6,550,685</u>	<u>59,648,819</u>
2,884,381	22,502,247
1,812,276	9,569,070
94,566	94,566
<u>4,791,223</u>	<u>32,165,883</u>
103,606	4,070,205
1,850,481	3,452,989
-	557,960
14,136	2,416,690
-	498,310
-	6,632,547
-	5,486
120,675	4,217,309
-	-
-	5,920,782
<u>2,088,898</u>	<u>27,772,278</u>
<u>6,880,121</u>	<u>59,938,161</u>
<u>(329,436)</u>	<u>(289,342)</u>
-	1,021,015
<u>-</u>	<u>(1,021,015)</u>
<u>-</u>	<u>-</u>
<u>-</u>	<u>3,873</u>
(329,436)	(285,469)
<u>891,990</u>	<u>18,896,021</u>
<u>\$ 562,554</u>	<u>\$ 18,610,552</u>

**LINCOLN COUNTY SCHOOL DISTRICT #2**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2023**

Net change in fund balances - total governmental funds: \$ (285,469)

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays \$7,808,025 exceed depreciation \$4,969,590 in the current period. 2,838,435

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold. 562,244

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Postemployment benefit asset not reflected on Governmental funds	(31,685)
Deferred outflows of resources not reflected on Governmental funds	(4,775,163)
Deferred inflows of resources not reflected on Governmental funds	1,605,977
Net pension liability not reflected on Governmental funds	952,418
Compensated absences	(49,774)

Change in net position of governmental activities \$ 816,983

**LINCOLN COUNTY SCHOOL DISTRICT #2**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2023**

	<b>FOOD SERVICES FUND</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 877,266
Due from other funds	-
Inventories	76,757
Total current assets	<u>954,023</u>
Non-current assets:	
Postemployment benefit asset	285
Capital Assets:	
Equipment and Furniture	306,244
Less Accumulated depreciation	<u>(298,443)</u>
Total non-current assets	<u>8,086</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension	89,342
Other post-employment benefits	<u>50</u>
Total assets and deferred outflows of resources	<u>1,051,501</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	3,095
Due to other funds	42,822
Deferred revenue	45,599
Capital lease obligation	-
Bonds, notes and loans payable	<u>-</u>
Total current liabilities	<u>91,516</u>
Non-current liabilities:	
Capital lease obligation	-
Bonds, notes and loans payable	<u>-</u>
Total non-current liabilities	<u>-</u>
Total liabilities	<u>91,516</u>
Noncurrent Liabilities:	
Net pension liability	<u>494,620</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension	3,135
Other post-employment benefits	18
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	7,801
Unrestricted	<u>454,411</u>
Total net position	<u>\$ 462,212</u>

The notes to the financial statements are an integral part of this statement.

**LINCOLN COUNTY SCHOOL DISTRICT #2**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2023**

	<b>FOOD SERVICES FUND</b>
<b>REVENUES</b>	
Charges for services-local	\$ 575,670
Total operating revenues	<u>575,670</u>
<b>OPERATING EXPENSES</b>	
Payroll costs	373,010
Direct food costs	448,695
Supplies and materials	22,542
Depreciation	3,308
Total Operating Expenses	<u>847,555</u>
Operating income (loss)	<u>(271,885)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
U.S. Department of Agriculture commodities	42,234
Federal operating grants and contributions	545,743
Total non-operating revenue (expenses)	<u>587,977</u>
Income (loss) before contributions and transfers	316,092
Transfers in	<u>-</u>
Change in net position	316,092
Total net position - beginning	<u>146,120</u>
Total net position - ending	<u><u>\$ 462,212</u></u>

**LINCOLN COUNTY SCHOOL DISTRICT #2**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2022**

		<b>FOOD SERVICES FUND</b>
		<u>                    </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from food service charges	\$	575,670
Cash payments for supplies and materials		(22,542)
Cash payments for direct food costs		(454,789)
Cash payments to employees		<u>(343,806)</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		 <u>(245,467)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Non-operating grants received		562,439
NPL, OPEB asset, and related deferred outflows/inflows		(210,899)
Transfers from other funds		<u>-</u>
 NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES		 <u>351,540</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of equipment		<u>-</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		 106,073
BEGINNING CASH AND CASH EQUIVALENTS		<u>771,193</u>
 ENDING CASH AND CASH EQUIVALENTS	\$	 <u><u>877,266</u></u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$	(271,885)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation		3,308
(Increase) decrease in inventories		(10,236)
Increase (decrease) in:		
Accounts payable		12,778
Accrued expenses		(5,502)
Due to other funds		42,822
Deferred revenue		<u>(16,752)</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$	 <u><u>(245,467)</u></u>

**LINCOLN COUNTY SCHOOL DISTRICT #2**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**CUSTODIAL FUNDS**  
**June 30, 2023**

	<b>EMPLOYEE FLEXIBLE SPENDING FUND</b>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$          37,079</u>
<b>TOTAL ASSETS</b>	<u><u>\$          37,079</u></u>
<b>LIABILITIES</b>	
Accounts payable	<u>                          -</u>
<b>TOTAL LIABILITIES</b>	<u>                          -</u>
<b>NET POSITION</b>	
Held in trust for individuals	<u><u>\$          37,079</u></u>

**LINCOLN COUNTY SCHOOL DISTRICT #2**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**CUSTODIAL FUNDS**  
**June 30, 2023**

	<b>EMPLOYEE FLEXIBLE SPENDING FUND</b>
<b>ADDITIONS</b>	
Contributions	\$ -
Investment earnings	-
TOTAL ADDITIONS	<u>-</u>
<b>DEDUCTIONS</b>	
Trust remittance	-
TOTAL DEDUCTIONS	<u>-</u>
Change in net assets	-
Net Position - Beginning	<u>37,079</u>
Net Position - Ending	<u><u>\$ 37,079</u></u>

**This Page Intentionally Left Blank**

## **Notes To the Financial Statements**

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**1. Organization**

Lincoln 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 public elementary and secondary school education in an area that roughly comprises the northern half of Lincoln 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", 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. There are no component units which are included in the District’s reporting entity.

**2. District-Wide and Fund Financial Statements**

Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments* (GASB No. 34), sets forth the financial reporting requirements and reporting model for the annual financial reports of state and local governments. The goal of GASB No. 34 is to make annual reports more comprehensive, easier to understand, and more useful to people who use governmental financial information to make decisions. 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.

*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 non-fiduciary activities of the District. These statements distinguish between the *governmental* and *business-type* activities of the District. Governmental transactions are generally financed through taxes, intergovernmental revenues, and other non-exchange 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

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

• **District-Wide and Fund Financial Statements, Continued**

particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Depreciation is presented in its entirety on the statement of activities. No depreciation has been allocated to any of the District's specific functions.

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.

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 except for the foundation receivable from the State which is 300 days. 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

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

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

of the fund consists primarily of local property taxes and federal and state funds. This is a budgeted fund, and any unreserved or unencumbered fund balances are considered as resources available for use.

*Debt Service 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 unreserved or unencumbered fund balances are considered as resources available for use (see Note 15).

*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 unreserved or unencumbered fund balances are considered as resources available for use (see Note 15).

*Capital Construction Fund:* The Capital Construction 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 unreserved or unencumbered fund balances are considered as resources available for use.

*Local, State and Federal Grants Funds:* The Local, State and Federal Grants Funds are used to account for funds received from federal and state grants that have restrictions on their use. These are budgeted funds, and any unreserved or unencumbered fund balances are considered as resources available for use.

The District reports the following proprietary fund:

*Food Services Fund:* The Food Services Fund is used to account for the District's school breakfast and lunch programs, which provides meals 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.

The District reports the following fiduciary fund:

*Employee Flexible Spending Fund:* The Employee Flexible Spending Fund is used to account for funds deducted from participating employees who have elected to set aside funds on a pre-tax basis for payment of medical or childcare expenses. This fund does not include revenues and expenditures for general operations of the District.

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**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, General Support, Community Support and Other Outlays.

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.

**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 more significant accounting policies of the District are described as follows:

*Cash and Cash Equivalents*

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

*Receivables*

Receivables shown on the governmental fund financial statements are those for which payment was received within 60 days except for the foundation receivable from the State which is 300 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 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

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**5. Summary of Significant Accounting Policies, Continued**

immaterial and are recorded as expenditures when purchased. Donated food commodities are reported in the Food Services Fund as revenue 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. The District uses a capitalization threshold of \$2,500. 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>Years</u>	<u>Business Type</u>
Buildings and building improvements	20 to 30	--
Transportation equipment	5 to 12	--
General equipment	5 to 20	5 to 20

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, liabilities that become due and payable within one year of the financial statement date are included in current liabilities, while liabilities that become due and payable after that time are shown as noncurrent liabilities.

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, *Account for Compensated Absences* (GASB No. 16). Compensated absences consist of accumulated sick, personal and vacation leave balances that are unpaid by the financial statement date.

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**5. Summary of Significant Accounting Policies, Continued**

All eligible employees of the District receive personal 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. Under the terms of association agreements, twelve-month or full-year employees earn vacation in amounts that vary based on tenure and classification. The District records a liability for accumulated unused vacation for all eligible employees.

Accumulated personal and vacation leave that has become due and payable at the end of the fiscal year, which is expected to be paid during the upcoming fiscal year, is reported as an expenditure and fund liability of the governmental fund that will pay it. Accumulated personal and vacation leave that is expected to be utilized by employees during the upcoming fiscal year is reported as a current obligation in the district-wide financial statements. Accumulated personal and vacation leave that is not expected to be utilized by employees during the upcoming fiscal year is reported as a noncurrent obligation in the district-wide financial statements. Accumulated personal and vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

When an employee terminates employment with the District, unused personal and sick leave hours are paid at the rate of one-half of the employee's current hourly rate for certified staff and at step one of the employees' classification pay scale for support staff as of June 30, 2023.

*Net Position*

Net position represents the difference between assets and liabilities. 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 their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

*Fund Balances*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

The Lincoln County School District #2 Board of Trustees recognizes that the district uses and maintains diverse funds with assorted requirements on balances of cash, investments and other asset and liability accounts. Additionally, Governmental Accounting Standards Board (GASB) 54 has increased the reporting requirement on fund balances for financial statement purposes. Since fund balance reporting has a direct influence on state funding, it is the intention of the Board of Trustees to clarify how fund balances will be reported. Lincoln County School District #2 will use the fund balances definitions in GASB 54 for financial reporting for all governmental fund types. The classifications are intended to depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund could include any combination of these classifications.

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**5. Summary of Significant Accounting Policies, Continued**

*Non-spendable Fund Balances:* These fund balances are the net balance of assets and liabilities that are held legally, contractually or in a “not in spendable form.” This includes all legally or contractually restricted balances as well as prepaid inventory and other items considered “not in spendable form”.

*Restricted Fund Balances:* These fund balances are the net balance of assets and liabilities that have provisions that are externally imposed. These are grants or other funds that are restricted by the debt covenants, grantor, contributor, or by laws or regulations of external governments. In general, these include a legally enforceable requirement that the resources be used only for the specific purposes stipulated in the grant, debt covenant or by law. The Board and state statute have restricted \$4.2 million for the purpose, but not limited to construction, maintenance and renovations.

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

*Assigned Fund Balance:* Assigned Fund Balances are the net amounts of assets and liabilities constrained by the intent of the Board of Trustees. The intent will not be specified by formal action of the Board of Trustees but will be part of items such as the adopted budget or in a statement by the Board of Trustees or by the Director of Business and Finance.

*Unassigned Fund Balance:* Typically, Unassigned Fund Balances will be limited to the general fund, and by definition, they are the residual balance for fund balance.

*Property Tax Calendar*

The Lincoln 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 on March 1, and is delinquent on May 10. Taxes receivable represent taxes levied but uncollected by the County Treasurer at June 30, 2023.

*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, 2023 are recorded as deferred revenue.

*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.

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**5. Summary of Significant Accounting Policies, Continued**

*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.

*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 December 6, 2023 which is the date that these financial statements are issued. No material subsequent events have occurred since June 30, 2023 that requires recognition or disclosure in these financial statements.

**6. Cash and Cash Equivalents**

Authorized deposits are controlled by state statute and include, but are not limited to, deposits in banks, money market account and treasury notes. The District's cash and cash equivalents consist of checking and money market accounts at local banks

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Wyoming statute 9-4-820 requires the District to collateralize bank deposits that exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC). In addition, for collateral held by a custodian other than the Federal Reserve, an approved Joint Custody Receipt form must be properly executed to perfect the District's interest in collateral pledged by depository financial institutions. The District's business manager monitors cash account balances to see that sufficient collateral is pledged to the District. As of June 30, 2022, the District's deposits were insured by the FDIC up to \$250,000 at each bank. In addition, through the Transaction Account Guarantee Program (TAFP), all noninterest-bearing checking accounts and low-interest (.25% or less) negotiable order of withdrawal (NOW) accounts were fully covered by FDIC. Institutions that were participating in the program were given the option to opt out of the extension. Only one of the District's financial institutions chose to opt out of the extension.

The carrying amount of cash and cash equivalents on the District's books at June 30, 2023 was \$21,573,340 (including deposits held for fiduciary funds) and bank balances totaled \$24,523,592. The differences between the carrying amount of cash and cash equivalents on the District's books and the bank balances consist of outstanding checks and deposits not processed by the bank as of June 30, 2023.

The carrying amount of cash and cash equivalents on the District's books at June 30, 2023 consists of and appears in the financial statements as summarized below:

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**6. Cash and Cash Equivalents, Continued**

Cash and cash equivalents, State of Net Position - District-Wide	\$ 21,536,261
Cash and cash equivalents, State of Net position - Fiduciary Funds	<u>37,079</u>
Carrying amount of bank deposits	<u><u>\$ 21,573,340</u></u>

A summary of the total insured and collateralized bank balances at June 30, 2023 is as follows:

Insured by the FDIC	\$ 500,000
Collateralized with security held by pledging institution's trust department or correspondent bank under a joint custody receipt in the name of the District and the financial institution.	<u>24,023,592</u>
Total	<u><u>\$ 24,523,592</u></u>

**7. Investments**

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 and the Wyoming State Treasurer's (WYO-STAR) Local Government Investment Pool, unless specific board action authorizes and 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, 2023, the District had the following investments (including investments of fiduciary funds).

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
WYO-STAR Local Government Investment Pool	161 days average	\$ 165,296
Wyoming Governmental Investment Fund	49 days average	<u>1,650,241</u>
Total Investments		<u><u>\$ 1,815,537</u></u>

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. The District has no investment policy that would further limit its investment choices. As of June 30, 2023, the District's investments in the WYO-STAR Local Government Investment Pool (WYO-STAR) had a credit rating of AAA by Standard and Poor's Rating Services.

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**7. Investments, Continued**

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 in the WYO-STAR Local Government Investment Pool. These investments represent 100% of the District's total investments.

The WYO-STAR Local Government Investment Pool is managed by the Wyoming State Treasurer

**8. Receivables from Other Governments**

All amounts recognized as receivables on the governmental funds financial statements were collected within 60 days except for the foundation receivable from the State which is 300 days after year-end. All receivables, regardless of when they are collected, are recognized on the district-wide financial statements.

Accounts Receivable

Accounts receivable balances consist primarily of amounts due from the Wyoming School Facilities Commission for reimbursement of expenditures related to capital construction projects and from Idaho School districts for the payment of out-of-state student tuition. The total balance due as of June 30, 2023 is \$0

Property Taxes Receivable

Property taxes receivable consist of property taxes received in the first 60 days after June 30, 2023, that relate to taxes levied prior to and during the 2023 fiscal year. The balance reported for property taxes receivable as of June 30, 2023 is \$1,825,180. Some of the District's taxes were paid under protest to the County Treasurer during the 2010 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 consist of revenues earned by the District from various state or federal grants that had not been received by the District as of June 30, 2023. The balance reported for grants receivable as of June 30, 2023 is \$1,030,962.

**9. 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, 2023 is as follows:

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**9. Capital Assets, Continued**

	Balance 6/30/2022	Additions	Disposals	Balance 6/30/2023
<u>Governmental Activities</u>				
Buildings and Building Improvements	\$ 117,356,338	\$ 1,844,767	\$ -	\$ 119,201,105
Transportation equipment	8,687,777	129,795	(380,229)	8,437,343
General Equipment	3,121,092	421,935	(182,015)	3,361,012
Capital assets in service	129,165,207	2,396,497	(562,244)	130,999,460
Accumulated depreciation	(71,463,934)	(5,445,729)	476,139	(76,433,524)
	57,701,273	(3,049,232)	(86,105)	54,565,936
Land	2,063,251	-	-	2,063,251
Construction in Progress	1,158,393	5,411,528	-	6,569,921
	60,922,917	2,362,296	(86,105)	63,199,108
<u>Business-type Activities</u>				
Equipment	\$ 306,244	\$ -	\$ -	\$ 306,244
Accumulated depreciation	(295,134)	(3,309)	-	(298,443)
	\$ 11,110	\$ (3,309)	\$ -	\$ 7,801

Depreciation expense for governmental funds has not been allocated to any of the District’s individual functions. Rather, the District has included all depreciation related to governmental funds as a single line item on the Statement of Activities – District-Wide.

Depreciation expense for business-type activities is shown on the proprietary fund financial statements.

**10. 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 revenues are received. When grant money is received, the paying fund is reimbursed for the payments made on behalf of the receiving fund.

Interfund receivables and payables at June 30, 2023 are summarized as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Food Services, Local, State and Federal Grants	\$ 760,624

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**11. Interfund Transfers**

The following are interfund transfers for the year ended June 30, 2023:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Reason</u>	<u>Amount</u>
General Fund	Capital Construction	Assist with expenditures	\$ 1,021,015

**12. Short-Term Borrowings**

The District had no short-term borrowings at June 30, 2023, nor were there any short-term borrowings or repayments during the year then ended.

**13. Long-Term Obligations**

A summary of changes in long-term obligations of the District for the year ended June 30, 2023 is as follows:

	<u>Long-Term Obligations 6/30/2022</u>	<u>Long-Term Obligations Incurred</u>	<u>Long-Term Obligations Paid</u>	<u>Long-Term Obligations 6/30/2023</u>	<u>Due Within One Year</u>
Accrued compensated absences	<u>\$ 2,746,182</u>	<u>\$ 49,684</u>	<u>\$ -</u>	<u>\$ 2,795,866</u>	<u>\$ 838,760</u>

**14. Wyoming Retirement System Defined Contribution Plan**

Plan Description

All full-time and permanent part-time employees of the District 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 cost to administer the Plan is financed through the contributions and investment earnings of the Plan.

The Plan is governed by a Board of Trustees comprised of the State Treasurer, five trustees who are members of the Plan and five “at-large” trustees who are not members of the Plan. With the exception of the State Treasurer, Board members are appointed by the Governor and confirmed by the Wyoming Senate. The Board employs an executive director to oversee day-to-day operations which includes a staff of approximately 40 employees.

Pension Benefits

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

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**14. Wyoming Retirement System Defined Contribution Plan Continued**

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.

The Plan offers two tiers of benefits. Tier 1 participants are those that have made contributions to the Plan prior to September 1, 2012. Tier 1 participants vest after 48 months of service, with eligibility for full retirement benefits upon attaining age 60 and meeting the “rule of 85,” which requires the participants age and years of service to be equal or exceed 85. Tier 1 benefits are calculated with a 2.125% multiplier rate for the first 15 years of service with the remaining service years calculated with a 2.25% rate, using the highest average salary for 36 continuous months.

Tier 2 participants are those whose participation in the Plan and contributions to the Plan began on or after September 1, 2012. Tier 2 participants vest after 48 months of service, with eligibility for full retirement benefits upon attaining age 65 and meeting the “rule of 85,” which requires the participants age and years of service to equal or exceed 85. Tier 2 benefits are calculated with a 2.00% multiplier rate for all years of service using the highest average salary for 60 continuous months.

Member and Employer Contributions

Starting July 1, 2021, the Plan statutorily required 18.62% of the participant’s salary to be contributed to the Plan. Contributions consist of 9.25% of the participant’s salary as employee contributions and 9.37% as employer contributions. Through June 30, 2023, the statutorily required contributions consist of 18.12% of the participant’s salary to be contributed to the Plan. The amount of contributions designated as employee contributions represent the portion of total contributions that a participant retains ownership of and can elect to receive as a refund upon termination of employment. Employers can elect to cover all or a portion of the employee’s contribution at their discretion.

Salaries and wages paid to employees covered by the Plan for the years ended June 30, 2023, 2022, 2021, 2020, 2019, 2018, and 2017 were \$28,191,603, \$25,738,563, \$26,095,962, \$24,723,888, \$24,078,788, \$22,490,315 and \$24,444,895 and the District’s contributions totaled \$4,118,194, \$3,923,992, \$2,759,676, \$3,550,586, \$3,754,428, and \$3,915,312 respectively

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the District reported a liability of \$34,873,989 for its proportionate share of the net pension liability, of which \$34,379,369 is reported in governmental activities and \$494,620 is reported in business-type activities. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. The District’s proportion of the net pension liability was based on the District’s share of contributions to the Plan relative to the total contributions of all participating Plan members, actuarially determined. At December 31, 2022, the District’s proportionate allocation was 1.2761200%.

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**14. Wyoming Retirement System Defined Contribution Plan Continued**

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions Continued

For the year ended June 30, 2023, The District recognized pension expense offset as follows:

Governmental activities	\$ 4,059,716
Business-type activities	<u>58,478</u>
Total pension expense	<u><u>\$ 4,118,194</u></u>

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Governmental Activities:</u>		
Differences between expected and actual experience	\$ 172,405	\$ 217,932
Changes of assumptions	922,643	-
Amortization	125,517	-
Net difference between projected and actual earnings	2,959,338	-
Contributions made subsequent to measurement date	2,029,857	-
<u>Business-type activities:</u>		
Differences between expected and actual experience	2,483	3,139
Changes of assumptions	13,290	-
Amortization	1,808	-
Net difference between projected and actual earnings	42,628	-
Contributions made subsequent to measurement date	<u>29,239</u>	<u>-</u>
	<u><u>\$ 6,299,208</u></u>	<u><u>\$ 221,071</u></u>

The amount reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date, in the amount of \$2,059,097, will be recognized as a reduction of net pension liability in the year ending June 30, 2023.

The average of the expected remaining service lives of all employees that are provided with pensions through the Plan (active and inactive employees) was determined at January 1, 2022, the beginning of the measurement period ended December 31, 2022 is 3.339 years.

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**14. Wyoming Retirement System Defined Contribution Plan Continued**

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions Continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ending	
June 30	Total
2023	\$ (929,361)
2024	561,445
2025	1,014,331
2026	3,245,302
	\$ 3,891,717

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year’s earnings of the individual between entry age and assumed exit age. The Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period of the Plan permitted under Wyoming Code is 30 years.

The total pension liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	2.25%
Salary increases	2.5 - 6.5%, including inflation
Payroll growth rate	2.50%
Investment rate of return	6.80%, net of investment expenses

Mortality rates were based on the RP – 2014 combined mortality table for healthy males or females as appropriate with the following pre-retirement mortality offsets:

- Males: No set back with a 100% multiplier
- Females: No set back with a 100% multiplier

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**14. Wyoming Retirement System Defined Contribution Plan Continued**

Actuarial Assumptions Continued

The assumed rate of investment return was adopted by the Plan’s trustees after considering input from the Plan’s investment consultant and actuary. Additional information about the assumed rate of investment return was included in the Plan’s actuarial valuation report as of January 1, 2021. In addition, a five-year experience study was completed as of December 31, 2016 that provided a detailed analysis regarding recommendations on the long-term rate for inflation and the real rate of return. The assumed rate of investment return of 6.80% (real return net of inflation of 4.55%) falls within a reasonable range of the long-term rate of return.

The long-term expected rate of return on pension plan investments was determined using the building-block approach and a forward-looking model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan target asset allocation for the fiscal year 2019. These best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Arithmetic Real Rate of Return
Cash	0.50%	0.30%	0.32%
Gold	1.50%	2.34%	0.72%
Fixed Income	20.00%	3.59%	4.05%
Equity	51.50%	7.09%	9.00%
Marketable Alternatives	16.00%	5.14%	6.02%
Private Markets	10.50%	6.05%	7.67%
Total	100.00%		

Discount Rate

The discount rate used to measure the total pension liability was 6.80%. This rate was based on the expected rate of return on pension plan investments of 6.80%. The projection of cash flows used to determine the rate assumed that plan member contributions and employer contributions will be made at the current contribution rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**14. Wyoming Retirement System Defined Contribution Plan Continued**

Sensitivity of the District’s Proportionate Share of the Net Pension Liability Continued

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

1% Decrease	Current Rate	1% Increase
5.80%	6.80%	7.80%
<hr/>	<hr/>	<hr/>
\$ 51,496,363	\$ 34,873,989	\$ 21,098,552

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued WRS Plan financial report.

A copy of the Plan’s financial statements may be obtained by contacting the Wyoming’s Retirement System at 6101 Yellowstone Road, Suite 500, Cheyenne, WY 82002 or on the Plan website at <http://retirement.state.wy.us>.

Payables to the Pension Plan

At June 30, 2023, the District reported \$0 payable to the defined benefit pension plan for legally required employer contributions or employee contributions which had been withheld from employee wages but not yet remitted to the Plan.

**15. Net Position**

Restrictions of net position are established to either (1) satisfy legal covenants that require that 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:

*Debt Service:* As of June 30, 2009, the District’s general obligation bonds were paid in full. During 2009, \$712, 667 was transferred to the Capital Construction Fund in accordance with Wyoming State statutes. The remaining fund balance is reserved for capital outlay expenditures, in accordance with Wyoming State statutes.

*Major Maintenance:* The fund balance is reserved to segregate funds for capital outlay expenditures which meet the Wyoming School Facilities Commission’s definition of major maintenance.

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**15. Net Position, Continued**

Capital Construction: The fund balance is reserved for capital outlay expenditures, in accordance with Wyoming State statutes.

**16. Risk Management**

Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Settlements did not exceed coverage during the year ended June 30, 2023.

Litigation

The District is occasionally named as a defendant in lawsuits arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a materially adverse effect on the accompanying district-wide financial statements and accordingly, no provision for loss has been recorded.

**17. Contingent Liabilities**

School Foundation Program

The Wyoming School Foundation Program provides a guaranteed level of funding to every Wyoming public school district. This “guarantee” is essentially a block grant and is based on a number of factors, the most important of which is the number of students enrolled in the district in the prior year.

Other components having a significant impact on a district’s guarantee include special education and pupil transportation costs incurred in the prior year and the number, size and location of certain statutorily defined “small schools” operated by the district. Very small school districts meeting certain enrollment criteria may qualify for additional funding.

Once a district’s guarantee is established, that funding level is compared to the district’s available local revenue sources. If a district’s local revenues turn out to be less than its guarantee, the state of Wyoming makes up the difference through a series of entitlement payments distributed to the district throughout the school year.

A few school districts, on the other hand, have access to local revenues in excess of their guarantees. These districts must rebate the excess to the state of Wyoming – a process known as recapture. All recaptured monies flow into a Foundation Program fund and are eventually redistributed to those districts receiving entitlement payments from the state.

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**18. 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.

**19. Deficit Fund Balances**

There were no funds with a deficit fund balance at June 30, 2023.

**20. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. See Note 14 for the detail of these deferred outflows of resources.

In addition to liabilities, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Note 14 for the detail of these deferred inflows of resources. The Balance Sheet had a deferred inflows of resources of \$1,825,180.

**21. OPEB – Lincoln School District Employee Group Benefits Plan**

*Plan Description*

Lincoln School District #2's Employee Group Benefits Plan is a single-employer defined benefit healthcare plan administered by Blue Cross Blue Shield of Wyoming. Blue Cross Blue Shield provides medical and prescription drug insurance benefits to eligible retirees and their eligible dependents. A retiree who retires under normal retirement eligibility tier 1 is eligible to keep the District's health insurance as a retiree until age 60, or under tier 2 is eligible until age 65 or until the retiree is eligible for coverage under Medicare. Retirement eligibility is determined based on a minimum of reaching age 50 with at least 4 years of membership with a Wyoming Public Employee's Retirement System employer. The retiree is on the same medical plan as the District's active employees.

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**21. OPEB (Continued)**

Funding Policy

The contribution requirement of plan members is established by the District’s insurance committee in conjunction with our insurance provider. The required contribution is based on a projected pay-as-you-go financing requirements. For fiscal year 2023, the District contributed approximately \$5,511 of the annual required contribution of \$5,511. Retirees are required to pay 100% of the premiums for both the retiree and the dependent coverage.

	Total OPEB Liability	Actuarially Determined Contribution	Participant Counts
Active Participants	\$ (20,082)	\$ (5,511)	305
Inactives	-	-	-
	<u>\$ (20,082)</u>	<u>\$ (5,511)</u>	<u>305</u>

Actuarial Methods and Assumptions

The District does not pre-fund benefits. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis and there is not a trust for accumulating plan assets. The following actuarial methods and assumptions were used in the June 30, 2022 accounting valuation:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Interest/Discount Rate	4.11%
Projected Payroll Increases	2.50%
Participation	20% of future retirees are assumed to elect medical coverage under COBRA for 18 months before leaving the District's plan. 70% of the future retirees who elect medical, dental, or vision coverage are married (see marriage rate assumption) are assumed to elect spousal coverage as well.

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**21. OPEB (Continued)**

*Actuarial Methods and Assumptions (Continued)*

Marital Status at Retirement	Actual spouse information is used for current retirees. Future retired members who elect to participate in the plan are assumed to be married at a rate of 60.0%. Males are assumed to be 3 years older than females.
Mortality - Healthy	Mortality follows the Pub-2010 General Active Mortality Table with no setbacks or adjustments for males or females, projected generationally using the MP-2020 mortality improvement scale.
Mortality - Disabled	Mortality follows the Pub-2010 General Disabled Mortality Table with no setbacks or adjustments for males or females, projected generationally using the MP-2020 mortality improvement scale.
Withdrawal Rates	Based on Wyoming Public Employee's Retirement System with 13% of males and 14% of females eligible from zero to 4 years of service and 3% of males and 6% of females eligible at 20+ years of service.
Disability Rates	Based on Wyoming Public Employees' Retirement System with 0.01% of employees at age 20 ranging to 0.24% at age 60.
Retirement Rates	Retirement rates based on the retirement system ranges from 15% for under age 50 to 25% to age 65 for reduced, and from 30% at age 65 to 100% for age 80+.
Changes Since Prior Valuation	Interest/discount rate based on the average of multiple 6/30/2023 municipal bond rate sources. Decrements tables updated per the June 2023 Actuarial Section of WYPERS' Annual Comprehensive Financial Report.

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. There have been no significant changes between the valuation date and the fiscal year end. Any significant changes during this period must be reflected as prescribed by GASB 75.

<b><u>Discount Rate</u></b>	
Discount Rate	4.11%
20 Year Tax-Exempt Municipal Bond Index	4.05%

The discount rate was based on the 20-year Municipal Bond Index on June 30, 2023.

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**21. OPEB (Continued)**

Changes in total OPEB Liability

The calculations for the Lincoln County School District Employee Group Benefits Plan have been completed in accordance with GASB 75 as of the measurement date. The following disclosure exhibit is also provided:

<b>Total OPEB Liability</b>	<b>June 30, 2023</b>
Actuarially Determined Contribution (ADC)	\$ (1,388)
Total OPEB Liability (TOL)	\$ (20,082)
Net OPEB Liability (NOL)	\$ (20,082)
Funded Ratio (1. ÷ 2.)	0.0%
Covered Employee Payroll	\$ 17,970,377
Net OPEB Liability (NOL) as a Percentage of Payroll {(2. - 1.) ÷ 5.}	-0.11%

Sensitivity Analysis

The following presents the total OPEB Liability of the school district, calculated using the discount rate of 2.27%, as well as what the school district's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current trend rates.

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>3.11%</b>	<b>4.11%</b>	<b>5.11%</b>
Total June 30, 2022 OPEB liability	\$ (21,819)	\$ (20,082)	\$ (18,437)

*Other Post-employment benefits Expense and Deferred Outflows of Resources and Deferred Inflows for Resources Related to Other Post-employment Benefits*

Schedule of Deferred Inflow/Outflows of Resources

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,467	\$ 1,064
Changes in assumptions or other inputs	1,025	221
	<u>\$ 3,492</u>	<u>\$ 1,285</u>

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**21. OPEB (Continued)**

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other post-employment benefits will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>		
2023	\$	(2,903)
2024	\$	982
2025	\$	884
2026	\$	817
2027	\$	793
Thereafter	\$	3,656

**22. Property Taxes Receivable and Deferred Inflows from Minerals**

The State of Wyoming (“the State”) is responsible for collecting all taxes related to mineral extraction including but not limited to oil, natural gas, coal, bentonite, sand and gravel, trona and uranium (mineral taxes). As extraction occurs, mineral extraction companies make monthly estimated mineral tax payments to the State. Mineral taxes collected by the State are distributed to counties in which mineral production occurred, and the counties then distribute the taxes to various organizations within its boundaries. During August of each year, the prior calendar year’s extraction information is evaluated and mineral taxes for that extraction period are levied by each respective county. Because the estimated mineral tax payments are paid using the prior year’s levy amounts, there is a true-up between the estimated tax payments and the actual August tax levy.

During the 2022 budget session of the Wyoming legislature, the legislators approved a deferral of mineral taxes related to 50% of calendar year 2020 and all of calendar year 2021. Under this deferral program, approximately 1/12<sup>th</sup> of the deferred taxes are to be paid on or before December 1<sup>st</sup> of each year, beginning in 2023, and continuing until all of the deferred taxes have been paid in full. As long as payments are made on time, they are not subject to penalties or interest. If payments are not made on time, there are increasing levels of penalties, with the ultimate possibility of having to immediately pay all remaining deferred taxes along with penalties and interest.

In the governmental funds financial statements, mineral taxes are recorded as revenue during the period in which the taxes are levied, to the extent that they are collected and received by the District within 60 days of that fiscal year-end, while in the entity-wide financial statements, mineral taxes are recorded as revenue in the year in which the taxes are levied, regardless of when they are collected. Because mineral taxes are paid as extraction occurs, the chance of any significant amounts being outstanding more than 60 days after the end of the fiscal year in which the levy occurs is considered remote. Therefore, except for the deferral of taxes related to the 2020 and 2021 mineral extraction discussed in the preceding paragraph, accounting for mineral taxes is the same for the fund and entity-wide financial statements.

The taxes related to 2022 calendar year mineral extraction, which were levied during August 2023, and mineral taxes that were paid through June 30, 2023 for 2023 calendar year mineral extraction, have been recognized as unearned revenue at June 30, 2023. During the 2024 fiscal year, 2022 calendar year mineral tax payments will be removed from unearned revenue and recognized as revenue.

**Lincoln County School District No. 2**  
**Notes to Financial Statements**  
**June 30, 2023**

**22. Property Taxes Receivable and Deferred Inflows from Minerals (Continued)**

*Property Taxes Receivable and Deferred Inflows from all other Properties*

The Lincoln County Treasurer is responsible for levying and collecting non-mineral related property taxes on behalf of the District (other property taxes). Other property taxes attach as an enforceable lien on property on January 1 of each year. Other 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 on March 1, and is delinquent on May 10.

**This Page Intentionally Left Blank**

**Required Supplementary Information**

**LINCOLN COUNTY SCHOOL DISTRICT #2**  
**BUDGET AND ACTUAL (WITH VARIANCES) - GENERAL FUND**  
**For the year ended June 30, 2023**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES</b>				
Property taxes	\$ 11,895,000	\$ 15,489,815	\$ 14,652,523	\$ (837,292)
Intergovernmental-State	31,910,369	29,791,497	27,035,003	(2,756,494)
Intergovernmental-Federal	-	-	-	-
Investment earnings	41,000	135,000	195,778	60,778
Other county sources	718,550	750,000	821,549	71,549
Other local sources	2,050,623	2,649,230	2,618,119	(31,111)
<b>TOTAL REVENUES</b>	<u>46,615,542</u>	<u>48,815,542</u>	<u>45,322,972</u>	<u>(3,492,570)</u>
<b>EXPENDITURES</b>				
Regular instruction	19,511,320	20,508,476	19,617,866	890,610
Special instruction	8,576,265	8,830,672	7,756,794	1,073,878
Vocational instruction	-	-	-	-
Pupil services	3,972,117	4,146,608	3,966,599	180,009
Staff services	2,347,514	2,461,585	1,602,508	859,077
Central administration	573,102	600,113	557,960	42,153
School administration	2,765,609	2,545,956	2,402,554	143,402
Business administration	506,434	539,308	498,310	40,998
General maintenance	3,969,687	4,506,772	4,810,803	(304,031)
Community support	10,000	10,000	5,486	4,514
Transportation	4,455,957	4,666,052	4,096,634	569,418
Food service	-	-	-	-
Capital Construction	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>46,688,005</u>	<u>48,815,542</u>	<u>45,315,514</u>	<u>3,500,028</u>
Excess (deficiency) of revenues over expenditures	<u>(72,463)</u>	<u>-</u>	<u>7,458</u>	<u>7,458</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	<u>(1,800,000)</u>	<u>(1,800,000)</u>	<u>(1,021,015)</u>	<u>778,985</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,800,000)</u>	<u>(1,800,000)</u>	<u>(1,021,015)</u>	<u>778,985</u>
<b>SPECIAL ITEM</b>				
Proceeds from sale of assets	-	-	3,873	3,873
<b>Net change in fund balances</b>	<u>\$ (1,872,463)</u>	<u>\$ (1,800,000)</u>	<u>(1,009,684)</u>	<u>\$ 790,316</u>
Fund balances - Beginning			<u>15,987,188</u>	
<b>FUND BALANCES - Ending</b>			<u>\$ 14,977,504</u>	

**LINCOLN COUNTY SCHOOL DISTRICT #2**  
**BUDGET AND ACTUAL (WITH VARIANCES) - MAJOR MAINTENANCE**  
**For the year ended June 30, 2023**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental-State	2,371,000	2,345,000	2,342,093	(2,907)
Intergovernmental-Federal	-	-	-	-
Investment earnings	20,500	20,500	20,833	333
Other county sources	-	-	-	-
Other local sources	-	-	-	-
<b>TOTAL REVENUES</b>	<b>2,391,500</b>	<b>2,365,500</b>	<b>2,362,926</b>	<b>(2,574)</b>
<b>EXPENDITURES</b>				
Regular instruction	-	-	-	-
Special instruction	-	-	-	-
Vocational instruction	-	-	-	-
Pupil services	-	-	-	-
Staff services	-	-	-	-
Central administration	-	-	-	-
School administration	-	-	-	-
Business administration	-	-	-	-
General maintenance	2,345,000	2,345,000	1,821,744	523,256
Community support	-	-	-	-
Transportation	-	-	-	-
Food service	-	-	-	-
Capital Construction	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>2,345,000</b>	<b>2,345,000</b>	<b>1,821,744</b>	<b>523,256</b>
Excess (deficiency) of revenues over expenditures	46,500	20,500	541,182	520,682
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>SPECIAL ITEM</b>				
Proceeds from sale of assets	-	-	-	-
Net change in fund balances	\$ 46,500	\$ 20,500	541,182	\$ 520,682
Fund balances - Beginning			2,529,312	
<b>FUND BALANCES - Ending</b>			<b>\$ 3,070,494</b>	

**LINCOLN COUNTY SCHOOL DISTRICT #2**  
**BUDGET AND ACTUAL (WITH VARIANCES) - CAPITAL CONSTRUCTION**  
**For the year ended June 30, 2023**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental-State	8,199,253	4,997,778	5,411,528	413,750
Intergovernmental-Federal	-	-	-	-
Investment earnings	1,200	1,200	708	(492)
Other county sources	-	-	-	-
Other local sources	-	-	-	-
<b>TOTAL REVENUES</b>	<b>8,200,453</b>	<b>4,998,978</b>	<b>5,412,236</b>	<b>413,258</b>
<b>EXPENDITURES</b>				
Regular instruction	-	-	-	-
Special instruction	-	-	-	-
Vocational instruction	-	-	-	-
Pupil services	-	-	-	-
Staff services	-	-	-	-
Central administration	-	-	-	-
School administration	-	-	-	-
Business administration	-	-	-	-
General maintenance	-	-	-	-
Community support	-	-	-	-
Transportation	-	-	-	-
Food service	-	-	-	-
Capital Construction	9,304,253	6,623,000	5,920,782	702,218
<b>TOTAL EXPENDITURES</b>	<b>9,304,253</b>	<b>6,623,000</b>	<b>5,920,782</b>	<b>702,218</b>
Excess (deficiency) of revenues over expenditures	(1,103,800)	(1,624,022)	(508,546)	1,115,476
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,105,000	1,500,000	1,021,015	(478,985)
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,105,000</b>	<b>1,500,000</b>	<b>1,021,015</b>	<b>(478,985)</b>
<b>SPECIAL ITEM</b>				
Proceeds from sale of assets	-	-	-	-
Net change in fund balances	\$ 1,200	\$ (124,022)	512,469	\$ 636,491
Fund balances - Beginning			(512,469)	
<b>FUND BALANCES - Ending</b>			<b>\$ -</b>	

**LINCOLN COUNTY SCHOOL DISTRICT #2**  
**BUDGET AND ACTUAL (WITH VARIANCES) - LOCAL, STATE AND FEDERAL GRANTS**  
**For the year ended June 30, 2023**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental-State	-	-	-	-
Intergovernmental-Federal	8,233,755	6,812,902	5,363,175	(1,449,727)
Investment earnings	-	-	-	-
Other county sources	-	-	-	-
Other local sources	-	316,391	1,187,510	871,119
<b>TOTAL REVENUES</b>	<b>8,233,755</b>	<b>7,129,293</b>	<b>6,550,685</b>	<b>(578,608)</b>
<b>EXPENDITURES</b>				
Regular instruction	4,749,281	2,864,720	2,884,381	(19,661)
Special instruction	980,945	1,991,038	1,812,276	178,762
Vocational instruction	91,974	103,615	94,566	9,049
Pupil services	75,654	104,855	103,606	1,249
Staff services	596,083	1,883,057	1,850,481	32,576
Central administration	-	-	-	-
School administration	-	14,145	14,136	9
Business administration	-	-	-	-
General maintenance	-	-	-	-
Community support	-	-	-	-
Transportation	-	205,868	120,675	85,193
Food service	-	-	-	-
Capital Construction	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>6,493,937</b>	<b>7,167,298</b>	<b>6,880,121</b>	<b>287,177</b>
Excess (deficiency) of revenues over expenditures	1,739,818	(38,005)	(329,436)	(291,431)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>SPECIAL ITEM</b>				
Proceeds from sale capital assets	-	-	-	-
<b>Net change in fund balances</b>	<b>\$ 1,739,818</b>	<b>\$ (38,005)</b>	<b>(329,436)</b>	<b>\$ (291,431)</b>
Fund balances - Beginning			891,990	
<b>FUND BALANCES - Ending</b>			<b>\$ 562,554</b>	

**This Page Intentionally Left Blank**

**Lincoln County School District No. 2**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2023**

**1. Basis of Presentation**

The budgetary comparison schedules have been prepared on the modified accrual basis of accounting, which is the same budgetary basis used by the District.

**2. Excess of Actual Expenditures over Budget**

Expenditures did not exceed the budgeted amount in any of the major funds during the year.

**LINCOLN SCHOOL DISTRICT #2**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**For the Year Ended June 30, 2023**

<b>Total OPEB Liability</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Service Cost	\$ (2,878)	\$ (3,575)	\$ (1,965)
Interest	(2,232)	(1,369)	(995)
Plan Design Changes	-	-	-
Differences in experience	37,193		(15,571)
Changes of assumptions or other inputs	486	9,019	(835)
Benefit payments	-	-	-
<b>Net Change in Total OPEB Liability</b>	32,569	4,075	(19,366)
<b>Total OPEB Liability - Beginning</b>	<u>(52,651)</u>	<u>(56,726)</u>	<u>(37,360)</u>
<b>Total OPEB Liability - Ending</b>	<u><u>\$ (20,082)</u></u>	<u><u>\$ (52,651)</u></u>	<u><u>\$ (56,726)</u></u>
<b>Covered payroll</b>	\$ 17,970,377	\$ 18,765,295	\$ 18,087,031
<b>Total OPEB Liability as a percentage of covered payroll.</b>	(0.11%)	(0.31%)	(0.30%)

\*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Data is measured as of June 30, 2023, 2022, 2021, 2020, and 2019

<u>2020</u>	<u>2019</u>
\$ (1,763)	\$ (2,430)
(1,192)	(1,225)
-	-
-	590
(1,221)	3,669
-	-
(4,176)	605
(33,184)	(33,789)
\$ (37,360)	\$ (33,184)
\$ 17,862,517	\$ 17,426,846
(0.21%)	(0.19%)

**Lincoln County School District No. 2**  
**Schedule of Employer's Share of Net Pension Liability-WRS Public Employees' Pension Plan**  
**Last 10 Fiscal Years\***

<u>Fiscal Year</u>	<u>Employer's portion of net pension liability</u>	<u>Employer's proportionate share of the net pension liability</u>	<u>Employer's covered employee payroll</u>	<u>Employer's proportional share of the net pension liability as a percentage of its covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2015	1.303130516%	\$ 22,996,243	\$ 22,275,875	103.23%	79.08%
2016	1.293620801%	\$ 30,132,928	\$ 22,561,703	133.56%	73.40%
2017	1.308588700%	\$ 31,635,135	\$ 23,330,896	135.59%	73.42%
2018	1.316015000%	\$ 29,996,155	\$ 23,377,156	128.31%	76.35%
2019	1.298015700%	\$ 39,528,354	\$ 22,603,056	174.88%	69.17%
2020	1.283169000%	\$ 30,153,526	\$ 22,304,207	135.19%	76.83%
2021	1.291664300%	\$ 28,072,512	\$ 22,997,661	122.07%	79.24%
2022	1.319950800%	\$ 20,125,574	\$ 24,022,154	83.78%	86.03%
2023	1.276120000%	\$ 34,873,989	\$ 23,040,762	151.36%	75.47%

\*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Data reported is measured as of December 31, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014.

**Lincoln County School District No. 2**  
**Schedule of Employer Contributions-WRS Public Employees' Pension Plan**  
**Last 10 Fiscal Years\***

<u>Fiscal Year</u>	<u>Statutorily Required Contribution</u>	<u>Contribution in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a % of Covered Payroll</u>
2015	\$ 2,385,855	\$ 1,689,219	\$ (696,636)	\$ 22,275,875	7.58%
2016	\$ 2,178,609	\$ 1,870,865	\$ (307,744)	\$ 22,561,703	8.29%
2017	\$ 2,279,715	\$ 1,982,364	\$ (297,351)	\$ 23,330,896	8.50%
2018	\$ 2,199,371	\$ 1,957,508	\$ (241,862)	\$ 23,377,156	8.37%
2019	\$ 2,488,006	\$ 1,916,293	\$ (571,713)	\$ 22,603,056	8.48%
2020	\$ 2,662,815	\$ 2,019,517	\$ (643,299)	\$ 22,304,207	9.05%
2021	\$ 2,839,284	\$ 2,143,967	\$ (695,317)	\$ 22,997,661	9.32%
2022	\$ 2,803,295	\$ 2,252,851	\$ (550,444)	\$ 24,022,154	9.38%
2023	\$ 2,759,676	\$ 2,759,676	\$ -	\$ 28,191,603	9.79%

\*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Data is reported is measured as of December 31, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014.

**Lincoln County School District No. 2**  
**Notes to WRS Public Employees' Pension Plan Schedules**  
**For the Year Ended June 30, 2023**

**Methods and Assumptions Used in Calculations of Actuarially Determined Contributions**

The actuarially determined contribution rates in the employer's contributions are calculated as of January 1, 2022. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

	<u>WRS Public Employees' Pension Plan</u>
Valuation Date	January 1, 2022
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years
Asset valuation method	5-year smoothed market
<u>Actuarial assumptions</u>	
Investment Rate of Return - Gross	6.80%
Projected salary increases	2.50% to 6.50%
Includes salary inflation	2.50%

## **Compliance Reports**

**This Page Intentionally Left Blank**

**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***

***INDEPENDENT AUDITOR'S REPORT***

The Board of Trustees  
Lincoln County School District No. 2  
Afton, 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, each major fund and the aggregate remaining fund information of Lincoln County School District No. 2, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lincoln County School District No. 2'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 Lincoln County School District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of Lincoln County School District No. 2's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lincoln County School District No. 2'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*.

### **Entity's Response to Findings**

Lincoln county School District No. 2's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lincoln County School District No. 2's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Searle Hart + Associates PLLC*

Rexburg, Idaho  
December 6, 2023

**Lincoln County School District No. 2**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2023**

Name	Federal Assistance Listings Number	Passthrough Number	Passed Through to Subrecipients	Expenditures
<b>Passed through Wyoming Department of Education</b>				
<b>U.S. Department of Education</b>				
Title I-A - Local Education Agencies (Basic)	84.010	221202T1SUBR22	\$ -	\$ 824,780
Title VI-B - Federal Special Education K-12	84.027	221202PSCHSUBR22	-	962,840
ARP-IDEA Part B 611	84.027	611ARP21	-	8,482
Title VI-B - Federal Special Education Preschool	84.173	221202SPEDSUBR22	-	19,415
<b>Total Special Education Cluster (IDEA)</b>			<u>-</u>	<u>990,737</u>
Title II-A - Teacher Quality	84.367	221202T2SUBR22	-	279,776
Title IV-Part A	84.424	221202T4SUBR22	-	283,723
21st Century Grant - CCLC	84.287	221202CCLCSUBR22B2	-	227,392
Carl Perkins Federal Vocational Education	84.048	221202PERKSUBS22	-	77,087
CTE Grant/Misc Grants	84.048	221202CTEA22	-	11,836
COVID-19 ESSER II Funds	84.425D	211202ESSERSUB2100	-	1,332,315
<b>Total U.S. Department of Education</b>			<u>-</u>	<u>4,027,646</u>
<b>U.S. Department of Agriculture</b>				
USDA School Breakfast	10.553	1202000	-	251,056
USDA School Lunch	10.555	1202000	-	858,142
USDA Value of Commodities	10.555	1202000	-	107,691
USDA Fresh Fruits and Vegetable Program	10.582	1202000	-	84,440
<b>Total Child Nutrition Cluster</b>			<u>-</u>	<u>1,301,329</u>
<b>Total U.S. Department of Agriculture</b>			<u>-</u>	<u>1,301,329</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u>\$ -</u>	<u>\$ 5,328,975</u>

**Lincoln County School District No. 2**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lincoln 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of Lincoln County School District No. 2, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lincoln County School District No. 2.

2. Nonmonetary Transactions

Nonmonetary assistance is reported for the Commodity Food Distribution Program at the fair market value of the commodities received, as established by the Wyoming Department of Education. The District held an undetermined amount of those commodities as part of its food inventory at June 30, 2023.

3. Indirect Cost Rates

Lincoln County School District No. 2 has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

The Board of Trustees  
Lincoln County School District No. 2  
Afton, Wyoming

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

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

We have audited Lincoln County School District No. 2's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Lincoln County School District No. 2's major federal programs for the year ended June 30, 2023. Lincoln County School District No. 2's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lincoln 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, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lincoln County School District No. 2 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Lincoln County School District No. 2's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Lincoln County School District No. 2's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain a reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lincoln County School District No. 2's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lincoln County School District No. 2's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lincoln County School District No. 2's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Lincoln County School District No. 2's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lincoln County School District No. 2's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit as defined above, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Searle Hart + Associates PLLC*

Rexburg, Idaho  
December 6, 2023

**Lincoln County School District No. 2  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2023**

Section I – Summary of Auditor’s Results:

***Financial Statements***

The Report of Independent Auditor expresses an unmodified opinion on the basic financial statements of Lincoln County School District No. 2

The audit identified one significant deficiency in internal control over financial reporting (2023-001).

The audit identified no significant deficiencies in internal control over financial reporting that are considered to be material weaknesses.

The audit identified no instances of noncompliance material to the financial statements of Lincoln County School District No. 2.

***Federal Awards***

The report of independent auditor expresses an unmodified opinion on compliance for major programs.

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

The audit identified no significant deficiencies in internal control over compliance for major programs that are considered to be material weaknesses.

The audit disclosed no compliance findings that are required to be reported in accordance with 2 CFR 200.516(a).

Identification of Major Programs:

<u>FAL Number</u>	<u>Name of Federal Program</u>
84.027 & 84.173	Special Education Cluster (IDEA)
84.424	Title IV-Part A

The dollar threshold used to distinguish type A and B programs was \$750,000.

The auditee did qualify as a low-risk auditee.

**Lincoln County School District No. 2  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2023**

Section II – Financial Statement Findings:

This section identifies the audit findings (significant deficiencies, material weaknesses, and instances of noncompliance material to the financial statements) related to the basic financial statements.

**Finding 2023-001**

<i>Condition</i>	The size of the District’s staff is not large enough to permit a complete segregation of duties for an effective system of internal controls.
<i>Criteria</i>	An effective system of internal controls requires that closely related duties be segregated.
<i>Context</i>	Because of review by the Board of District financial transactions, the risk is reduced but errors could still occur and not be detected in the normal course of business.
<i>Effect</i>	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.
<i>Cause</i>	The District’s staff is too small to allow a complete segregation of duties.
<i>Recommendation</i>	Although the District is not large enough to permit a complete segregation of duties for an effective system of internal accounting control, we recommend that officials be aware that the condition does exist and take steps to identify opportunities to further segregate duties where possible.
<i>Managements Response</i>	Although the District recognizes the importance of segregation of duties for proper internal control, the District does not believe it would be cost effective to increase its staff size simply to provide greater segregation of duties. The District will be cognizant of opportunities that arise to further segregate duties within the limitations of the District’s size.

**Lincoln County School District No. 2  
Schedule of Findings and Questioned Costs, Continued  
Year Ended June 30, 2023**

Section III – Federal Award Findings and Questioned Costs:

**None**

**Lincoln County School District No. 2**  
**Status of Prior Year Findings**  
**Year Ended June 30, 2023**

**Finding 2022-001**

*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 controls.

*Status*                              This condition existed again in the current year